



Daiwa Securities Group Inc.

2025 Corporate Questionnaire Response

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About CDP

CDP is a global non-profit that runs the world's only independent environmental disclosure system. As the founder of environmental reporting, we believe in transparency and the power of data to drive change. Partnering with leaders in enterprise, capital, policy and science, we surface the information needed to enable Earth-positive decisions. We helped more than 22,100 companies and over 1,000 cities, states and regions disclose their environmental impacts in 2025. Financial institutions with more than a quarter of the world's institutional assets use CDP data to help inform investment and lending decisions. Aligned with the ISSB's climate standard, IFRS S2, as its foundational baseline, CDP integrates best-practice reporting standards and frameworks in one place. Our team is truly global, united by our shared desire to build a world where people, planet and profit are truly balanced. Visit cdp.net or follow us [@CDP](https://twitter.com/CDP) to find out more.

Useful Information

The CDP questionnaire ([click here](#)) has been a single, integrated questionnaire since 2024, with a simplified version for SMEs. In 2025 it contained questions on five key environmental issues: climate change, forests, water security, plastics and biodiversity. Questions are aligned to international reporting standards and frameworks ([click here](#)). Disclosers see questions and environmental issues that are relevant to them, based on their sector and activities ([click here](#)). We recommend referring to CDP's reporting guidance ([click here](#)) alongside this response. Dates in this document are formatted as YYYY-MM-DD. Dates reported to CDP are stored as UTC (Coordinated Universal Time). The dates in this document may differ from dates when viewed in the CDP Portal but will never deviate by more than 24 hours. Questions with a single row and a single column may not have row labels.

Discloser Information

CDP Org ID: 4268

Field	Value
Disclosure cycle	2025 Disclosure Cycle
Questionnaire	CDP Corporate Questionnaire 2025
Discloser name	Daiwa Securities Group Inc.
CDP Organization Number	4268
CDP Industry classification	Services
CDP activity group	Financial services
CDP activity	Asset managers
Questionnaire Pathway	Full Version
Privacy status	Public
Environmental Issues Intent to Disclose	Climate Change, Biodiversity, Plastics
Commodities	
Primary Sector	Financial services

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Responses

Q1.1 In which language are you submitting your response?

English

Q1.2 Select the currency used for all financial information disclosed throughout your response.

JPY

Q1.3 Provide an overview and introduction to your organization.

Response 1:

Type of financial institution

Asset manager

Organization type

Publicly traded organization

Description of organization

Originally founded in 1902, in Osaka, Japan, Daiwa Securities Group Inc. is a holding company of an integrated financial group through its subsidiaries both in and outside of Japan. We are primarily engaged in securities-related financial businesses including trading and brokerage of securities and derivatives, and investment banking. We also consist of subsidiaries specializing in net-banking services in Japan, asset management, venture capital, think tank, IT services, and other related services.

Q1.4 State the end date of the year for which you are reporting data. For emissions data, indicate whether you will be providing emissions data for past reporting years.

Response 1:

End date of reporting year

2025-03-30

Alignment of this reporting period with your financial reporting period

Yes

Indicate if you are providing emissions data for past reporting years

Yes

Number of past reporting years you will be providing Scope 1 emissions data for

3 years

Number of past reporting years you will be providing Scope 2 emissions data for

3 years

Number of past reporting years you will be providing Scope 3 emissions data for

2 years

Q1.4.1 What is your organization's annual revenue for the reporting period?

1372014000000

Q1.5 Provide details on your reporting boundary.

Yes

Q1.7 Select the countries/areas in which you operate.

- Philippines
- United States of America
- Japan
- India
- United Kingdom
- Singapore
- Taiwan, China
- China, Hong Kong Special Administrative Region
- Korea (The Republic of)

Q1.9 What was the size of your organization based on total assets value at the end of the reporting period?

36024346000000

Q1.10 Which activities does your organization undertake, and which industry sectors does your organization lend to, invest in, and/or insure?

Response 1: Banking (Bank)

Activity undertaken

No

Response 2: Investing (Asset manager)

Activity undertaken

Yes

Reporting the portfolio value and % of revenue associated with the portfolio

Yes, both the portfolio value and the % of revenue associated with it

Portfolio value based on total assets

35180000000000

% of revenue

15.9

Type of clients

- Institutional investors
- Corporate and institutional clients (companies)
- Family offices / high network individuals
- Retail clients

Industry sectors your organization lends to, invests in, and/or insures

- Fossil Fuels
- Materials
- Services
- Food, beverage & agriculture
- Power generation
- Hospitality
- Infrastructure
- Transportation services
- Retail
- Manufacturing
- Apparel
- Biotech, health care & pharma

Response 3: Investing (Asset owner)

Activity undertaken

No

Response 4: Insurance underwriting (Insurance company)

Activity undertaken

No

Q1.24 Has your organization mapped its value chain?

Response 1:

Value chain mapped

Yes, we have mapped or are currently in the process of mapping our value chain

Value chain stages covered in mapping

- Upstream value chain
- Portfolio

Highest supplier tier mapped

Tier 2 suppliers

Highest supplier tier known but not mapped

All supplier tiers known have been mapped

Portfolios covered in mapping

Investing (Asset manager)

Description of mapping process and coverage

We conduct credit investigations and other procedures when selecting investment and financing targets, so we are familiar with Tier 1 suppliers. We recommend improving traceability and strengthening supply chain management for some investment and financing targets.

We are familiar with Tier 1 suppliers in the upstream sector.

Additionally, our group has established the 'Daiwa Securities Group Supplier Code of Conduct' and is encouraging suppliers to address environmental and social issues. This code covers not only Tier 1 direct procurement sources, but also third parties (including subcontractors) that provide products, services or labour to our group, as well as their employees. Therefore, we have identified some Tier 2 (subcontractor) suppliers.

Q1.24.1 Have you mapped where in your direct operations or elsewhere in your value chain plastics are produced, commercialized, used, and/or disposed of?

Response 1:

Plastics mapping

No, but we plan to within the next two years

Primary reason for not mapping plastics in your value chain

Not an immediate strategic priority

Explain why your organization has not mapped plastics in your value chain

Not an immediate strategic priority

Q2.1 How does your organization define short-, medium-, and long-term time horizons in relation to the identification, assessment, and management of your environmental dependencies, impacts, risks, and opportunities?

Response 1: Short-term

From (years)

0

To (years)

3

How this time horizon is linked to strategic and/or financial planning

The short-term time frame related to the environment is defined in line with our group's management plan. The short-term time frame used to evaluate and analyse dependencies, impacts, risks, and opportunities is defined as less than three years, based on the three-year time frame of our medium-term management plan.

Response 2: Medium-term

From (years)

3

To (years)

5

How this time horizon is linked to strategic and/or financial planning

The medium-term time frame for environmental issues is defined as more than three years but less than five years, based on the three-year time frame of the medium-term management plan and the company's goal of achieving net zero GHG emissions by 2030.

Response 3: Long-term

From (years)

5

Is your long-term time horizon open ended?

Yes

How this time horizon is linked to strategic and/or financial planning

The long-term time frame for environmental issues is defined as five years or more, based on the fact that the time frame for our group's management vision, 2030 Vision, is 10 years, and that 2050 is the target year for achieving net zero GHG emissions in our investment portfolio.

Q2.2 Does your organization have a process for identifying, assessing, and managing environmental dependencies and/or impacts?

Response 1:

Process in place

Yes

Dependencies and/or impacts evaluated in this process

Both dependencies and impacts

Q2.2.1 Does your organization have a process for identifying, assessing, and managing environmental risks and/or opportunities?

Response 1:

Process in place

Yes

Risks and/or opportunities evaluated in this process

Both risks and opportunities

Is this process informed by the dependencies and/or impacts process?

Yes

Q2.2.2 Provide details of your organization's process for identifying, assessing, and managing environmental dependencies, impacts, risks, and/or opportunities.

Response 1: Row 1

Environmental issue

- Climate change
- Biodiversity

Indicate which of dependencies, impacts, risks, and opportunities are covered by the process for this environmental issue

- Dependencies
- Risks
- Opportunities
- Impacts

Value chain stages covered

- Upstream value chain
- Direct operations

Coverage

Full

Supplier tiers covered

Tier 1 suppliers

Type of assessment

Qualitative and quantitative

Frequency of assessment

More than once a year

Time horizons covered

- Short-term
- Medium-term
- Long-term

Integration of risk management process

A specific environmental risk management process

Location-specificity used

Site-specific

Tools and methods used

- Other: Materiality assessment
- Commercially/publicly available tools: LEAP (Locate, Evaluate, Assess and Prepare) approach, TNFD
- Other: Scenario analysis
- Commercially/publicly available tools: Biological Diversity Protocol
- Commercially/publicly available tools: Encore tool
- Commercially/publicly available tools: TNFD - Taskforce on Nature-related Financial Disclosures
- International methodologies and standards: IPCC Climate Change Projections
- Other: WRI Aqueduct, WWF Water Risk Filter
- Commercially/publicly available tools: IBAT - Integrated Biodiversity Assessment Tool

Risk types and criteria considered

- Chronic physical: Change in land-use
- Liability: Regulation and supervision of environmental risk in the financial sector
- Chronic physical: Precipitation or hydrological variability
- Chronic physical: Water stress
- Chronic physical: Increased ecosystem vulnerability
- Chronic physical: Changing precipitation patterns and types (rain, hail, snow/ice)
- Market: Loss of clients due to a fund's poor environmental performance outcomes (e.g. if a fund has suffered climate-related write-downs)
- Chronic physical: Solifluction
- Acute physical: Flood (coastal, fluvial, pluvial, ground water)
- Reputation: Lending that could create or contribute to systemic risk for the economy
- Policy: Carbon pricing mechanisms

Partners and stakeholders considered

- Customers
- Employees
- Suppliers
- NGOs
- Investors

Has this process changed since the previous reporting year?

No

Further details of process

[Climate Change]

Our group views climate-related risks as factors that cause or amplify existing risks (such as market risk and credit risk), and we consider their short-, medium-, and long-term impacts within the framework of our existing risk management system. Through analysis based on climate change scenarios, we identify and organise risks that could have a negative impact on our business.

With regard to transition risks, we use NGFS climate scenarios to estimate the valuation losses of assets classified as climate-related exposures in carbon-related industries. With regard to physical risks, we refer to climate scenarios published by the IPCC to estimate the physical damage caused by wind and water disasters associated with climate change, targeting real estate holdings in May 2024 and renewable energy facilities in May 2025. We have identified climate-related opportunities by conducting interviews with each business division and taking into account the impacts identified through scenario analysis, and we have evaluated their significance in conjunction with climate-related risks. These climate-related risks and opportunities, along with the measures to address them, are discussed by the Sustainability Promotion Committee or the Executive Committee and reported to the Board of Directors as appropriate.

[Biodiversity]

We are conducting LEAP analysis in accordance with the TNFD Recommendations v1.0. Specifically, we are conducting initial analyses using ENCORE (as of April 2024) and IBAT, etc., to identify priority sectors and regions within our group and recognise the risks and opportunities that may arise.

Q2.2.4 Does your organization have a process for identifying, assessing, and managing environmental dependencies and/or impacts related to your portfolio activities?

Response 1: Investing (Asset manager)

Process in place covering this portfolio

Yes

Dependencies and/or impacts related to this portfolio evaluated in this process

Both dependencies and impacts

Q2.2.5 Does your organization have a process for identifying, assessing, and managing environmental risks and/or opportunities related to your portfolio activities?

Response 1: Investing (Asset manager)

Process in place covering this portfolio

Yes

Risks and/or opportunities related to this portfolio are evaluated in this process

Both risks and opportunities

Is this process informed by the dependencies and/or impacts process?

Yes

Q2.2.6 Provide details of your organization's process for identifying, assessing, and managing environmental dependencies, impacts, risks, and/or opportunities related to your portfolio activities.

Response 1: Investing (Asset manager)

Environmental issue

- Climate change
- Biodiversity

Indicate which of dependencies, impacts, risks, and opportunities are covered by the process for this portfolio

- Impacts
- Dependencies
- Opportunities
- Risks

% of portfolio covered by the assessment process in relation to total portfolio value

100

Type of assessment

Qualitative and quantitative

Industry sectors covered by the assessment

- Hospitality
- Biotech, health care & pharma
- Power generation
- Transportation services
- Infrastructure
- Retail
- Food, beverage & agriculture
- Materials
- Manufacturing
- Services
- Fossil Fuels
- Apparel

Frequency of assessment

Annually

Time horizons covered

- Short-term
- Medium-term
- Long-term

Integration of risk management process

Integrated into multi-disciplinary organization-wide risk assessment process

Location-specificity used

Site-specific

Tools and methods used

- ENCORE
- CDP Disclosure Framework
- Portfolio temperature alignment
- Internal tools/methods
- WRI Aqueduct
- Scenario analysis

Risk type and criteria considered

- Liability: Regulation and supervision of environmental risk in the financial sector
- Chronic physical: Precipitation or hydrological variability
- Chronic physical: Increased ecosystem vulnerability
- Chronic physical: Water stress
- Chronic physical: Change in land-use

- Policy: Carbon pricing mechanisms
- Acute physical: Heavy precipitation (rain, hail, snow/ice)
- Technology: Transition to lower emissions technology and products
- Chronic physical: Declining ecosystem services
- Acute physical: Flood (coastal, fluvial, pluvial, ground water)
- Market: Loss of clients due to a fund's poor environmental performance outcomes (e.g. if a fund has suffered climate-related write-downs)
- Chronic physical: Increased severity of extreme weather events
- Chronic physical: Changing precipitation patterns and types (rain, hail, snow/ice)
- Market: Rise in risk-based pricing of insurance policies (beyond demand elasticity)

Partners and stakeholders considered

- Investors
- NGOs
- Suppliers
- Employees
- Customers

Further details of process

[Climate Change]

Daiwa Asset Management conducts scenario analysis using indicators such as CVaR to assess portfolio risk and resilience.

Regarding climate-related risks and opportunities for investee companies, we identify these through a combination of company disclosures, external data vendor information, proprietary research, and dialogue with companies. The identified risks and opportunities are reflected in our corporate value assessment model and utilized in investment decisions. Additionally, through dialogue with companies, we aim to promote the transition to decarbonized business operations and enhance corporate value.

Furthermore, the company monitors and analyses GHG-related indicators such as total carbon emissions, carbon footprint, and carbon intensity for each fund. The results of these monitoring activities are reported to the board of directors through the Stewardship Committee.

[Biodiversity]

Daiwa Asset Management analyses its portfolio based on the LEAP approach using data from S&P Global.

In measuring dependence, the company scores each company's dependence on ecosystem services, takes into account the investment ratio, and evaluates each company by GICS industry group.

In measuring impact, the company evaluates each company by GICS industry group, taking into account the investment ratio and the ratio of direct and indirect external costs (total environmental costs related to GHG, water, waste, land and water pollutants, air pollutants, and natural resource use) to sales.

We identify the risks and opportunities related to the natural capital of investee companies through company disclosures, external vendor data, proprietary research, and dialogue with companies. The identified risks and opportunities are reflected in the company value assessment model and used in investment decisions.

Through dialogue with companies, we also support the transition to nature-positive management and aim to enhance corporate value. These monitoring results are reported to the board of directors through the Stewardship Committee.

Q2.2.7 Are the interconnections between environmental dependencies, impacts, risks and/or opportunities assessed?

Response 1:

Interconnections between environmental dependencies, impacts, risks and/or opportunities assessed

Yes

Description of how interconnections are assessed

We analysed the interdependencies and impacts of our business on the environment using the LEAP approach recommended by the TNFD. We utilised various tools such as ENCORE, IBAT, WRI Aqueduct, and WWF to conduct regional and business analyses and identify priority sectors within our portfolio. For each priority sector, we considered interdependencies and impacts and extracted risks and opportunities from two perspectives: business sustainability and environmental conservation.

Furthermore, we conducted a TCFD analysis to analyse transition risks and opportunities created by increases in greenhouse gas (GHG) emissions, as well as physical risks and opportunities created from a climate change perspective. In particular, we analysed dependencies on two ecosystem services: environmental provisioning services and regulation and maintenance services. We also considered the impact of GHG emissions on the atmospheric ecosystem.

As a securities company, we are indirectly involved with the environment through our investment and financing activities with business enterprises, and we identify risks and opportunities through these activities. For example, our portfolio includes investments in companies in the chemical sector. The research and manufacture of chemical products is highly dependent on water, and if pollutants are released into rivers and the sea, it is considered that this will have a significant impact on water. Investments in such companies pose risks that could affect the profitability of our portfolio, the value of our assets, and our reputation.

Q2.2.8 Does your organization consider environmental information about your clients/investees as part of your due diligence and/or environmental dependencies, impacts, risks and/or opportunities assessment process?

Yes

Q2.2.9 Indicate the environmental information your organization considers about clients/investees as part of your due diligence and/or environmental dependencies, impacts, risks and/or opportunities assessment process, and how this influences decision-making.

Response 1: Investing (Asset manager)

Environmental issues covered

Climate change

Type of environmental information considered

- Energy usage data
- Climate transition plans
- TCFD disclosures
- Emissions data
- Emissions reduction targets

Process through which information is obtained

- Public data sources
- Directly from the client/investee
- Data provider

Industry sectors covered by due diligence and/or risk assessment process

- Food, beverage & agriculture
- Power generation
- Fossil Fuels
- Materials
- Manufacturing
- Infrastructure

% of portfolio covered by the process in relation to total portfolio value

1

Total portfolio value covered by the process

351800000000

Q2.4 How does your organization define substantive effects on your organization?

Response 1: Risks

Type of definition

- Quantitative
- Qualitative

Indicator used to define substantive effect

Stranded assets

Change to indicator

Absolute decrease

Absolute increase/ decrease figure

6090000000

Metrics considered in definition

- Likelihood of effect occurring
- Frequency of effect occurring
- Time horizon over which the effect occurs

Application of definition

[Significant impact due to risk (qualitative)]

Risks related to climate change can be broadly categorised into ' transition risks' caused by regulatory tightening and market changes associated with the transition to a carbon-neutral society, and ' physical risks' related to physical damage caused by natural disasters and other events. Our group conducts qualitative and quantitative analyses based on climate change scenarios to identify risks that could have a negative impact on our business, financial condition, and operating results, as well as opportunities that could have a positive impact.

[Significant Impacts of Risks (Quantitative)]

The risks we found with large impacts were largely separated into the following:

Transition risks: Quantitative analysis showed that assets classified as carbon-related industries are susceptible to the transition to a decarbonised society. Long-term analysis predicted a loss of approximately

67.1 billion yen under the NGFS' s Hot House World scenario.

Physical risk: We analysed that real estate-related assets are exposed to significant risks due to the intensification of extreme weather events caused by climate change. Based on scenario analysis, the average annual estimated damage to real estate owned by our group due to wind and water damage is estimated to be approximately 40 million yen in 2030 and 50 million yen in 2050 under the RCP8.5 scenario, which forecasts conditions in the case on the highest temperature rise. Additionally, the estimated annual damage to renewable energy facilities owned by our group due to wind and water damage is approximately 40 million yen in 2050 under the SSP5-8.5 scenario.

If the results of the scenario analysis (transition risk: approximately 6 billion yen, physical risk: 50 million yen + 40 million yen) are exceeded, we consider there to be a significant impact.

Response 2: Opportunities

Type of definition

- Qualitative
- Quantitative

Indicator used to define substantive effect

Asset value

Change to indicator

Absolute increase

Absolute increase/ decrease figure

102517000000

Metrics considered in definition

- Likelihood of effect occurring
- Time horizon over which the effect occurs
- Frequency of effect occurring

Application of definition

[Significant impact due to opportunities (qualitative)]

Our company makes sustainability-related investments and loans, including those related to climate change. As a financial institution, we can support companies' decarbonisation activities by providing funds, thereby indirectly contributing to the social and natural environment. Furthermore, with sustainability awareness increasing worldwide, we expect to see increased profits from sustainability-related investments and loans.

[Significant Impacts from Opportunities (Quantitative)]

In the new mid-term business plan 'Passion for the Best' 2026, published on 20 May 2024, we have set KPIs related to sustainability.

Specifically, these include indicators such as the primary dealer auction ranking for GX transition bonds, ESG investment and financing balances, sustainability-related investment balances, green building certification ratios, renewable energy transition rates (offices and data centres), and carbon-related asset balances. In particular, if the actual values for the reporting year exceed those related to ESG investment and financing in the AM department, this is considered a significant opportunity.

In the reporting year, the AM department' s net operating profit was 102,517 million yen.

Q3.1 Have you identified any environmental risks which have had a substantive effect on your organization in the reporting year, or are anticipated to have a substantive effect on your organization in the future?

Response 1: Climate change

Environmental risks identified

Yes, both within our direct operations or upstream value chain, and within our portfolio

Response 2: Plastics

Environmental risks identified

No

Primary reason why your organization does not consider itself to have environmental risks in your direct operations and/or upstream/downstream value chain

Not an immediate strategic priority

Please explain

We have not yet analyzed or assessed risks associated with plastics; however, we are actively working on recycling waste plastics and reducing plastic usage.

Q3.1.1 Provide details of the environmental risks identified which have had a substantive effect on your organization in the reporting year, or are anticipated to have a substantive effect on your organization in the future.

Response 1: Climate change

Risk identifier

Risk1

Risk types and primary environmental risk driver

Market: Loss of clients due to a fund's poor environmental performance outcomes (e.g. if a fund has suffered climate-related write-downs)

Value chain stage where the risk occurs

Investing (Asset manager) portfolio

Risk type mapped to traditional financial services industry risk classification

- Market risk
- Credit risk

Country/area where the risk occurs

- China
- Netherlands
- France
- United States of America
- Japan

Organization-specific description of risk

Daiwa Asset Management manages a variety of funds. As of the end of fiscal 2024, the total assets under management (AUM) amounted to 33.3 trillion yen, representing an increase of just under 3% compared to the previous fiscal year (32.3 trillion yen). The AUM includes stocks and bonds issued by companies that may be negatively impacted by climate change and the transition to a low-carbon society. Therefore, in the event of climate change-related events such as extreme weather or natural disasters, or if the transition to a decarbonised society progresses, the market valuation of these issuers' stocks may decline, potentially leading to a deterioration in the fund's investment performance. Additionally, asset management fees are calculated as a percentage of the AUM balance. Consequently, if the fund's performance deteriorates and the AUM balance decreases, the trust fees the company receives may also decrease.

% of portfolio value vulnerable to this risk

1-10%

Primary financial effect of the risk

Other: Decrease in AUM

Time horizon over which the risk is anticipated to have a substantive effect on the organization

Medium-term

Likelihood of the risk having an effect within the anticipated time horizon

Likely

Magnitude

High

Anticipated effect of the risk on the financial position, financial performance and cash flows of the organization in the selected future time horizons

Daiwa Asset Management develops and manages a large number of fund products. As of the 2024 fiscal year, the company has achieved total assets under management of 33.3 trillion yen. In the event of climate change-related events (transition-related: penalties for excessive GHG emissions from carbon-related industries, increased investor focus on sustainability, etc.; physical-related: destruction of facilities and operational shutdowns due to extreme weather events such as floods and tidal surges), market valuations of stocks may be affected, potentially leading to a decline in investment performance.

As a result, there is also the possibility of impacts on assets and cash flow, such as a decline in investment liquidity due to early redemption of assets by investors and a decrease in revenue due to the inability to attract new investors.

For the 2024 fiscal year, net operating profit is projected to be 57,960 million yen. Assuming a 1% reduction in profit due to climate change, a loss of approximately 580 million yen is anticipated.

Are you able to quantify the financial effect of the risk?

Yes

Anticipated financial effect figure in the medium-term - minimum (currency)

579600000

Anticipated financial effect figure in the medium-term - maximum (currency)

579600000

Explanation of financial effect figure

The total assets under management for investment securities in fiscal 2024 were 33.3 trillion yen, and net operating profit was 57.86 billion yen (17.5%). If the performance of funds managed by DAM declines due to climate change and the total assets under management decrease by 1%, the estimated financial impact would be 579.6 million yen. This figure is calculated as follows:

Operating profit for the 2024 fiscal year of 57.96 trillion yen $\times$ 1% = 579.6 million yen.

Primary response to risk

Engagement: Engage with customers

Cost of response to risk

144000000

Explanation of cost calculation

The response cost was calculated as follows:

Average annual income of 16 million yen for fiscal year 2024 $\times$ number of stewardship team employees (9) = 144 million yen.

Description of response

In 2020, DAM established its 'ESG Investment Policy' and clarified its ESG stance. Under this policy, ESG criteria will be incorporated into the investment decision-making process for equity and bond investments. We evaluate investee companies from an ESG perspective by combining qualitative assessments by fund managers and research analysts with quantitative assessments by quantitative analysts, assign ESG scores to evaluate their capabilities, and utilise these scores in stock selection and portfolio monitoring. After portfolio construction, we engage in dialogue with investee companies regarding their responses to climate-related risks and opportunities.

In fiscal 2024, we focused on initiatives to promote improvements in the climate change responses of investee companies. Specifically, we refined the timelines of companies with high GHG emissions and vague climate transition plans. To enhance the alignment between transition plans and business plans while increasing the certainty of decarbonisation efforts, we are encouraging companies to break down their 2030 targets into annual goals and disclose them. This is expected to reduce uncertainty in the implementation of transition plans and improve market evaluation.

Response 2: Climate change

Risk identifier

Risk2

Risk types and primary environmental risk driver

Market: Uncertainty in market signals

Value chain stage where the risk occurs

Investing (Asset manager) portfolio

Risk type mapped to traditional financial services industry risk classification

Market risk

Country/area where the risk occurs

Japan

Organization-specific description of risk

Our group holds shares and bonds of various companies for trading, investment, and capital contribution purposes. These include assets issued by companies that are vulnerable to climate change, and as of the end of fiscal 2024, we hold approximately 550 billion yen in carbon-related assets.

Companies with high GHG emissions or inadequate climate measures may face deteriorating business continuity and profitability, as well as significant declines in asset value, as the transition to a carbon-neutral society progresses. This could lead to declines in the stock prices of our investment and equity participation targets, potentially adversely affecting our group's investment performance and profitability.

% of portfolio value vulnerable to this risk

11-20%

Primary financial effect of the risk

Other: Impairment loss due to collateral and potential of non-liquid stranded assets

Time horizon over which the risk is anticipated to have a substantive effect on the organization

- Medium-term
- Long-term

Likelihood of the risk having an effect within the anticipated time horizon

Likely

Magnitude

Medium-high

Anticipated effect of the risk on the financial position, financial performance and cash flows of the organization in the selected future time horizons

Our group holds stocks and bonds issued by companies that are vulnerable to climate change through investment and capital contributions. Among these, we believe that companies engaged in carbon-related businesses are the most noteworthy.

As we transition to a decarbonised society, carbon-related businesses are exposed to higher risks than other sectors, including legal regulations, the transition to a sustainable economy, and the increasing frequency of extreme weather events. If penalties or losses from disasters occur, this could significantly impact the profitability of these businesses, potentially leading to a decline in the value of our investment and equity holdings.

Specifically, as of the end of the 2024 fiscal year, we hold approximately 550 billion yen in carbon-related assets. The carbon-related assets we hold may experience a significant decline in value in the future as society shifts toward decarbonisation. According to our scenario analysis, cumulative losses are projected to be approximately 67.1 billion yen by 2050 (26 years) and approximately 350 million yen by 2029 (5 years) under the Hot House World scenario (both compared to the base scenario).

Are you able to quantify the financial effect of the risk?

Yes

Anticipated financial effect figure in the medium-term - minimum (currency)

350000000

Anticipated financial effect figure in the medium-term - maximum (currency)

350000000

Anticipated financial effect figure in the long-term - minimum (currency)

67100000000

Anticipated financial effect figure in the long-term - maximum (currency)

67100000000

Explanation of financial effect figure

Carbon-related assets that are susceptible to transition risk may lose value as society transitions to a decarbonised society. Continuing to hold these assets could lead to a decline in the value of our group's assets and damage to our reputation.

Our group uses NGFS climate scenarios to estimate the impairment losses on the portion of our assets classified as climate-related exposures in carbon-related industries. According to our scenario projections, the cumulative loss is estimated to be approximately 67.1 billion yen by 2050 (26 years) and approximately 350 million yen by 2029 (5 years) under the Hot House World scenario (both compared to the base scenario).

Primary response to risk

Policies and plans : Other policies or plans: Risk quantification and target setting

Cost of response to risk

128693000

Explanation of cost calculation

The response cost was calculated as follows:

Average annual income for fiscal 2024 (16 million yen) × 8 personnel engaged in scenario analysis in the Risk Management Department and Sustainability Promotion Department = 128 million yen.

+

Annual fees for various initiatives

CDP (signature annual membership fee): JPY 693,000

Description of response

If the counterparties to transactions held by our group are affected by climate-related factors and suffer from default or credit issues, our group will face significant transaction losses. An important first step in mitigating these risks is to gain a deeper understanding of the potential losses arising from climate change and our exposure to climate-related risks through our asset portfolio. To this end, our group conducts scenario analysis every year to estimate the potential losses from carbon-related assets. Based on these results, we aim to reduce carbon-related assets over the medium to long term.

Furthermore, to reduce carbon-related assets, decarbonisation of society as a whole is also necessary. Our group is participating in initiatives such as CDP and Climate Action 100+ to accelerate the realisation of a decarbonised society.

Q3.1.2 Provide the amount and proportion of your financial metrics from the reporting year that are vulnerable to the substantive effects of environmental risks.

Response 1: Climate change

Financial metric

Assets

Amount of financial metric vulnerable to transition risks for this environmental issue (unit currency as selected in 1.2)

550000000000

% of total financial metric vulnerable to transition risks for this environmental issue

1-10%

Amount of financial metric vulnerable to physical risks for this environmental issue (unit currency as selected in 1.2)

11773200

% of total financial metric vulnerable to physical risks for this environmental issue

Less than 1%

Explanation of financial figures

[Transition risk]

Carbon-related assets: The total amount at the end of fiscal 2024 will be approximately 550 billion yen.

Total assets (as per Question 1.9): 36,024.346 billion yen,

Ratio = $550 \text{ billion} \div 36,024.346 \text{ billion} \times 100\% = 1.526\%$

[Physical Risk]

Among real estate-related assets, the amount of damage caused by wind and water disasters during the reporting year was

Sales branches: 0 yen,

REIT properties: 11,773,200 yen,

Total: 11,773,200 yen.

Total asset value (as per Question 1.9): 36,024.346 billion yen,

Ratio = $12 \text{ million yen} \div 36,024.346 \text{ billion yen} \times 100\% = \text{less than } 1\%$

Q3.6 Have you identified any environmental opportunities which have had a substantive effect on your organization in the reporting year, or are anticipated to have a substantive effect on your organization in the future?

Yes, we have identified opportunities, and some/all are being realized

Q3.6.1 Provide details of the environmental opportunities identified which have had a substantive effect on your organization in the reporting year, or are anticipated to have a substantive effect on your organization in the future.

Response 1: Climate change

Opportunity identifier

Opp1

Opportunity type and primary environmental opportunity driver

Markets: Increased demand for funds that invest in companies that have positive environmental credentials

Value chain stage where the opportunity occurs

Investing (Asset manager) portfolio

Country/area where the opportunity occurs

Japan

Organization specific description

Recent growing public interest in climate change and decarbonization has led to growing demand for investments in new industries and companies that will thrive in the transition to a low-carbon economy. In response, Daiwa Asset Management launched a new 'Carbon Neutral Equity Fund' in July 2021. The Fund invests in companies that provide solutions for a decarbonized society, such as CCUS, zero-emission passenger aircrafts, and electric vehicles. By the end of FY2024, the fund's AUM amounted to 64.053 billion yen. It is anticipated that a significant amount of investment capital, amounting to approximately 131 trillion USD, will be required to achieve a decarbonized society, which is why we offer clients the opportunity to invest in companies that contribute to solving environmental problems through this fund, while simultaneously enabling companies that provide solutions for a decarbonized society an opportunity to raise capital.

Primary financial effect of the opportunity

Increased revenues resulting from increased demand for products and services

Time horizon over which the opportunity is anticipated to have a substantive effect on the organization

- Long-term
- Medium-term
- Short-term

Likelihood of the opportunity having an effect within the anticipated time horizon

Very likely (90-100%)

Magnitude

Medium-high

Anticipated effect of the opportunity on the financial position, financial performance and cash flows of the organization in the selected future time horizons

In recent years, there has been a growing interest in decarbonisation as a response to climate change. In the transition to a low-carbon economy, there is an increasing need for investment in new industries and companies that are playing an active role. We have seized this momentum and started to develop and market various ESG fund products, including Carbon Zero from 2021 and Mirai Earth from 2022. By the end of the year ending 31 March 2024, these two products had achieved a total net asset value of just under JPY 100 billion. The trend of increasing profits is expected to continue.

Are you able to quantify the financial effects of the opportunity?

Yes

Anticipated financial effect figure in the short-term - minimum (currency)

71900000000

Anticipated financial effect figure in the short-term - maximum (currency)

71900000000

Anticipated financial effect figure in the medium-term - minimum (currency)

111600000000

Anticipated financial effect figure in the medium-term - maximum (currency)

111600000000

Anticipated financial effect figure in the long-term - minimum (currency)

191000000000

Anticipated financial effect figure in the long-term - maximum (currency)

191000000000

Explanation of financial effect figures

As part of its contribution to the energy transition, the company offers investment trusts focused on the environment and green energy transition. For example, Daiwa Asset Management launched a new 'Carbon Neutral Equity Fund' in July 2021. The fund invests in companies that provide solutions for a decarbonised society, such as CCUS, zero-emission passenger aircraft, and electric vehicles. The fund's AUM stood at 24.5 billion yen at the time of its launch in July 2021, and by the end of the 2024 fiscal year, it had grown to 64 billion yen, comprising 22.3 billion yen from the Carbon Zero Fund and 41.7 billion yen from the Mirai Earth series of funds. This significant increase in the fund's AUM also reflects strong investor demand for investments in companies addressing climate change.

Assuming that AUM continues to grow at the same pace from July 2021 to July 2024, the fund's AUM at the end of the 2025 fiscal year is projected to reach 71.9 billion yen.

The potential financial impact is based on the assumed AUM balance at the end of the 2025 fiscal year. The calculation method is as follows:

Growth rate for 2021-2024: $(64 - 24.5) \div 24.5 \div 48 \text{ months} = 3.4\%$

Forecast value by the end of 2025: $64 \times (1 + 3.4\% \times 12 \text{ months}) = 71.9 \text{ billion yen}$

Similarly, using the above growth rate, the mid-term fund AUM is calculated as follows:

Forecast value until the end of 2030: $64 \times (1 + 3.4\% \times 72 \text{ months}) = 111.6 \text{ billion yen}$

Additionally, the long-term fund AUM is calculated as follows:

Forecast value until the end of 2040: $64 \times (1 + 3.4\% \times 192 \text{ months}) = 191 \text{ billion yen}$

Cost to realize opportunity

240000000

Explanation of cost calculation

The cost of response was calculated as the following: FY2024 average annual income of 16 million yen x the number of employees in the Research Department at Daiwa Asset Management of 15 employees 240 million yen.

Strategy to realize opportunity

As the ESG market expands, Daiwa AM provides support to sales companies at appropriate times. Specifically, we conduct training for sales company sales staff on market trends and outlooks, as well as fund management status. The number of training sessions has been increasing every year, and we are working to strengthen our support. Additionally, since the 2024 fiscal year, we have been regularly conducting online training sessions (hereinafter referred to as 'cross-company training') that multiple sales companies can participate in. On 5 August 2024, following the historic sharp decline in the Japanese stock market, we conducted an emergency cross-company training session for sales companies the next day. This training session, which provided timely explanations of the background behind the recent stock market decline and future outlook, has been accessed over 3000 times.

Response 2: Climate change

Opportunity identifier

Opp2

Opportunity type and primary environmental opportunity driver

Markets: Increased diversification of financial assets [e.g., green bonds and infrastructure]

Value chain stage where the opportunity occurs

Investing (Asset manager) portfolio

Country/area where the opportunity occurs

- Australia
- Japan
- United States of America

Organization specific description

Renewable energy accounted for just 25.7% of Japan's total power supply in FY2023 (From ISEP: Institute for Sustainable Energy Policies). With this in mind, substantially increasing the contribution from renewable energy is essential to achieve carbon neutrality in 2050. This requires a great amounts of investment. Daiwa Energy & Infrastructure is looking to invest in these areas, which will become increasingly important in the future, and accumulate assets that generate clean and high-quality cash flows. One of DEI's strengths is that it uses its own funds to invest. This allows DEI to set a flexible strategy. Unlike normal financial investors, DEI is able to invest from the development stage, investing in technologies and products that are a half step ahead and yet to become mainstream. Moreover, DEI's ability to leverage the Group's network is its greatest strength. Recognizing the specialized nature of power generation and related facilities, these types of assets are not generally suitable for investment by institutional investors due to their low liquidity. DEI's strategy is to hold these assets until they are operating stably, and to then provide them to the Group's customers, for example, by forming a private placement fund.

Primary financial effect of the opportunity

Increased revenues resulting from increased demand for products and services

Time horizon over which the opportunity is anticipated to have a substantive effect on the organization

Medium-term

Likelihood of the opportunity having an effect within the anticipated time horizon

Very likely (90-100%)

Magnitude

Medium-high

Anticipated effect of the opportunity on the financial position, financial performance and cash flows of the organization in the selected future time horizons

The Group’s Daiwa Energy Infrastructure seeks to invest in the increasingly important renewable energy sector and accumulate assets that generate clean, high quality cash flows. In fiscal 2023, we acquired shares in Aurora Infrastructure, which operates a power distribution business for the industrial sector in Finland, and acquired multiple solar power plant projects in Australia through collaboration with domestic energy tech company ENECHANGE. Furthermore, we made CO2OS a subsidiary with the aim of strengthening solar power equipment development, evaluation, maintenance and management, and asset management functions, and invested in storage batteries in Nishi-Sapporo. In the 2024 fiscal year, we executed a joint investment in U.S. onshore wind and solar power plant projects managed by InfraRed Capital Partners Limited. As a result, a track record of investment balances of JPY 131.8 billion had been acquired.

Are you able to quantify the financial effects of the opportunity?

Yes

Anticipated financial effect figure in the medium-term - minimum (currency)

118000000000

Anticipated financial effect figure in the medium-term - maximum (currency)

118000000000

Explanation of financial effect figures

Through Daiwa Energy & Infrastructure, we promote investment and financing globally in the renewable energy and infrastructure fields. As of the end of FY2024, the balance of DEI’s investment in SDG-related business was 132 billion yen. The medium-term management plan published since May 2024 sets a target of 250 billion yen for the balance of investment in renewable energy and infrastructure from own funds in 2030. Furthermore, the Group aims to expand its investment balance and achieve stable growth in earnings through a gradual transition to an asset management business model in the fund business with the introduction of external funds. The potential financial impact is calculated based on the additional investment required to achieve the above 2030 targets, using the following method. ; JPY 250 billion - JPY 132 billion = JPY 118 billion

Cost to realize opportunity

16000000

Explanation of cost calculation

The cost of response was calculated as follows: FY2024 average annual income of 16 million yen x the number of employees dispatched to Green Giraffe of 1 employees 16 million yen.

Strategy to realize opportunity

We established Daiwa Energy & Infrastructure (DEI) in July 2018, transferring the energy investment functions previously managed by Daiwa PI Partners to the new company. Initially, DEI focused on domestic renewable energy investments, primarily in solar power, but has since expanded its scope to include international renewable energy and infrastructure projects. In FY2019, DEI entered into a 50:50 joint venture with Green Giraffe, a specialist advisory firm in the renewable energy sector.

Response 3: Climate change

Opportunity identifier

Opp3

Opportunity type and primary environmental opportunity driver

Products and services: Increased sales of existing products and services

Value chain stage where the opportunity occurs

Upstream value chain

Country/area where the opportunity occurs

Japan

Organization specific description

As climate change progresses, more and more companies are issuing SDG bonds, including green bonds, to raise the funds necessary for the transition to a decarbonised society. This includes the introduction of renewable energy and the promotion of green projects. The total issuance amount of SDG bonds in Japan has indeed increased steadily, reaching 2.3 trillion yen in the 2020 fiscal year, 3.0 trillion yen in the 2021 fiscal year, 4.7 trillion yen in the 2022 fiscal year, 8.3 trillion yen in the 2023 fiscal year and 7.1 trillion yen in the 2024 fiscal year. Continued growth is expected in the future.

For Daiwa Securities, an increase in underwriting deals for SDG bonds could lead to higher underwriting fees, presenting a potential opportunity for revenue expansion.

Primary financial effect of the opportunity

Increased revenues resulting from increased demand for products and services

Time horizon over which the opportunity is anticipated to have a substantive effect on the organization

Short-term

Likelihood of the opportunity having an effect within the anticipated time horizon

Likely (66-100%)

Magnitude

Medium-low

Anticipated effect of the opportunity on the financial position, financial performance and cash flows of the organization in the selected future time horizons

Daiwa Securities has contributed to the expansion of the sustainable finance market by serving as lead manager and structured agent for many large bond issues. In 2024, it was entrusted with supporting the framework development for climate transition interest-bearing government bonds issued by the Japanese

government, contributing to the promotion of transition finance both domestically and internationally. Additionally, it acted as lead manager for Green Bonds issued by Central Japan Expressway Company and Transition Bonds issued by the Japan Policy Investment Bank, with the total amount of Green Bonds underwritten in the 2024 fiscal year reaching 647.8 billion yen. As a result, it secured the top position in the SDGs-related bond league table for the same fiscal year.

Are you able to quantify the financial effects of the opportunity?

Yes

Anticipated financial effect figure in the short-term - minimum (currency)

1296000000

Anticipated financial effect figure in the short-term - maximum (currency)

1296000000

Explanation of financial effect figures

With the transition to a decarbonised society, funding needs are increasing, and Daiwa Securities is expected to expand its underwriting business. In fiscal 2024, the company's green bond underwriting amount reached 647.8 billion yen. Assuming that the market and the company's share will continue at the same level and applying a typical underwriting fee rate of 0.2%, the annual underwriting fee will be approximately 1.296 billion yen.

The potential financial impact is calculated by multiplying the green bond underwriting amount by the fee rate:

FY2024 Green Bond Underwriting Amount 647.8 billion yen $\times$ 0.2% = 1.296 billion yen

Cost to realize opportunity

256000000

Explanation of cost calculation

The cost of response was calculated as follows: FY2024 average annual income of 16 million yen $\times$ the number of employees in the Sustainability Solution Promotion Department at Daiwa Securities of 16 employees = 256 million yen.

Strategy to realize opportunity

Daiwa Securities has been involved in sustainable finance from early on, selling Japan's first impact investment bonds for individuals, known as 'vaccine bonds,' in 2008. The company has contributed to the development of domestic and international standards by participating in the Ministry of the Environment's Green Bond Guidelines Review Committee and being selected as an Asian underwriter for the ICMA Advisory Council.

Additionally, in 2020, the company established the 'Sustainability Solutions Promotion Department,' a specialised division focused on sustainable finance. This department leads efforts to propose bonds, stocks, and other financial products tailored to the needs of investors and issuers, thereby supporting the advancement of sustainable finance.

Q3.6.2 Provide the amount and proportion of your financial metrics in the reporting year that are aligned with the substantive effects of environmental opportunities.

Response 1: Climate change

Financial metric

Assets

Amount of financial metric aligned with opportunities for this environmental issue (unit currency as selected in 1.2)

64053000000

% of total financial metric aligned with opportunities for this environmental issue

Less than 1%

Explanation of financial figures

Daiwa Asset Management has established two climate-related funds: the Carbon Zero Fund and the Clean Tech Equity & Green Bond Fund. As of the end of fiscal 2024, the total assets under management for these two funds amounted to 64.05 billion yen, with 22.29 billion yen for the former and 41.77 billion yen for the latter. This represents approximately 0.2% of the company's total assets under management of 33.3 trillion yen.

Response 2: Climate change

Financial metric

Other: principal investment

Amount of financial metric aligned with opportunities for this environmental issue (unit currency as selected in 1.2)

131800000000

% of total financial metric aligned with opportunities for this environmental issue

41-50%

Explanation of financial figures

Daiwa Energy Infrastructure invests in domestic and overseas renewable energy and infrastructure, mainly solar power generation, and its sustainability-related investment balance at the end of fiscal 2024 was 131.8 billion yen. This accounts for approximately 46% of the company's PI balance of 284 billion yen.

Q4.1 Does your organization have a board of directors or an equivalent governing body?

Response 1:

Board of directors or equivalent governing body

Yes

Frequency with which the board or equivalent meets

More frequently than quarterly

Types of directors your board or equivalent is comprised of

- Independent non-executive directors or equivalent
- Executive directors or equivalent

- Non-executive directors or equivalent

Board diversity and inclusion policy

Yes, and it is publicly available

Briefly describe what the policy covers

Our company strives to ensure a balance of knowledge, experience, and abilities within the board of directors as a whole, as well as diversity in terms of gender, internationality, and other factors.

Attach the policy (optional)

corporate_governance_report.pdf

Q4.1.1 Is there board-level oversight of environmental issues within your organization?

Board-level oversight of this environmental issue	
Climate change	Yes
Biodiversity	Yes

Q4.1.2 Identify the positions (do not include any names) of the individuals or committees on the board with accountability for environmental issues and provide details of the board’s oversight of environmental issues.

Response 1: Climate change

Positions of individuals or committees with accountability for this environmental issue

Director on board

Positions’ accountability for this environmental issue is outlined in policies applicable to the board

Yes

Policies which outline the positions’ accountability for this environmental issue

- Board mandate
- Other policy applicable to the board: Executive Officer Regulations

Frequency with which this environmental issue is a scheduled agenda item

Scheduled agenda item in some board meetings - at least annually

Governance mechanisms into which this environmental issue is integrated

- Reviewing and guiding the assessment process for dependencies, impacts, risks, and opportunities
- Monitoring progress towards corporate targets
- Reviewing and guiding annual budgets
- Monitoring the implementation of a climate transition plan
- Overseeing and guiding the development of a business strategy
- Approving and/or overseeing employee incentives
- Overseeing the setting of corporate targets

- Monitoring the implementation of the business strategy
- Overseeing and guiding major capital expenditures
- Overseeing and guiding public policy engagement
- Overseeing and guiding scenario analysis

Scope of board-level oversight

- Risks and opportunities to our own operations
- The impact of our investing activities on the environment
- The impact of our own operations on the environment
- Risks and opportunities to our investment activities

Please explain

The Board of Directors oversees strategies and policies related to sustainability, including climate change. The Board of Directors receives reports as necessary in accordance with the Board of Directors Rules on strategies and policies related to sustainability that have been discussed by the Sustainability Promotion Committee or deliberated by the Executive Committee, etc., and makes decisions on matters that are central to management or that the Board of Directors deems important, as specified in the Rules as matters requiring resolution.

In the 2024 fiscal year, topics such as climate-related disclosures and revisions to environmental and social policy frameworks were reported to the Board of Directors.

Response 2: Biodiversity

Positions of individuals or committees with accountability for this environmental issue

Chief Executive Officer (CEO)

Positions' accountability for this environmental issue is outlined in policies applicable to the board

No

Frequency with which this environmental issue is a scheduled agenda item

Sporadic - agenda item as important matters arise

Governance mechanisms into which this environmental issue is integrated

- Overseeing and guiding the development of a business strategy
- Monitoring the implementation of the business strategy
- Monitoring compliance with corporate policies and/or commitments
- Reviewing and guiding the assessment process for dependencies, impacts, risks, and opportunities
- Approving corporate policies and/or commitments
- Reviewing and guiding annual budgets

Scope of board-level oversight

- The impact of our investing activities on the environment
- Risks and opportunities to our investment activities
- The impact of our own operations on the environment
- Risks and opportunities to our own operations

Please explain

[Biodiversity-related supervision and objectives]
The Group formulated the ‘ Environmental and Social Policy Framework’ to strengthen our management system for environmental and social risks. This framework also includes a provision aimed at biodiversity conservation, which stipulates those businesses that may have a significant negative impact on the environment should be aware of the risks and take appropriate actions through engagement and other means. Specifically, it prohibits investments and loans in projects that have a negative impact on Ramsar Convention-designated wetlands and requires caution when making investments and loans in projects that involve deforestation. When investing in or financing such projects, we will conduct ESG due diligence and, while taking into account whether appropriate measures to prevent the negative environmental impacts from damage to ecosystems or illegal logging have been carried out, will use the investigation results to make a final decision. When making an investment or loan, it is recommended that the business concerned acquire a Forest Stewardship Council certification, an international forest certification system, and formulate an environmental and human rights policy such as No Deforestation, No Peat and No Exploitation. This framework was approved by the Board of Directors after discussions at the SDGs Promotion Committee chaired by the CEO. We strengthen the supervisory system centered on the Board of Directors by regularly reporting the results of discussions and delegating resolutions on important matters. This framework will be reviewed on a regular basis with the aim of making it more rigorous while taking into account changes in operational conditions and the external environment.

Q4.2 Does your organization’s board have competency on environmental issues?

Response 1: Climate change

Board-level competency on this environmental issue

Yes

Mechanisms to maintain an environmentally competent board

- Consulting regularly with an internal, permanent, subject-expert working group
- Integrating knowledge of environmental issues into board nominating process
- Engaging regularly with external stakeholders and experts on environmental issues
- Having at least one board member with expertise on this environmental issue
- Regular training for directors on environmental issues, industry best practice, and standards (e.g., TCFD, SBTi)

Environmental expertise of the board member

Experience: Executive-level experience in a role focused on environmental issues

Q4.3 Is there management-level responsibility for environmental issues within your organization?

Management-level responsibility for this environmental issue	
Climate change	Yes
Biodiversity	Yes

Q4.3.1 Provide the highest senior management-level positions or committees with responsibility for environmental issues (do not include the names of individuals).

Response 1: Climate change

Position of individual or committee with responsibility

Executive level: Chief Executive Officer (CEO)

Environmental responsibilities of this position

- Strategy and financial planning: Developing a business strategy which considers environmental issues
- Policies, commitments, and targets: Setting corporate environmental policies and/or commitments
- Dependencies, impacts, risks and opportunities: Assessing environmental dependencies, impacts, risks, and opportunities
- Dependencies, impacts, risks and opportunities: Managing environmental dependencies, impacts, risks, and opportunities
- Strategy and financial planning: Implementing the business strategy related to environmental issues
- Other: Providing employee incentives related to environmental performance
- Strategy and financial planning: Managing annual budgets related to environmental issues
- Dependencies, impacts, risks and opportunities: Assessing future trends in environmental dependencies, impacts, risks, and opportunities
- Policies, commitments, and targets: Monitoring compliance with corporate environmental policies and/or commitments

Coverage of responsibilities

- Dependencies, impacts, risks, and opportunities related to our investing activities
- Dependencies, impacts, risks and opportunities related to our own operations and/or upstream value chain

Reporting line

Reports to the board directly

Frequency of reporting to the board on environmental issues

More frequently than quarterly

Please explain

[Supervisory System]

The Board of Directors supervises strategies and policies related to sustainability, including climate change. The Board of Directors receives reports as necessary in accordance with the Board of Directors Rules on strategies and policies related to sustainability that have been discussed by the Sustainability Promotion Committee or deliberated by the Executive Committee, etc., and makes decisions on matters that are central to management and matters that the Board of Directors deems important, as stipulated in the same rules. In the 2024 fiscal year, topics such as climate-related disclosures and revisions to environmental and social policy frameworks were reported to the Board of Directors.

[Executive Structure]

Strategies and policies related to sustainability, including climate change, are regularly discussed by the Sustainability Promotion Committee, chaired by the Representative Executive Officer and CEO. The committee has discussed matters such as the formulation and revision of environmental and social policy frameworks and carbon neutrality declarations. The contents of the committee's discussions are reported to the Executive Committee and the Board of Directors as appropriate.

Response 2: Biodiversity

Position of individual or committee with responsibility

Executive level: Chief Executive Officer (CEO)

Environmental responsibilities of this position

- Strategy and financial planning: Managing annual budgets related to environmental issues
- Strategy and financial planning: Developing a climate transition plan
- Strategy and financial planning: Managing major capital and/or operational expenditures relating to environmental issues
- Strategy and financial planning: Managing environmental reporting, audit, and verification processes
- Other: Providing employee incentives related to environmental performance
- Strategy and financial planning: Managing acquisitions, mergers, and divestitures related to environmental issues
- Engagement: Managing value chain engagement related to environmental issues
- Dependencies, impacts, risks and opportunities: Managing environmental dependencies, impacts, risks, and opportunities
- Strategy and financial planning: Implementing a climate transition plan
- Policies, commitments, and targets: Measuring progress towards environmental science-based targets
- Policies, commitments, and targets: Setting corporate environmental policies and/or commitments
- Strategy and financial planning: Developing a business strategy which considers environmental issues
- Dependencies, impacts, risks and opportunities: Assessing future trends in environmental dependencies, impacts, risks, and opportunities
- Engagement: Managing supplier compliance with environmental requirements
- Strategy and financial planning: Managing priorities related to innovation/low-environmental impact products or services (including R&D)
- Policies, commitments, and targets: Monitoring compliance with corporate environmental policies and/or commitments

Coverage of responsibilities

- Dependencies, impacts, risks, and opportunities related to our investing activities
- Dependencies, impacts, risks and opportunities related to our own operations and/or upstream value chain

Reporting line

Reports to the board directly

Frequency of reporting to the board on environmental issues

More frequently than quarterly

Please explain

The Sustainability Promotion Committee (formerly the SDGs Promotion Committee) is responsible for addressing sustainability-related issues within our group, identifying risks and opportunities, exploring solutions, and implementing initiatives. The committee is chaired by the CEO, who holds accountability for various ESG themes, including biodiversity. In addition to its supervisory responsibilities, the committee analyzes the company's dependence and impact on the environment, discloses information in line with the TNFD framework, and discusses progress toward company goals. As a member of the board of directors, the CEO directly reports on the discussions and action plans from the Sustainability Promotion Committee to the board of directors and the executive officer meetings several times a year.

Q4.5 Do you provide monetary incentives for the management of environmental issues, including the attainment of targets?

Response 1: Climate change

Provision of monetary incentives related to this environmental issue

Yes

% of total C-suite and board-level monetary incentives linked to the management of this environmental issue

20

Please explain

To strengthen executive incentives for sustainability initiatives, including those related to climate change, we have incorporated sustainability KPIs into the evaluation framework of our performance-based compensation system. These KPIs include SDG-related bond league tables and climate-related KPIs for greenhouse gas (GHG) emissions. When calculating performance-based compensation, we apply a quality assessment (-20% to +20%) which evaluates both financial and non-financial KPIs based on financial information. In fiscal year 2024, performance-based compensation accounted for 11.01 billion yen (56% of the total) of the 19.8 billion yen total compensation amount. While we have not assigned specific weights to climate-related KPIs and other non-financial KPIs, they are considered as part of the overall evaluation.

Q4.5.1 Provide further details on the monetary incentives provided for the management of environmental issues (do not include the names of individuals).

Response 1: Climate change

Position entitled to monetary incentive

Board or executive level: Chief Executive Officer (CEO)

Incentives

- Profit share
- Shares

Performance metrics

- Emission reduction: Implementation of an emissions reduction initiative
- Engagement: Increased engagement with suppliers on environmental issues
- Emission reduction: Reduction in absolute emissions
- Engagement: Increased engagement with investee companies on environmental issues
- Strategy and financial planning: Achievement of climate transition plan

Incentive plan the incentives are linked to

Both Short-Term and Long-Term Incentive Plan, or equivalent

Further details of incentives

The calculation of performance-linked compensation for our group's executives utilizes the numerical targets set forth in the 'Passion for the Best 2026' medium-term management plan, which was publicly announced in May 2024. This assessment considers four key aspects: 'Performance,' 'Customer Assets,' 'Digital,' and 'Sustainability.' The overall evaluation reflects a combination of financial and non-financial KPIs. The sustainability-related KPIs have been further elevated starting in FY2023, with specific goals including: Ranking within the top two positions in SDG-related bond league tables by FY2026. Maintaining an engagement survey score of 80% or higher. Achieving net-zero greenhouse gas emissions for the company by FY2030. Reducing the greenhouse gas emissions of our investment portfolio to between 186 and 225 g-CO2/kWh. These targets underscore our commitment to sustainability and long-term value creation.

How the position's incentives contribute to the achievement of your environmental commitments and/or climate transition plan

In May 2024, new three-year targets were introduced under the Medium-Term Management Plan Passion for the Best 2026. The sustainability KPIs have been further elevated from FY2023, with the plan setting ambitious goals, including: (1) Achieving a top two ranking in SDG-related league tables by FY2026. (2) Maintaining an engagement survey score of at least 80%. (3) Reducing the company's greenhouse gas emissions to net zero by FY2030. (4) Lowering the greenhouse gas emissions of its investment and loan portfolio to between 186 and 225 g-CO₂/kWh. Additional indicators incorporated into the plan include: GX Transition Bond Primary Dealer Successful Bid Rankings, ESG Investment and Loan Balance, Sustainability-Related Investment Balance, Green Building Certification Ratio, Renewable Energy Switching Rate, and Carbon-Related Asset Balance. Incentive requirements for directors and executive officers are formulated according to the company-wide KPIs listed above. The company has established a transition plan aligned with the 1.5C target and aims to achieve net zero by FY2030 or earlier. To drive progress, we offer incentives to motivate our executive officers to take proactive and concrete actions towards these goals, thereby advancing the realisation of sustainable management. Furthermore, the sustainability philosophy is expected to permeate throughout the company. Directors and executive officers can play a key leadership role by instilling environmental awareness and responsibility across the organization through a top-down approach. This method will significantly support the implementation of the transition plan and the achievement of its targets, while also enhancing the company's competitiveness and credibility.

Q4.6 Does your organization have an environmental policy that addresses environmental issues?

Yes

Q4.6.1 Provide details of your environmental policies.

Response 1: Row 1

Environmental issues covered

- Biodiversity
- Climate change

Level of coverage

Organization-wide

Value chain stages covered

- Portfolio
- Direct operations

Explain the coverage

Recognizing the critical importance of addressing environmental challenges such as global warming prevention, resource circularity, and ecosystem conservation, the Company is dedicated to contributing to environmental solutions through its financial operations. As a responsible corporate citizen, we continuously work to reduce our environmental impact, guided by a strong environmental philosophy that underpins our policy of minimizing impact across all activities. This policy extends to the entire Daiwa Securities Group, covering not only the headquarters but also the operations of the Company and its investment and financing partners. It includes commitments to energy conservation, the development of sustainable financial products, collaboration with the supply chain, and ecosystem preservation. By adopting this comprehensive approach, the Group actively implements its environmental policy, achieving measurable progress toward building a

sustainable society.

Environmental policy content

- Social commitments: Commitment to respect internationally recognized human rights
- Environmental commitments: Commitment to comply with regulations and mandatory standards
- Climate-specific commitments: Commitment to not invest in fossil-fuel expansion
- Climate-specific commitments: Commitment to net-zero emissions
- Social commitments: Commitment to respect and protect the customary rights to land, resources, and territory of Indigenous Peoples and Local Communities
- Environmental commitments: Commitment to respect legally designated protected areas
- Environmental commitments: Commitment to stakeholder engagement and capacity building on environmental issues
- Social commitments: Commitment to secure Free, Prior, and Informed Consent (FPIC) of indigenous people and local communities
- Environmental commitments: Commitment to a circular economy strategy
- Environmental commitments: Other environmental commitment: (1) Establishment of an environmental management system and continuous improvement of environmental activities. (2) Promote initiatives for resource and energy conservation and ecosystem protection. (3) Promote environmental communication.

Indicate whether your environmental policy is in line with global environmental treaties or policy goals

- Yes, in line with the Kunming-Montreal Global Biodiversity Framework
- Yes, in line with the Paris Agreement
- Yes, in line with another global environmental treaty or policy goal: Washington Convention Ramsar Convention

Public availability

Publicly available

Attach the policy

Environmental and Social Policy Framework.pdf

Q4.7 Does the policy framework for the portfolio activities of your organization include environmental requirements that clients/investees need to meet, and/or exclusion policies?

Yes, our framework includes both policies with environmental client/investee requirements and environmental exclusion policies

Q4.7.1 Provide details of the policies which include environmental requirements that clients/investees need to meet.

Response 1: Investing (Asset manager)

Environmental issues covered

- Biodiversity
- Climate change

Type of policy

- Sustainable/Responsible Investment Policy
- Stewardship policy

Public availability

Publicly available

Attach the policy

sustainability_report_2024.pdf

Value chain stages of client/investee covered by policy

Direct operations and upstream/downstream value chain

Industry sectors covered by the policy

- Services
- Hospitality
- Food, beverage & agriculture
- Materials
- Retail
- Transportation services
- Infrastructure
- Apparel
- Manufacturing
- Power generation
- Biotech, health care & pharma
- Fossil Fuels

% of portfolio covered by the policy in relation to total portfolio value

100

Explain how criteria coverage and/or exceptions have been determined

At Daiwa Asset Management, we strive to accurately assess and share our understanding of the circumstances of the companies in which we invest, based on our ESG investment policy. We believe that there is no difference in our approach to ESG investment policy across our active, passive, and outsourced investment strategies and products.

Requirements for clients/investees

- Climate-specific commitments: Commitment to disclose Scope 1 emissions
- Climate-specific commitments: Commitment to disclose Scope 3 emissions
- Climate-specific commitments: Commitment to disclose Scope 2 emissions
- Additional references/Descriptions: Description of impacts on natural resources and ecosystems
- Environmental commitments: Commitment to a circular economy strategy
- Climate-specific commitments: Commitment to develop a climate transition plan
- Climate-specific commitments: Commitment to net-zero emissions
- Climate-specific commitments: Commitment to set a science-based emissions reduction target

Measurement of proportion of clients/investees compliant with the policy

Yes

% of clients/investees compliant with the policy

52

% of portfolio value that is compliant with the policy

0

Target year for 100% compliance

We have not set a target for 100% compliance

Response 2: Investing (Asset manager)

Environmental issues covered

Climate change

Type of policy

- Credit policy
- Investment policy/strategy
- Other investing policy: underwriting policy

Public availability

Publicly available

Attach the policy

Environmental and Social Policy Framework.pdf

Value chain stages of client/investee covered by policy

Direct operations and upstream/downstream value chain

Industry sectors covered by the policy

- International bodies
- Services
- Food, beverage & agriculture
- Manufacturing
- Biotech, health care & pharma
- Transportation services
- Power generation
- Apparel
- Retail
- Infrastructure
- Materials
- Hospitality
- Fossil Fuels

% of portfolio covered by the policy in relation to total portfolio value

100

Explain how criteria coverage and/or exceptions have been determined

Daiwa Securities Group Inc. formulated the 'Environmental and Social Policy Framework' in June 2021 to strengthen its management and governance infrastructure for environmental and social risks on business.

This Framework covers new investments and loans, and the underwriting of bonds and stocks issuance made by Daiwa Securities Group Inc. and its major group companies.

Requirements for clients/investees

- Climate-specific commitments: Commitment to develop a climate transition plan
- Climate-specific commitments: Commitment to not invest in fossil-fuel expansion
- Social commitments: Commitment to respect internationally recognized human rights
- Social commitments: Commitment to respect and protect the customary rights to land, resources, and territory of Indigenous Peoples and Local Communities
- Additional references/Descriptions: Description of impacts on natural resources and ecosystems
- Additional references/Descriptions: Description of dependencies on natural resources and ecosystems
- Social commitments: Commitment to secure Free, Prior, and Informed Consent (FPIC) of indigenous people and local communities
- Environmental commitments: Commitment to implementation of nature-based solutions that support landscape restoration and long-term protection of natural ecosystems

Measurement of proportion of clients/investees compliant with the policy

Yes

% of clients/investees compliant with the policy

100

% of portfolio value that is compliant with the policy

100

Target year for 100% compliance

Already met

Q4.7.2 Provide details of your exclusion policies related to industries, activities and/or locations exposed or contributing to environmental risks.

Response 1: Investing (Asset manager)

Type of exclusion policy

Coal mining

Fossil fuel value chain

Upstream

Year of exclusion implementation

2021

Phaseout pathway

- New business/investment for new projects
- New business/investment for existing projects

Year of complete phaseout

2021

Country/area the exclusion policy applies to

Worldwide

Description

In response to the growing awareness of environmental and social issues both in Japan and internationally, and the ongoing efforts to realize a sustainable society, we have decided to recognize and address the risks associated with businesses that may have a significant negative impact on the environment and society. We aim to take appropriate actions through engagement and other methods to mitigate these risks. Our 'Environmental and Social Policy Framework' was established and published in June 2021. In light of our activities and changes in the external environment, we regularly review this framework. The most recent update, completed in December 2024, further strengthens the management of environmental and social risks, such as thermal coal mining and human rights protection. Regarding climate-related policies, particularly concerning carbon-intensive businesses, we have made a commitment to halt investments and loans for new coal-fired power plant construction and the expansion of existing facilities. However, exceptions are made for projects that use new technologies aligned with the goals of the Paris Agreement, subject to individual consultation. We have also prohibited investments in new or expanded mountaintop removal coal mining operations and general coal mining projects. Since 2021, we have committed to stopping investments and loans in coal-powered electricity and coal mining. However, considering Japan's ongoing reliance on fossil fuels, we recognize that a complete phase-out of all coal and fossil fuel projects by 2030 may be challenging. This issue will continue to be reviewed internally. 【Policy Details】 We have specifically prohibited investments and loans in projects that negatively impact UNESCO-designated World Heritage sites, Ramsar Convention wetlands, violate the Washington Convention, or lead to human rights violations such as child labor and forced labor. Additionally, we carefully assess the following nine categories when considering investments and loans: 1. Businesses affecting indigenous communities 2. Projects involving land expropriation that leads to involuntary relocation of residents 3. Coal-fired power generation 4. Manufacturing of weapons of mass destruction or inhumane weapons 5. Palm oil plantation development 6. Businesses involving deforestation 7. Coal mining 8. Large-scale hydroelectric power generation construction 9. Oil and gas development

Q4.9 Does your organization offer its employees a pension scheme that incorporates environmental criteria in its holdings?

Response 1: Climate change

Pension scheme incorporates environmental criteria in its holdings

Yes, as the default investment strategy for all plans

Describe how funds within the pension scheme are selected and how your organization ensures that environmental criteria are incorporated

Daiwa Securities includes ESG funds in our 401k product line-up. We define an 'ESG fund' as a fund that intentionally controls ESG risks and opportunities in the portfolio construction process and is capable of providing specific disclosures (quantitative and qualitative) related to ESG risks and opportunities. We have long regarded ESG factors as essential information for evaluating the risk and growth potential of portfolio companies, and actively utilize them in investment decisions for proactive management and as a characteristic of index funds.

Q4.10 Are you a signatory or member of any environmental collaborative frameworks or initiatives?

Response 1:

Are you a signatory or member of any environmental collaborative frameworks or initiatives?

Yes

Collaborative framework or initiative

- Climate Bonds Initiative Partnership Programme
- Task Force on Nature-related Financial Disclosures (TNFD)
- Climate Action 100+
- IIF Forum on Implementation of TCFD recommendations
- Principles for Responsible Investment (PRI)
- Net Zero Asset Managers initiative
- UNEP FI
- Other: Japan Sustainable Investment Forum, Principles for Financial Action for the 21st Century, GX League Basic Concept, Keidanren Biodiversity Declaration Initiative, and Green Bonds Partners Programme

Describe your organization's role within each framework or initiative

Daiwa Securities Group is committed to contributing to the development of a sustainable society through various partnerships, extending beyond the financial and economic sectors. To this end, we actively participate in, sign, and endorse initiatives related to ESG, the environment, climate change, biodiversity, and green finance. TCFD: Daiwa Securities Group Inc. (April 2018), Daiwa Asset Management (December 2020), and Daiwa Real Estate Asset Management (December 2021) have expressed their support for the TCFD and are members of the TCFD Consortium (established in Japan in May 2019). We also conduct annual scenario analyses. TNFD: In September 2022, both Daiwa Securities Group Inc. and Daiwa Asset Management officially endorsed the TNFD's mission and joined its forum. UN Global Compact: Daiwa Securities Group Inc. signed the Global Compact in January 2010 and continues to support and contribute to sustainable development in the international community, including principles related to the environment. UNEP FI: As a signatory since May 2018, Daiwa Securities Group Inc. collaborates with financial institutions, policymakers, and regulators through UNEP-FI to promote a financial system that integrates ESG and sustainable development. Net Zero Asset Managers Initiative (NZAMi): In December 2021, Daiwa Asset Management endorsed and joined this global initiative to achieve net-zero greenhouse gas emissions from portfolio companies. Climate Action 100: Daiwa Asset Management became a signatory in August 2021, endorsing this initiative as a pathway to achieving the Paris Agreement's goals. UN Principles for Responsible Investment (PRI): Daiwa Asset Management (formerly Daiwa Securities Investment Trust Management) has been a signatory since May 2006, promoting responsible investment by integrating ESG factors into decision-making processes. Japan Sustainable Investment Forum (JSIF): Daiwa Asset Management has been a member since August 2022, supporting efforts to promote sustainable investment, including ESG investment, in Japan. Principles for Financial Action for a Sustainable Society: Formulated in 2011, these guidelines help financial institutions address a wide range of environmental, social, and economic issues. GX (Green Transformation) League Basic Concept: In March 2022, Daiwa Securities Group Inc. endorsed METI's GX League Basic Concept, which fosters collaboration among companies to achieve carbon neutrality by 2050 as a growth opportunity. Keidanren Biodiversity Declaration Initiative: This initiative aims to build a sustainable society in harmony with nature. Green Bond Issuer Registration Scheme: Since its launch in 2018, Daiwa Securities Group has been registered with the scheme, which subsidizes issuance support costs for entities that assist in the issuance of green bonds.

Q4.11 In the reporting year, did your organization engage in activities that could directly or indirectly influence policy, law, or regulation that may (positively or negatively) impact the environment?

Response 1:

External engagement activities that could directly or indirectly influence policy, law, or regulation that may impact the environment

Yes, we engaged indirectly through, and/or provided financial or in-kind support to a trade association or other intermediary organization or individual whose activities could influence policy, law, or regulation

Indicate whether your organization has a public commitment or position statement to conduct your engagement activities in line with global environmental treaties or policy goals

Yes, we have a public commitment or position statement in line with global environmental treaties or policy goals

Global environmental treaties or policy goals in line with public commitment or position statement

Paris Agreement

Attach commitment or position statement

Integrated Report 2025.pdf

Indicate whether your organization is registered on a transparency register

Yes

Types of transparency register your organization is registered on

Non-government register

Disclose the transparency registers on which your organization is registered & the relevant ID numbers for your organization

The Company is a member of the Federation of Economic Organisations. registration number ID: 03658

Describe the process your organization has in place to ensure that your external engagement activities are consistent with your environmental commitments and/or transition plan

Our Group is committed to achieving substantial net-zero GHG emissions (Scope 1 and 2) by FY 2030 and has developed a transition plan to this end. We are actively promoting energy-saving initiatives and increasing the use of renewable energy in our electricity consumption. Furthermore, we are participating in various discussions and initiatives both domestically and internationally to contribute to the realization of a sustainable society. In recent years, as efforts to establish sustainability disclosure standards have progressed, members of our Group have taken on roles as councilors in the IFRS Foundation, which oversees the ISSB, as well as participating members of the Sustainability Standards Board of Japan (SSBJ). Additionally, we contribute to various rule-making efforts through our participation in the PCAF, which focuses on measuring and disclosing GHG emissions from investments, and the GX League. Moreover, Daiwa Securities participated as a market maker in the carbon credit market established by the Tokyo Stock Exchange. As a result, we met both the order display time and selling quantity criteria in the renewable energy (electricity) segment, contributing to the liquidity and appropriate price formation in the carbon credit market. In FY 2023, we were recognized as a Good Market Maker. Among the industry associations we are involved with, we participated in the 2022 TNFD Forum and expressed our support for the Keidanren Biodiversity Declaration. Participation in initiatives and industry associations is executed after obtaining

approval from the Board of Directors through the Sustainability Promotion Committee. The Sustainability Promotion Committee was established in 2018 to guide the group-wide response to the SDGs, meeting four times a year. Activities that affect the Group's policies are initially consulted upon, proposed, and reported to the Sustainability Promotion Office by each Group company, department, and overseas office. The Office then proposes and reports possible discussion topics to the Sustainability Promotion Committee, which then debates their alignment with our climate change strategy and management approach. The discussions are regularly reported to the Board of Directors and the Executive Management Committee, with meetings held as necessary. Initiatives based on the discussed items are then promoted throughout the Group, fostering collaboration and better planning of these enterprises.

Q4.11.2 Provide details of your indirect engagement on policy, law, or regulation that may (positively or negatively) impact the environment through trade associations or other intermediary organizations or individuals in the reporting year.

Response 1: Row 1

Type of indirect engagement

Indirect engagement via a trade association

Trade association

Asia and Pacific: Japan Business Federation (Keidanren)

Environmental issues relevant to the policies, laws, or regulations on which the organization or individual has taken a position

Climate change

Indicate whether your organization's position is consistent with the organization or individual you engage with

Consistent

Indicate whether your organization attempted to influence the organization or individual's position in the reporting year

Yes, we publicly promoted their current position

Describe how your organization's position is consistent with or differs from the organization or individual's position, and any actions taken to influence their position

Our Representative Director and Chairman, Seiji Nakata, serves as Vice-Chair of the Policy Board of the Japan Business Federation (Keidanren).

He actively shares his opinions in various Keidanren committees and engages in policy recommendations and proposals. We recognise that our basic stance on climate change is consistent with Keidanren's vision of achieving carbon neutrality by 2050.

Funding figure your organization provided to this organization or individual in the reporting year (currency)

0

Indicate if you have evaluated whether your organization's engagement is aligned with global environmental treaties or policy goals

Yes, we have evaluated, and it is aligned

Global environmental treaties or policy goals aligned with your organization's engagement on policy, law or regulation

Paris Agreement

Response 2: Row 2

Type of indirect engagement

Indirect engagement via a trade association

Trade association

Global: Other global trade association: PCAF Japan Coalition

Environmental issues relevant to the policies, laws, or regulations on which the organization or individual has taken a position

Climate change

Indicate whether your organization's position is consistent with the organization or individual you engage with

Consistent

Indicate whether your organization attempted to influence the organization or individual's position in the reporting year

Yes, we publicly promoted their current position

Describe how your organization's position is consistent with or differs from the organization or individual's position, and any actions taken to influence their position

The PCAF Japan Coalition is a collaborative organization of financial institutions and investor groups operating in Japan, providing a framework for financial institutions to assess the greenhouse gas (GHG) emissions of their portfolios and set reduction targets. This coalition aims to strengthen efforts to address climate change by setting specific goals, and its work plan for fiscal 2024 outlines an activity policy to '\ further enhance collaboration among participating institutions, deepen each company' s knowledge and experience, and promote more advanced measurement and disclosure of GHG emissions through financial activities by delving into key issues and strengthening stakeholder engagement.\' Through information sharing and benchmarking among Japanese financial institutions, the PCAF Japan Coalition seeks to promote sustainable finance. Our group is working to establish a framework for sustainable finance by advancing environmentally conscious investments and loans. This activity aligns with PCAF' s objectives, as we continue to strive for accurate GHG emissions measurement and transparent disclosure.

Funding figure your organization provided to this organization or individual in the reporting year (currency)

0

Indicate if you have evaluated whether your organization's engagement is aligned with global environmental treaties or policy goals

Yes, we have evaluated, and it is aligned

Global environmental treaties or policy goals aligned with your organization's engagement on policy, law or regulation

Paris Agreement

Response 3: Row 3

Type of indirect engagement

Indirect engagement via a trade association

Trade association

Global: Other global trade association: The Principles for Financial Action for the 21st Century

Environmental issues relevant to the policies, laws, or regulations on which the organization or individual has taken a position

Climate change

Indicate whether your organization's position is consistent with the organization or individual you engage with

Consistent

Indicate whether your organization attempted to influence the organization or individual's position in the reporting year

Yes, we publicly promoted their current position

Describe how your organization's position is consistent with or differs from the organization or individual's position, and any actions taken to influence their position

The Principles for Financial Action for the 21st Century are a set of guidelines developed to emphasize sustainability, social responsibility, and ethical behavior for financial institutions. These principles provide a framework for financial services to address modern challenges such as climate change and social inequality etc. Specifically, the framework includes seven fundamental principles, and participating financial institutions are required to integrate these principles into their management strategies and business operations, as well as formulate specific action plans. Additionally, by cooperating with international financial institutions and organizations, they aim to establish a global framework for sustainable finance and address common challenges. Furthermore, specialized initiatives and programs are developed at the regional level to contribute to local communities. Our group has established ESG policies, including the ' Environmental Basic Policy,' ' Environmental and Social Policy Framework,' and ' Ideal Management for Investee Companies.' These policies align with the Principles for Financial Action for the 21st Century, and we are advancing concrete initiatives to realize sustainable management. As a financial institution, we support the sustainable development of our investee companies and promote environmentally and socially responsible activities.

Funding figure your organization provided to this organization or individual in the reporting year (currency)

0

Indicate if you have evaluated whether your organization's engagement is aligned with global environmental treaties or policy goals

Yes, we have evaluated, and it is aligned

Global environmental treaties or policy goals aligned with your organization's engagement on policy, law or regulation

Paris Agreement

Q4.12 Have you published information about your organization's response to environmental issues for this reporting year in places other than your CDP response?

Yes

Q4.12.1 Provide details on the information published about your organization's response to environmental issues for this reporting year in places other than your CDP response. Please attach the publication.

Response 1: Row 1

Publication

In mainstream reports, in line with environmental disclosure standards or frameworks

Standard or framework the report is in line with

TCFD

Environmental issues covered in publication

Climate change

Status of the publication

Complete

Content elements

- Governance
- Other: • Policy for responding to risks and opportunities • Risk management • Transition plan
- Emission targets
- Value chain engagement
- Risks & Opportunities
- Strategy
- Emissions figures

Page/section reference

Governance: p15-p16
Strategy,Risks/opportunities: p16-p20
Transition plans and emission targets: p21
Risk management: p27
Emissions: p28

Attach the relevant publication

Annual Securities Report.pdf

Comment

None.

Response 2: Row 2

Publication

In voluntary sustainability reports

Environmental issues covered in publication

Climate change

Status of the publication

Complete

Content elements

- Other: • Policy for responding to risks and opportunities • Risk management • Transition plan
- Risks & Opportunities
- Emission targets
- Governance
- Value chain engagement
- Emissions figures
- Strategy

Page/section reference

Governance: p12-p17
Strategy: p18-p33
Risks/opportunities: p20,p25
Response policies: p26
Transition plans and emission targets: p32-p33
Risk management: p34-p39
Emissions: p41-p42

Attach the relevant publication

tcf-d-report.pdf

Comment

None.

Q5.1 Does your organization use scenario analysis to identify environmental outcomes?

Response 1: Climate change

Use of scenario analysis

Yes

Frequency of analysis

Annually

Q5.1.1 Provide details of the scenarios used in your organization's scenario analysis.

Response 1: Climate change

Scenario used

Climate transition scenarios: NGFS scenarios framework: Net Zero 2050

Approach to scenario

Qualitative and quantitative

Scenario coverage

Portfolio

Risk types considered in scenario

- Liability
- Reputation
- Policy
- Market
- Technology

Temperature alignment of scenario

1.5°C or lower

Reference year

2024

Timeframes covered

- 2030
- 2050

Driving forces in scenario

- Direct interaction with climate: Perception of efficacy of climate regime
- Local ecosystem asset interactions, dependencies and impacts : Climate change (one of five drivers of nature change)
- Stakeholder and customer demands: Consumer attention to impact
- Stakeholder and customer demands: Consumer sentiment
- Regulators, legal and policy regimes : Global regulation
- Direct interaction with climate: On asset values, on the corporate

Assumptions, uncertainties and constraints in scenario

[Scenario Assumptions]

The NGFS scenario 'Net Zero 2050' envisions an orderly transition (proactive response) aimed at achieving net-zero GHG emissions by 2050. This scenario is based on a comprehensive strategy that assumes technological innovation, policy and regulatory frameworks, and economic and social responses.

[Analytical Assumptions]

The anticipated worldview is defined from four aspects: - Policy Implementation: Rapid and smooth - Macroeconomic Trends: Relatively small GDP decrease - Energy Use: Significant reduction - Technological

Change: Rapid

[Analytical Targets and Indicators]

The impact of transition risks was analyzed along two axes: long-term and short-term. Long-term Analysis Targets: - Non-trading account assets - Investments and contributions by major Group companies - Loans from Daiwa Next Bank (CLO) - Carbon-related assets held as LMS collateralized financial products Long-term Analysis Indicators: - Cumulative estimated loss amount for carbon-related assets - Average annual loss amount Short-term Analysis Targets: - Trading account assets - Corporate bonds held by Daiwa Securities and overseas offices (carbon-related sector) Short-term Analysis Indicator: - Estimated loss on credit spreads of corporate bonds (carbon-related sector)

Rationale for choice of scenario

We utilized the NGFS-provided '\ ' Net Zero 2050\ ' scenario to assess the impacts of changes in environmental policies and economic and social trends. This scenario, based on the goals of the Paris Agreement, outlines a pathway for limiting global warming to below 1.5C and assumes a variety of decarbonization policies, including the promotion of renewable energy, the strengthening of carbon taxes and emissions trading systems, and enhanced industry regulations on fossil fuels. In our analysis, we compared the ideal '\ ' Net Zero 2050\ ' scenario with the '\ ' Current Policies\ ' scenario, which continues the existing policies, and the '\ ' Fragmented World\ ' scenario, characterized by inadequate responses. This comparison allows us to thoroughly understand the gap between our corporate goals and the current situation, enabling us to estimate the financial impacts associated with the transition to a decarbonized society more accurately. Based on these results, we can better assess our financial risks and develop effective response strategies.

Response 2: Climate change

Scenario used

Climate transition scenarios: NGFS scenarios framework: Delayed Transition

Approach to scenario

Qualitative and quantitative

Scenario coverage

Portfolio

Risk types considered in scenario

- Policy
- Reputation
- Market
- Technology
- Liability

Temperature alignment of scenario

1.5°C or lower

Reference year

2024

Timeframes covered

- 2030
- 2050

Driving forces in scenario

- Stakeholder and customer demands: Consumer sentiment
- Direct interaction with climate: On asset values, on the corporate
- Stakeholder and customer demands: Consumer attention to impact
- Regulators, legal and policy regimes : Global regulation
- Direct interaction with climate: Perception of efficacy of climate regime
- Local ecosystem asset interactions, dependencies and impacts : Climate change (one of five drivers of nature change)

Assumptions, uncertainties and constraints in scenario

[Scenario Assumptions]

The NGFS scenario '\` Delayed Transition\`' envisions a disorderly transition, where emissions are expected to decline very little by 2030. It anticipates strong policies to limit temperature rise to 2C while considering that CO2 removal will be limited.

[Analytical Premises]

The projected worldview is established from four aspects: '\` policy implementation,\`' '\` macroeconomic trends,\`' '\` energy usage,\`' and '\` technological changes.\`' In the Delayed Transition scenario: - Policy Implementation: Delayed - Macroeconomic Trends: Relatively significant GDP decrease - Energy Usage: Relatively significant decrease (post-2030) - Technological Changes: Slow/Fast

[Analysis Targets and Indicators]

We analyzed the impacts of transition risks along two axes: long-term and short-term. For long-term analysis, the focus is on: - Non-trading account assets - Investments and contributions by major group companies - Loans from Daiwa Next Bank (CLO) - Carbon-related assets held as LMS collateralized financial products The long-term analytical indicators are the cumulative estimated loss amount and the average annual loss amount for carbon-related assets. For short-term analysis, the focus is on: - Trading account assets - Corporate bonds (carbon-related sectors) held by Daiwa Securities and overseas offices The short-term analytical indicator is the estimated loss from the credit spread of corporate bonds (carbon-related sectors).

Rationale for choice of scenario

We are utilizing the NGFS '\` Delayed Transition\`' scenario to analyze the transition risks posed by climate change. This scenario envisions a situation where efforts for decarbonization are delayed, necessitating sudden policy changes within a short timeframe, which presents significant risks and opportunities for companies. In addition to the '\` Delayed Transition\`' scenario, we are employing the '\` Net Zero 2050\`' scenario, which aims to achieve carbon neutrality by 2050, the '\` Current Policies\`' scenario that maintains existing policies, and the '\` Fragmented World\`' scenario characterized by insufficient responses. By comparing and examining these various future scenarios, we can identify the gaps between our corporate goals and the current situation, allowing us to simulate the financial impacts associated with the transition. Through the '\` Delayed Transition\`' scenario, we specifically aim to strengthen our preparedness for abrupt policy changes and to develop flexible strategies to respond to future uncertainties.

Response 3: Climate change

Scenario used

Physical climate scenarios: RCP 4.5

Scenario used SSPs used in conjunction with scenario

SSP1

Approach to scenario

Qualitative and quantitative

Scenario coverage

Portfolio

Risk types considered in scenario

- Chronic physical
- Acute physical

Temperature alignment of scenario

1.6°C - 1.9°C

Reference year

2024

Timeframes covered

- 2050
- 2030

Driving forces in scenario

- Local ecosystem asset interactions, dependencies and impacts : Climate change (one of five drivers of nature change)
- Local ecosystem asset interactions, dependencies and impacts : Changes to the state of nature
- Stakeholder and customer demands: Consumer attention to impact
- Direct interaction with climate: On asset values, on the corporate
- Local ecosystem asset interactions, dependencies and impacts : Speed of change (to state of nature and/or ecosystem services)
- Stakeholder and customer demands: Consumer sentiment

Assumptions, uncertainties and constraints in scenario

In the IEA Steps 4-degree scenario provided by the IEA, it is assumed global average temperatures continue to rise and reach 4-degrees by the end of the century. At the core of the scenario is the assumption that climate change mitigation measures will be insufficient due to the lack of implementation of new regulations and taxation systems to realize a decarbonized society. Greenhouse gas emissions will also continue to increase due to inadequate climate change mitigation measures. This scenario has high relative physical risk from climate disasters and low transition risk. Using this scenario, we analyzed the risks and opportunities across our portfolio in a 4-degree world. The general assumptions and parameters used for the major risks are as follows: (1)Chronic: Increased damage to portfolio businesses due to severe wind and flood damage. (2)Acute: Increased harm and risk due to higher average temperature/sea level rise.

Rationale for choice of scenario

Our company utilizes the Representative Concentration Pathways (RCP) scenarios provided by the IPCC (Intergovernmental Panel on Climate Change) to assess the impacts of climate change on corporate operations. Specifically, we focus on the RCP8.5 and RCP2.6 scenarios for our analysis.

The RCP8.5 scenario envisions a future where no concrete measures are taken towards decarbonization. In this scenario, it is projected that global average temperatures could rise by 3.2 to 5.4°C by the end of the century compared to pre-industrial levels, leading to increased risks of flooding, storm surges, droughts, and infectious diseases. Consequently, the physical risks to corporate operations and assets are expected to significantly escalate.

Conversely, the RCP2.6 scenario is predicated on strengthened regulations and technological innovations that facilitate the transition to a decarbonized society. This scenario aims to limit temperature rise to below 1.5°C, and while the frequency of extreme weather events, such as heavy rainfall, is anticipated to increase, the associated risks are projected to be relatively lower compared to the RCP8.5 scenario.

Through analysis based on these scenarios, we can clearly understand the physical risks associated with climate change and prioritize responses within the organization. This information serves as a crucial guideline for strategic planning and financial forecasting, contributing to long-term risk management efforts.

Response 4: Climate change

Scenario used

Physical climate scenarios: RCP 8.5

Scenario used SSPs used in conjunction with scenario

SSP5

Approach to scenario

Qualitative and quantitative

Scenario coverage

Portfolio

Risk types considered in scenario

- Chronic physical
- Acute physical

Temperature alignment of scenario

3.5°C - 3.9°C

Reference year

2024

Timeframes covered

- 2050
- 2030

Driving forces in scenario

- Stakeholder and customer demands: Consumer sentiment
- Local ecosystem asset interactions, dependencies and impacts : Changes to the state of nature
- Local ecosystem asset interactions, dependencies and impacts : Speed of change (to state of nature and/or ecosystem services)

- Stakeholder and customer demands: Consumer attention to impact
- Local ecosystem asset interactions, dependencies and impacts : Climate change (one of five drivers of nature change)
- Direct interaction with climate: On asset values, on the corporate

Assumptions, uncertainties and constraints in scenario

Assumptions. RCP 8.5 is a scenario assuming high emissions and a sharp increase in physical risks. It assumes that only policies currently in place are retained, and no additional climate policy measures will be implemented. This scenario mainly considers physical risks, with the main risks being: -Increased costs for damage, restoration and repair of the Group's various business locations and data centres (acute/chronic); -Damage and abandonment of solar/wind power generation facilities due to increased torrential rains and giant typhoons (acute/chronic). Analytical choices Climate-related time horizons are defined in view of their consistency with the management plan. Specifically, for the short term, the period of the medium-term management plan is three years; for the medium term, 2030 is the target year of the '2030 Vision' and the company's own net zero GHG emissions target; and for the long term, the target year is 2050 for net zero GHG emissions of the investment and loan portfolio, etc. Taking into account that the company is targeting net-zero GHG emissions for its own portfolio of investments and loans, etc. in 2050 and for the long term, the time horizon is assumed to be 3-5 years, 5-10 years and 10-30 years respectively. Taking these into account, the time horizons covered by the scenario analysis are 2030 and 2050. Analysis results The results of the scenario analysis show that the average annual damage due to wind and flood damage is around 0.04 billion yen per year in 2030 and 0.05 billion yen per year in 2050 under the RCP 8.5 scenario with the highest temperature increase.

Rationale for choice of scenario

Our company utilizes the Representative Concentration Pathways (RCP) scenarios provided by the IPCC (Intergovernmental Panel on Climate Change) to assess the impacts of climate change on corporate operations. Specifically, we focus on the RCP8.5 and RCP2.6 scenarios for our analysis. The RCP8.5 scenario envisions a future where no concrete measures are taken towards decarbonization. In this scenario, it is projected that global average temperatures could rise by 3.2 to 5.4C by the end of the century compared to pre-industrial levels, leading to increased risks of flooding, storm surges, droughts, and infectious diseases. Consequently, the physical risks to corporate operations and assets are expected to significantly escalate. Conversely, the RCP2.6 scenario is predicated on strengthened regulations and technological innovations that facilitate the transition to a decarbonized society. This scenario aims to limit temperature rise to below 1.5C, and while the frequency of extreme weather events, such as heavy rainfall, is anticipated to increase, the associated risks are projected to be relatively lower compared to the RCP8.5 scenario. Through analysis based on these scenarios, we can clearly understand the physical risks associated with climate change and prioritize responses within the organization. This information serves as a crucial guideline for strategic planning and financial forecasting, contributing to long-term risk management efforts.

Response 5: Climate change

Scenario used

Climate transition scenarios: NGFS scenarios framework: Fragmented World

Approach to scenario

Qualitative and quantitative

Scenario coverage

Portfolio

Risk types considered in scenario

- Reputation
- Liability
- Technology
- Policy
- Market

Temperature alignment of scenario

2.5°C - 2.9°C

Reference year

2024

Timeframes covered

- 2050
- 2030

Driving forces in scenario

- Regulators, legal and policy regimes : Global regulation
- Stakeholder and customer demands: Consumer sentiment
- Stakeholder and customer demands: Consumer attention to impact
- Local ecosystem asset interactions, dependencies and impacts : Climate change (one of five drivers of nature change)
- Direct interaction with climate: Perception of efficacy of climate regime
- Direct interaction with climate: On asset values, on the corporate
- Macro and microeconomy : Domestic growth

Assumptions, uncertainties and constraints in scenario

[Scenario Assumptions]

The NGFS 'Fragmented World' scenario envisions a delayed and inadequate response to climate change, anticipating a significant increase in physical risks. It posits that CO2 emissions will not decrease until 2030, with subsequent responses remaining disjointed and insufficient. Furthermore, it is believed that controlling the rise in global temperatures will be challenging.

[Analytical Premises]

We establish a predictive outlook based on four aspects: 1. Policy Implementation: Delayed and insufficient 2. Macroeconomic Trends: Relatively significant GDP decline 3. Energy Use: Significant decrease (post-2030) 4. Technological Change: Slow and inadequate

[Analysis Targets and Indicators]

We analyzed the impacts of transition risks using two axes: long-term and short-term. Long-Term Analysis Targets: - Non-trading account assets - Investments and capital contributions by major group companies - Loans from Daiwa Next Bank (CLO) - Carbon-related assets held as LMS secured financial products Long-Term Analysis Indicators: - Cumulative estimated losses of carbon-related assets - Average annual loss Short-Term Analysis Targets: - Trading account assets - Corporate bonds held by Daiwa Securities and overseas branches (carbon-related sectors) Short-Term Analysis Indicator: - Estimated losses in credit spreads for corporate bonds (carbon-related sector)

Rationale for choice of scenario

We have utilized the NGFS \ ' Fragmented World \ ' scenario for risk assessment and strategy formulation in response to climate change. This scenario anticipates delays in the implementation of climate policies and the emergence of divisions among countries, predicting an increase in both physical and transition risks. Specifically, it foresees frequent extreme weather events and natural disasters, leading to a direct impact on corporate activities. Moreover, the \ ' Fragmented World \ ' scenario suggests that even countries with net-zero targets may achieve only about 80% of their goals, while other nations continue to adhere to current policies. As a result, regional policy differences are expected to widen, complicating global unified responses and presenting companies with increasingly complex risks. In addition to this scenario, we are also analyzing the \ ' Net Zero 2050 \ ' scenario aimed at achieving carbon neutrality by 2050, the \ ' Current Policies \ ' scenario that maintains existing policies, and the \ ' Delayed Transition \ ' scenario where decarbonization efforts are delayed. In the \ ' Fragmented World \ ' scenario, the physical risks arising from climate change and the transition risks due to fragmented policies are critical elements, prompting us to carefully evaluate the associated risks and opportunities. Through this analysis, we aim to build strategies that address both physical and transition risks, preparing for future uncertainties.

Response 6: Climate change

Scenario used

Climate transition scenarios: NGFS scenarios framework: Current policies

Approach to scenario

Qualitative and quantitative

Scenario coverage

Portfolio

Risk types considered in scenario

- Market
- Policy
- Liability
- Technology
- Reputation

Temperature alignment of scenario

3.0°C - 3.4°C

Reference year

2024

Timeframes covered

- 2050
- 2030

Driving forces in scenario

- Direct interaction with climate: Perception of efficacy of climate regime
- Stakeholder and customer demands: Consumer sentiment
- Regulators, legal and policy regimes : Global regulation
- Local ecosystem asset interactions, dependencies and impacts : Climate change (one of five drivers of nature change)

- Direct interaction with climate: On asset values, on the corporate
- Stakeholder and customer demands: Consumer attention to impact
- Macro and microeconomy : Domestic growth

Assumptions, uncertainties and constraints in scenario

[Scenario Assumptions]

The NGFS \ ' Current Policies \ ' scenario envisions a \ ' Hot House World \ ' (passive response), where physical risks are expected to increase significantly. This scenario assumes that only the policies currently in place will be maintained.

[Analytical Assumptions]

The expected world view is established from four aspects: \ ' policy implementation, \ ' \ ' macroeconomic trends, \ ' \ ' energy usage, \ ' and \ ' technological change. \ ' In the \ ' Current Policies \ ' scenario: - Policy Implementation: Existing policies remain unchanged. - Macroeconomic Trends: A relatively significant decrease in GDP. - Energy Usage: A relatively significant increase. - Technological Change: Slow progress.

[Analysis Targets and Indicators]

We have analyzed the impacts of transition risks along two axes: long-term and short-term. Long-Term Analysis Targets: - Non-trading account assets. - Investments and contributions by major group companies. - Loans from Daiwa Next Bank (CLO). - Carbon-related assets held as LMS collateral financial products. Long-Term Analysis Indicators: - Cumulative estimated loss amount and average annual loss for carbon-related assets. Short-Term Analysis Targets: - Trading account assets. - Business bonds held by Daiwa Securities and overseas branches (carbon-related sectors). **Short-Term Analysis Indicator:** - Estimated loss from credit spread for business bonds (carbon-related sectors).

Rationale for choice of scenario

We utilized the NGFS \ ' Current Policies \ ' scenario for risk assessment and strategy formulation in response to climate change. This scenario anticipates a situation where existing climate policies are maintained, predicting limited progress in decarbonization. Consequently, global warming is expected to continue, leading to persistent high levels of both physical and transition risks. In the \ ' Current Policies \ ' scenario, while greenhouse gas emissions reductions are expected based on the existing policy framework, it is projected that the goal of achieving net zero will not be reached. As a result, the impacts of climate change and inadequate responses are likely to become apparent, leaving companies facing significant ongoing risks. In addition to this scenario, we are also analyzing the \ ' Net Zero 2050 \ ' scenario, which aims for carbon neutrality by 2050, the \ ' Delayed Transition \ ' scenario, which predicts slower transitions, and the \ ' Fragmented World \ ' scenario, where efforts progress in a fragmented manner across regions. In the \ ' Current Policies \ ' scenario, we emphasize carefully evaluating the risks and opportunities presented by the existing policies and reflecting these assessments in corporate strategies. Through this analysis, we aim to understand the limitations of current policies and build strategic responses to prepare for future uncertainties.

Response 7: Climate change

Scenario used

Climate transition scenarios: IEA NZE 2050

Approach to scenario

Qualitative and quantitative

Scenario coverage

Portfolio

Risk types considered in scenario

- Reputation
- Market
- Technology
- Liability
- Policy

Temperature alignment of scenario

1.5°C or lower

Reference year

2024

Timeframes covered

- 2050
- 2030

Driving forces in scenario

- Local ecosystem asset interactions, dependencies and impacts : Climate change (one of five drivers of nature change)
- Regulators, legal and policy regimes : Global regulation
- Stakeholder and customer demands: Consumer sentiment
- Direct interaction with climate: On asset values, on the corporate
- Macro and microeconomy : Domestic growth
- Direct interaction with climate: Perception of efficacy of climate regime
- Stakeholder and customer demands: Consumer attention to impact

Assumptions, uncertainties and constraints in scenario

In the NZE2050 1.5-degree scenario provided by the IEA, carbon neutrality is expected to be successfully achieved. At the core of the scenario, climate-related social policies, emission regulations, technology investment, etc., will progress further than the present, causing greenhouse gas emissions to decline. The scenario assumes a future with relatively low physical risk from climate disasters but high transition risks. Using this scenario, we analyzed the risks and opportunities across our portfolio in a 1.5-degree world. The general assumptions and parameters used for the major transitional risks are as follows:

(1)Government/Policies: GHG emissions carbon pricing mechanisms, such as carbon taxes, are strengthened. Policies regarding low-carbon energy become regulatory. (2)Technology: Renewable energy and low-carbon energy usage substantially increases and new climate technologies develop. (3)Market: Credit risks in sectors significantly affected by the green transition increase. (4)Reputation: Investment and underwriting related to businesses with a heavy environmental load and inadequate initiatives to address climate change become increasingly damaging to reputation. Physical risks are also assumed to increase somewhat, but at a less extent compared to a 4-degree scenario.

Rationale for choice of scenario

Our company conducted portfolio analysis using multiple NGFS scenarios. For analyzing the risks and opportunities related to our operations, we utilized the IEA NZE 2050 scenario, which aims for net-zero greenhouse gas emissions by 2050. The IEA NZE 2050 scenario provides a comprehensive framework for achieving net-zero emissions, encompassing not only the transformation of the energy system but also the economic, technological, and policy factors that affect corporate operations. We chose this scenario because

it considers various elements such as energy transition, technological innovation, policy changes, and resource utilization, all of which can significantly influence our long-term strategy. This allows for a more realistic and concrete assessment in our strategic planning and risk management. Additionally, we incorporated the IEA STEPS scenario for comparative analysis. The IEA STEPS scenario represents a situation where current policies are maintained, enabling us to detail the progress of policies and the associated risks and opportunities when compared with the IEA NZE 2050 scenario. This approach aims to refine our adaptation strategies in response to decarbonization progress and achieve an accurate assessment to prepare for future uncertainties.

Q5.1.2 Provide details of the outcomes of your organization's scenario analysis.

Response 1: Climate change

Business processes influenced by your analysis of the reported scenarios

- Target setting and transition planning
- Capacity building
- Resilience of business model and strategy
- Risk and opportunities identification, assessment and management
- Strategy and financial planning

Coverage of analysis

Portfolio

Summarize the outcomes of the scenario analysis and any implications for other environmental issues

[Impact on Business Activities]

Economic and industrial stagnation and contraction, changes in financial markets (such as falling stock prices and increased credit risk), damage from heavy rain and flooding, and health hazards caused by abnormally high temperatures were cited as factors of relative concern. When applied to the scenario, transition risks are expected to become relatively evident in the form of disorderly transition and delays/inadequacies as the economy and society become disrupted due to CO2 emission reductions, while physical risks are expected to become relatively evident in a hot house world where CO2 emission reductions are delayed.

On the other hand, the impact of energy transition on businesses is considered to be neutral overall, as the negative impact on existing businesses due to the reduction of fossil fuel resources is offset by the positive impact of new business opportunities associated with the increase in new energy sources such as renewable energy. It is expected that the impact will vary depending on the costs and tax burdens associated with the transition. Furthermore, efforts to address climate change, such as CO2 emissions reduction, may influence corporate reputation and indirectly impact business operations as a whole.

[Impairment of carbon-related assets]

In an analysis covering 26 years until 2050 for non-trading account assets, the cumulative loss was approximately 67.1 billion yen in the Hot House World scenario, and in an analysis covering 5 years until 2029 for trading account assets, the cumulative loss was approximately 350 million yen (both compared to the base scenario).

To address this risk, in fiscal 2024, we focused on efforts to promote the improvement of climate change responses by investee companies. Specifically, we refined the timelines for companies with high GHG emissions and vague climate transition plans. In order to improve the consistency between transition plans and management plans and increase the accuracy of decarbonisation efforts, we are encouraging companies to break down their targets for 2030 into annual targets and disclose them. This is expected to reduce the uncertainty of transition plan implementation and improve market evaluation.

[Physical damage to properties held]

Due to the increase in extreme weather events associated with climate change, we anticipate that our real estate-related exposure, which accounts for a significant portion of our group's strategy, and our group's non-operating real estate holdings will be affected. Based on scenario analysis, the average annual estimated damage amount due to wind and water damage under the RCP8.5 scenario, which assumes the highest temperature rise, is approximately 40 million yen for 2030 and 50 million yen for 2050. Additionally, as society transitions toward decarbonisation, significant physical risks are anticipated for renewable energy facilities. Based on scenario analysis, the average annual estimated damage amount from wind and water-related disasters under the SSP5-8.5 scenario is approximately 40 million yen for the year 2050.

Q5.2 Does your organization's strategy include a climate transition plan?

Response 1:

Transition plan

Yes, we have a climate transition plan which aligns with a 1.5°C world

Publicly available climate transition plan

Yes

Mechanism by which feedback is collected from shareholders on your climate transition plan

We have a different feedback mechanism in place

Description of feedback mechanism

We conduct regular annual ESG meetings with our institutional shareholders and receive feedback on our transition plan and the TCFD disclosures.

Frequency of feedback collection

More frequently than annually

Description of key assumptions and dependencies on which the transition plan relies

In accordance with the net-zero target required by the Paris Agreement, a transition plan has been developed to achieve net-zero Scope 1 and Scope 2 GHG emissions by FY2030 and net-zero Scope 3 by 2050. The plan takes into account tighter legislation, the trend towards decarbonisation of the businesses in which we invest, and the increasing demand for renewable energy. In the transition, we are developing initiatives to promote green finance, strengthen management systems and make information disclosure more transparent.

Description of progress against transition plan disclosed in current or previous reporting period

[Scope 1 and 2 Emissions]

In fiscal 2024, emissions were reduced by approximately 71.2% compared to the previous fiscal year, to 2,752 tonnes. This was achieved through measures such as switching to renewable energy at all domestic locations of Daiwa Securities in January 2024 and Daiwa Institute of Research in April 2024. Going forward, we will consider introducing renewable energy at overseas locations and utilising carbon credits for areas where reduction through our own efforts is difficult, with the aim of achieving net zero by fiscal 2030.

[Financed Emissions]

In fiscal 2024, financed emissions decreased by ●% compared to the previous fiscal year, reaching ●●g-CO2e/kWh, due to improvements in the power generation efficiency of investment and financing targets

and progress in renewable energy investment and financing. Going forward, we will strengthen engagement with investment and financing targets and promote financing for renewable energy, aiming to achieve net-zero by 2050.

Attach any relevant documents which detail your climate transition plan (optional)

Annual Securities Report.pdf

Other environmental issues that your climate transition plan considers

No other environmental issue considered

Q5.3 Have environmental risks and opportunities affected your strategy and/or financial planning?

Response 1:

Environmental risks and/or opportunities have affected your strategy and/or financial planning

Yes, both strategy and financial planning

Business areas where environmental risks and/or opportunities have affected your strategy

- Products and services
- Upstream/downstream value chain
- Investment in R&D
- Operations

Q5.3.1 Describe where and how environmental risks and opportunities have affected your strategy.

Response 1: Products and services

Effect type

- Risks
- Opportunities

Environmental issues relevant to the risks and/or opportunities that have affected your strategy in this area

Climate change

Describe how environmental risks and/or opportunities have affected your strategy in this area

With the adoption of the SDGs and the Paris Agreement, the world is now taking a major step toward building a sustainable society. The movement has also affected the flow of funds, and there is international interest in how private funds can be channelled to solve social issues. We conducted a qualitative and quantitative analysis based on climate change scenarios to infer the impact of climate change on the Group's business activities and to determine the potential amount of loss due to carbon-related assets. As a result, opportunities were identified as increased underwriting of green projects and financing for the transition to a carbon-neutral society. Based on the above analysis, we have formulated a new medium-term management plan. One of the KPIs of this new medium-term management plan includes the goal of being in the top 2 in the SDG bond league table by FY2026. To achieve this goal, the Sustainability Solutions Department established in FY2021 engages in SDG bonds businesses. In 2024, we served as an advisor, providing advice and support, as well as conducting trend research towards the issuance of the world's first Climate Transition Bond in Japan.

SDG bonds underwritten amounted to approximately 647.8 billion yen, ranking first in the SDG bond league table. The Group will continue to arrange engagement meetings between bond issuers and investors to further accelerate the SDG bond market and will continue to promote SDG bonds in the future.

Response 2: Upstream/downstream value chain

Effect type

- Risks
- Opportunities

Environmental issues relevant to the risks and/or opportunities that have affected your strategy in this area

Climate change

Describe how environmental risks and/or opportunities have affected your strategy in this area

As climate change progresses and its effects are being identified as potentially far-reaching, companies are increasingly required to manage risks not only for themselves but also for their entire supply chains, including those of their investee companies and business partners. We conducted a qualitative and quantitative analysis based on climate change scenarios to extract the impact of climate change on the Group's business activities and to determine the potential amount of loss due to carbon-related assets. As a result, the chances of an increased risk to our reputation due to association with investments and underwriting in businesses with a high environmental impact was identified. In response to this situation, we have established a strategy to improve our reputation by accurately managing the risks of the companies in which we invest and promoting collaboration with suppliers over the medium to long term. Specifically, in order to strengthen environmental risk management and protect our environmental reputation, we have developed the 'Environmental and Social Policy Framework' to demonstrate our commitment to environmental and social considerations, including climate change, when underwriting new investments, loans, and bond/equity issuances. This policy defines projects that are prohibited from making new investments or underwriting, as well as projects that are to be kept in mind. Under this policy, the Group recognizes the risks of investee or issuer companies that may have adverse environmental and social impacts, and will take appropriate actions through engagement and other means.

Response 3: Investment in R&D

Effect type

- Opportunities
- Risks

Environmental issues relevant to the risks and/or opportunities that have affected your strategy in this area

Climate change

Describe how environmental risks and/or opportunities have affected your strategy in this area

In recent years, as climate change progresses, there has been growing recognition of the tightening economic and employment conditions and changes in industrial structure caused by the global recession. At the same time, however, there is a growing movement to positively evaluate the creation of new industries through environmental measures, such as the Green Economy, Green New Deal, and Green Jobs. In order to understand the impact of climate change on the Group's business activities and the potential amount of loss due to carbon-related assets, we conducted qualitative and quantitative analysis based on climate change scenarios. As a result, we identified opportunities for inflows into mutual funds that invest in companies that are proactive in addressing climate change. In response to this situation, we formulated our management

strategy as 'Vision 2030'. One of the key issues in this management strategy is to enhance the development and provision of investment trusts with ESG and SDG themes. As an example, Daiwa Asset Management launched the 'Carbon Neutral Equity Fund' in July 2021. This fund invests in companies that offer technologies that reduce GHG emissions, such as renewable energy, electric vehicles, hydrogen, and CCUS. Through this fund, we will provide our clients with opportunities to invest in companies that contribute to GHG emission reductions and provide financing for these new low-carbon technologies. As of July 11, 2024, the Carbon Neutral Equity Fund had approximately 22.286 billion yen in assets under management. The Group will continue to develop investment trusts with a sustainability theme.

Response 4: Operations

Effect type

- Risks
- Opportunities

Environmental issues relevant to the risks and/or opportunities that have affected your strategy in this area

Climate change

Describe how environmental risks and/or opportunities have affected your strategy in this area

Given the progression of climate change impacts, the momentum of countermeasures to climate change has been growing throughout the international community in recent years. A growing number of countries and regions are introducing carbon pricing schemes such as carbon taxes and emissions trading schemes as one of policy tools to reduce GHG emissions. We conducted a qualitative and quantitative analysis based on climate change scenarios to extract the impact of climate change on the Group's business activities and to determine the potential amount of loss due to carbon-related assets. As a result, increased costs associated with carbon taxes and taxes on energy consumption which would put pressure on performance were both identified as risks. In response, in January 2024, Daiwa Securities switched all of its domestic bases to renewable energy, followed by Daiwa Institute of Research in April of the same year. Going forward, we will switch our overseas bases to renewable energy and consider the use of carbon credits for areas where reduction through our own efforts is difficult, with the aim of achieving Scope 1 and 2 net zero by fiscal 2030.

Q5.3.2 Describe where and how environmental risks and opportunities have affected your financial planning.

Response 1: Row 1

Financial planning elements that have been affected

- Assets
- Indirect costs
- Capital allocation
- Direct costs
- Revenues
- Capital expenditures

Effect type

- Opportunities
- Risks

Environmental issues relevant to the risks and/or opportunities that have affected these financial planning elements

Climate change

Describe how environmental risks and/or opportunities have affected these financial planning elements

We identified climate-related opportunities through scenario analysis, specifically: - Increased opportunities for providing new financial products and expanding revenue opportunities due to market changes (Wealth Management Division). - Growing investment opportunities in new industries and companies contributing to the transition to a decarbonized society (Asset Management Division). - Increased underwriting for funding green projects and the transition to a decarbonized society (Global Markets & Investment Banking Division). - Market revitalization through participation in sustainability-related rule-making (across the Group). We identified our main opportunities as investments in renewable energy sources, such as solar power plants, and the expansion of investment opportunities through the introduction of external financing. We determine our management strategies and response policies based on these results. For example, in FY2019, Daiwa Energy & Infrastructure entered into a strategic partnership with Aquila Capital Holding, which became an equity method affiliate in FY2020. To expand renewable energy projects domestically and internationally, we are promoting various methods such as investments and business partnerships. In June and December 2023, in collaboration with the domestic energy tech company ENECHANGE, we entered the Australian market and have acquired multiple solar power projects. Additionally, from April 2024, we will co-invest in U.S. onshore wind and solar projects managed by InfraRed Capital Partners Limited, an international infrastructure asset manager. Domestically, we are also actively expanding partnerships related to renewable energy. Specifically, in August 2023, we partnered with Toshiba Energy Systems and CO2OS to expand our business in solar power development. Furthermore, starting from April 2024, we have initiated a partnership with Gotion Japan and CO2OS to expand our efforts in the energy storage business. In our new mid-term management plan, 'Passion for the Best' 2026, we anticipate that solar power in Japan will expand to approximately double the level of FY2020 by FY2030, and we expect annual investments in renewable energy to reach 2.6 trillion globally by 2050. This presents significant opportunities for our company in terms of revenue growth and enhancing the value of our assets.

Q5.10 Does your organization use an internal price on environmental externalities?

Response 1:

Use of internal pricing of environmental externalities

Yes

Environmental externality priced

Carbon

Q5.10.1 Provide details of your organization's internal price on carbon.

Response 1: Row 1

Type of pricing scheme

Shadow price

Objectives for implementing internal price

- Reduce upstream value chain emissions
- Drive energy efficiency
- Identify and seize low-carbon opportunities
- Identify and evaluate financing opportunities

- Drive low-carbon investment
- Influence strategy and/or financial planning
- Conduct cost-benefit analysis

Factors considered when determining the price

Cost of required measures to achieve climate-related targets

Calculation methodology and assumptions made in determining the price

In Japan, the introduction of a carbon tax has not yet been implemented. Therefore, our company has set an internal carbon price based on the bidding price of J-Credits as a shadow price. Currently, we are using the CO2 price of 3,246 yen per ton updated in the FY 2024. This internal carbon price is used to consider carbon costs in internal decision-making and investment evaluations.

Scopes covered

Scope 2

Pricing approach used - spatial variance

Uniform

Pricing approach used - temporal variance

Static

Minimum actual price used (currency per metric ton CO2e)

3246

Maximum actual price used (currency per metric ton CO2e)

3246

Business decision-making processes the internal price is applied to

- Capital expenditure
- Value chain engagement

Internal price is mandatory within business decision-making processes

Yes, for some decision-making processes: Introduction of renewable energy solutions

% total emissions in the reporting year in selected scopes this internal price covers

27

Pricing approach is monitored and evaluated to achieve objectives

Yes

Details of how the pricing approach is monitored and evaluated to achieve your objectives

We are developing our internal carbon price (ICP) using the latest bidding price of J-Credits. Each year, when we review scenario analysis, we check for any changes in J-Credit prices. We compared the estimated future costs resulting from the introduction of carbon pricing with the additional costs from the introduction of

renewable energy, calculated based on the J-Credit price, when selecting electric power companies in FY2023. Estimates were made for 21 branches and locations in Japan where renewable energy has been newly introduced. The estimated future cost of introducing carbon pricing was calculated as follows: estimated amount of offset CO2 emissions through the introduction of renewable energy of 19,044 tons estimated future price of carbon pricing of 3,246 yen 61.8 million yen. On the other hand, according to the electric power company's rate estimates, the additional cost of introducing renewable energy was 40.98 million yen. As a result of comparing these costs, we concluded that introducing renewable energy would reduce costs by approximately 20.82 million yen, considering the elimination of GHG emissions. By utilizing internal carbon pricing in this way, we assess the appropriateness of the additional costs associated with introducing renewable energy. We aim to purchase electricity from renewable energy sources for all properties by FY2030. To achieve this goal, we will continue to implement renewable energy solutions while fully accounting for costs and GHG emission reduction benefits by utilizing internal carbon pricing.

Q5.11 Do you engage with your value chain on environmental issues?

Response 1: Clients

Engaging with this stakeholder on environmental issues

Yes

Response 2: Investees

Engaging with this stakeholder on environmental issues

Yes

Response 3: Suppliers

Engaging with this stakeholder on environmental issues

Yes

Environmental issues covered

Climate change

Response 4: Investors and shareholders

Engaging with this stakeholder on environmental issues

Yes

Environmental issues covered

Climate change

Response 5: Other value chain stakeholders

Engaging with this stakeholder on environmental issues

Yes

Environmental issues covered

Climate change

Q5.11.3 Provide details of your environmental engagement strategy with your clients.

Response 1: Row 1

Type of clients

Clients of Asset Managers

Environmental issues covered by the engagement strategy

Climate change

Type and details of engagement

Innovation and collaboration: Collaborate with clients on innovations to reduce environmental impacts in products and services

% of client-associated scope 3 emissions as reported in question 12.1.1

76-99%

% of portfolio covered in relation to total portfolio value

Less than 1%

Explain the rationale for the coverage of your engagement

Providing ESG-related products to investors who are increasingly focused on sustainability is not only an important business opportunity but also a chance to offer new investment perspectives to investors with a neutral stance on environmental issues. This will enhance investors' environmental awareness and serve as a means to promote and expand ESG and sustainability-related products, contributing to the realization of a sustainable society.

Describe how you communicate your engagement strategy to your clients and/or to the public

As one of our investment trust products, we actively recommend it to our customers. Additionally, by utilizing sales materials, we disclose how the fund products contribute to the realization of a decarbonized society and the specific amounts invested in renewable energy, thereby promoting the importance of sustainability to investors.

Attach your engagement strategy

sustainability_report_2024.pdf

Staff in your organization carrying out the engagement

Fund managers

Roles of individuals at the portfolio organizations you seek to engage with

- Board members
- CEO

Effect of engagement, including measures of success

Among the ESG-related fund products offered by our group, the decarbonization technology equity fund 'Carbon ZERO' and the clean technology equity fund 'Mirai Earth' are particularly noteworthy.

' Carbon ZERO' invests in companies with excellent technologies that contribute to CO2 emission reductions worldwide, including Japan. We carefully select decarbonization solution companies using three perspectives necessary for decarbonization: efficient energy use, energy transition, and energy storage. ' Mirai Earth' emphasizes the integration of technology with four investment themes: climate change countermeasures, environmental pollution prevention, waste treatment and resource efficiency, and sustainable food supply.

The expansion of demand for EVs and smart buildings, along with technological innovations such as energy storage technology and next-generation power grids (smart grids), is expected not only to increase investment returns but also to help mitigate climate change and promote global decarbonization. Furthermore, the development and sale of low-carbon products contribute to the reduction of emissions within our own portfolio.

Daiwa AM' s total assets under management have reached 33.3 trillion yen. The aforementioned ESG-related fund products account for approximately 0.276% of this total. In the next period, exceeding 0.276% will be considered a success.

Escalation process for engagement when dialogue is failing

Yes, we have an escalation process

Describe your escalation process

If investor responses to ESG products deteriorate, the firm will report to superiors, consult with knowledgeable experts, and seek the best solutions.

Q5.11.4 Provide details of your environmental engagement strategy with your investees.

Response 1: Row 1

Environmental issues covered by the engagement strategy

Climate change

Type and details of engagement

Innovation and collaboration: Collaborate with investees on innovations to reduce environmental impacts in products and services

% of scope 3 investees associated emissions as reported in 12.1.1/12.1.3

100%

% of investing (Asset managers) portfolio covered in relation to total portfolio value

100%

Explain the rationale for the coverage of your engagement

Working with clients with high potential for climate impacts

Describe how you communicate your engagement strategy to your investees and/or to the public

Engagement implementation begins with the selection of target companies. Corporate research analysts and engagement team fund managers select target companies based on the following criteria: 1) companies facing significant management challenges, 2) those for which improvements and solutions to these challenges are expected through dialogue, and 3) those where resolving these challenges is anticipated to enhance corporate value. Additionally, milestone management will be conducted. An engagement plan will be created for each target company, outlining engagement themes, specific issue recognition and its background, necessary actions to address these issues, and the desired state after resolution. A dialogue platform will be established with the management team, including directors of the target companies, to discuss recognition of challenges and potential solutions. Our group has prepared a document titled 'Ideal Management Practices for Desired Investment Targets' that incorporates ESG-related requirements for investee companies. This document is used as dialogue material. Engagement meetings that facilitate conversations among investee companies will be conducted, and an engagement letter summarizing the shared points from these meetings will be issued.

Attach your engagement strategy

sustainability_report_2024.pdf

Staff in your organization carrying out the engagement

- Other: (i) Engagement team (ii) Corporate research team (iii) Stewardship team
- Specialized in-house engagement teams

Roles of individuals at the portfolio organizations you seek to engage with

- CEO
- Board members

Effect of engagement, including measures of success

Our group has initiated strong engagement, allowing for deeper connections with investee companies. We have also developed two collaborative approaches: 'linkage' and passive engagement. In 'linkage', we focus on specific ESG themes and hold 'ESG Information Exchange Meetings' as a platform for sharing knowledge among companies. We conduct matching activities by leveraging the resources and insights we have accumulated over many years to introduce best practice companies within the industry to those facing challenges and provide a forum for discussion. In passive engagement, we are advancing an active approach that goes beyond traditional check-ins. We identify investee companies with room for improvement regarding our 'materiality' themes, such as climate change and diversity, and promote problem-solving engagement. We continuously approach these target companies, encouraging the resolution of ESG issues through engagement and supporting the long-term enhancement of corporate value. A successful example of environmental engagement is our dialogue with a certain company in the glass and ceramics sector regarding climate change response. The challenges faced by this company are high CO2 emissions and low emission reduction targets. Through conversation, we gained a deep understanding of the situation and communicated that our minimum baseline is aligned with government targets, emphasizing the importance of obtaining SBT certification and outlining measures over a specified timeline. We also proposed solutions, such as the utilization of renewable energy that can be implemented in the short term. As a result, the company has shown a proactive attitude towards considering decarbonization efforts and information disclosure. From January 2024 to December 2024, our company engaged in 1,384 engagement activities with investee companies, an increase of 7 from the previous period. In the next period, achieving a higher number of cases than this period will be considered a success.

Escalation process for engagement when dialogue is failing

Yes, we have an escalation process

Describe your escalation process

We manage milestones for the implementation of engagement by dividing it into the following five statuses: 1) issue recognition and clarification, 2) issue sharing, 3) efforts to resolve issues, 4) issue resolution, and 5) completion. Each status is set with specific goals and deliverables, and progress is meticulously tracked. Progress updates are shared with each analyst and fund manager to ensure they can act based on the latest information. Additionally, regular monitoring by superiors ensures transparency and efficiency throughout the process. By reporting to superiors with specialized knowledge and extensive experience, we find the best solutions to challenges and address them quickly and effectively. Superiors provide additional resources and support as needed to achieve fundamental resolutions to the issues.

Q5.11.7 Provide further details of your organization's supplier engagement on environmental issues.

Response 1: Climate change

Action driven by supplier engagement

Adaptation to climate change

Type and details of engagement

Innovation and collaboration: Collaborate with suppliers on innovations to reduce environmental impacts in products and services

Upstream value chain coverage

Tier 1 suppliers

% of tier 1 suppliers by procurement spend covered by engagement

100%

% of tier 1 supplier-related scope 3 emissions covered by engagement

100%

Describe the engagement and explain the effect of your engagement on the selected environmental action

Daiwa Securities Group has been disclosing its Supplier Code of Conduct to suppliers since 2023 as part of our supplier engagement. The Supplier Code of Conduct is a set of basic guidelines for suppliers to follow and was developed based on the 10 principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises. The 'Environment' section is one of the six items in the Code of Conduct, and describes the Group's expectations of its suppliers with respect to the environment, including the formulation of environmentally friendly goals, efforts to reduce GHG emissions, and the effective use of energy. The Group believes that disclosing this Code of Conduct to each of its suppliers will encourage them to be more proactive in their environmental efforts, and expects that the impact of this will be to reduce the environmental impact of the entire supply chain, including a reduction in the Group's overall CO2 emissions. [Criteria for Evaluating Success] The Daiwa Securities Group uses the percentage of suppliers that have disclosed information according to our Supplier Code of Conduct as a measure of success. The Group evaluates this engagement as successful when the percentage of suppliers who have disclosed information according to the Code of Conduct exceeds 90% among all suppliers. In this reporting year, 100% of the suppliers disclosed, so we consider the engagement to be successful. Although the Supplier Code of Conduct was only released in 2023 and we have not yet been able to measure its long-term substantive impact on each supplier, we plan to conduct a more stringent success evaluation in the future based on whether each supplier has actually improved its environmental performance.

Engagement is helping your tier 1 suppliers engage with their own suppliers on the selected action

Yes

Q5.11.9 Provide details of any environmental engagement activity with other stakeholders in the value chain.

Response 1: Climate change

Type of stakeholder

Investors and shareholders

Type and details of engagement

Innovation and collaboration: Collaborate with stakeholders in creation and review of your climate transition plan

% stakeholder-associated scope 3 emissions

Less than 1%

Rationale for engaging these stakeholders and scope of engagement

Offering ESG-related products to investors with a growing sustainability orientation is an important business opportunity, as well as an opportunity to offer a new investment perspective to investors who are environmentally neutral. In this way, recommending and expanding sales of ESG and sustainability-related products is a means of raising investors' environmental awareness and contributing to the realisation of a sustainable society.

Effect of engagement and measures of success

Two of the ESG-related fund products marketed by the Group, the Carbon ZERO decarbonisation technology equity fund and the Mirai Earth cleantech equity fund, have attracted particular attention. In Carbon ZERO, the Group invests in companies with superior technologies that can reduce CO2 emissions in Japan and the rest of the world. Decarbonisation solution companies are carefully selected using the three perspectives required for decarbonisation (efficient use of energy, energy transformation and energy storage). Mirai Earth focuses on aligning technology with four investment themes: combating global warming, preventing pollution, waste management and effective use of resources, and sustainable food supply. Increasing demand for EV vehicles and smart buildings, as well as technological innovations such as energy storage technology and next-generation power grids (smart grids), are not only expected to increase investment returns, but also help mitigate climate change and drive decarbonisation worldwide. The development and marketing of low-carbon products will also reduce emissions in their own portfolios.

Response 2: Climate change

Type of stakeholder

Other value chain stakeholder: Local partners abroad

Type and details of engagement

Innovation and collaboration: Collaborate with stakeholders in creation and review of your climate transition plan

% stakeholder-associated scope 3 emissions

Less than 1%

Rationale for engaging these stakeholders and scope of engagement

In the FY 2023, our group, Daiwa Energy Infrastructure, not only executed investments and financing in distribution in Finland, road projects in Ireland, and fiber projects in the UK, but also significantly expanded investments and financing in renewable energy technologies and facilities both domestically and internationally. Specifically, we have leveraged our network of local partners established in Europe, the US, and Australia to acquire high-quality projects. This has further advanced our business development in the renewable energy sector, including offshore wind power, solar power generation, and battery development. These initiatives are positioned as important steps toward global decarbonization, and the renewable energy business is regarded as a significant business opportunity for our company. By expanding in the renewable energy sector, we can contribute to increased revenue while also aiding in the construction of a sustainable society. This enhances our foundation for balancing environmental protection with economic growth, ensuring the long-term sustainability of our business.

Effect of engagement and measures of success

Daiwa Energy Infrastructure is expanding investments and business partnerships in renewable energy-related projects both domestically and internationally. Specifically, in June and December 2023, we entered the Australian market in cooperation with domestic energy tech company ENECHANGE, acquiring multiple solar power projects. Additionally, starting in April 2024, we will co-invest in onshore wind and solar power projects in the US managed by InfraRed Capital Partners Limited, an international infrastructure asset manager. Domestically, we are also actively expanding partnerships related to renewable energy. Specifically, in August 2023, we partnered with Toshiba Energy Systems and CO2OS to expand our business, including the development of solar power plants. Furthermore, starting in April 2024, we will also partner with Gotion Japan and CO2OS to expand our efforts in the battery storage sector. These initiatives are expected to accelerate decarbonization efforts and contribute to our own growth. In the FY 2023, our investment performance reached 173 billion yen, and moving forward, we aim to gradually transition to an asset management model for fund business by incorporating external funds in addition to our own capital. This is expected to further expand investments in renewable energy technologies and facilities. The investment target for FY 2030 is set at 250 billion yen, which we consider the success threshold for engagement.

Q5.14 Do your external asset managers have to meet environmental requirements as part of your organization's selection process and engagement?

Response 1:

External asset managers have to meet specific environmental requirements as part of the selection process and engagement

Yes

Policy in place for addressing external asset manager non-compliance

Yes, we have a policy in place for addressing non-compliance

Q5.14.1 Provide details of the environmental requirements that external asset managers have to meet as part of your organization's selection process and engagement.

Response 1: Row 1

Environmental issues covered by the requirement

Climate change

Coverage

All assets managed externally

Environmental requirement that external asset managers have to meet

Other: Have an ESG investment policy in relation to its management and be able to monitor it by the Company

Mechanisms used to include environmental requirement in external asset manager selection

- Review investment manager' s environmental performance (e.g., active ownership, proxy voting records, under-weighting in high impact activities)
- Review investment manager' s environmental policies

Response to external asset manager non-compliance with environmental requirement

Suspend and engage

% of non-compliant external asset managers engaged

None

Q5.15 Does your organization exercise voting rights as a shareholder on environmental issues?

Yes

Q5.15.1 Provide details of your shareholder voting record on environmental issues.

Response 1: Row 1

Method used to exercise your voting rights as a shareholder

Exercise voting rights directly

% of voting rights exercised

100

% of voting which is publicly available

100

Environmental issues covered in shareholder voting

Climate change

Global environmental commitments that your shareholder voting is aligned with

Aligned with the Paris Agreement

Issues supported in shareholder resolutions

- Aligning public policy position (lobbying)
- Board oversight of environmental issues
- Environmental disclosures

Q6.1 Provide details on your chosen consolidation approach for the calculation of environmental performance data.

Response 1: Climate change

Consolidation approach used

Financial control

Provide the rationale for the choice of consolidation approach

To align with the financial statements

Response 2: Plastics

Consolidation approach used

Financial control

Provide the rationale for the choice of consolidation approach

To align with the financial statements

Response 3: Biodiversity

Consolidation approach used

Financial control

Provide the rationale for the choice of consolidation approach

To align with the financial statements

Q7.1 Is this your first year of reporting emissions data to CDP?

No

Q7.1.1 Has your organization undergone any structural changes in the reporting year, or are any previous structural changes being accounted for in this disclosure of emissions data?

No

Q7.1.2 Has your emissions accounting methodology, boundary, and/or reporting year definition changed in the reporting year?

No

Q7.2 Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.

- The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)
- The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Standard
- Japan Ministry of the Environment, Law Concerning the Promotion of the Measures to Cope with Global Warming, Superseded by Revision of the Act on Promotion of Global Warming Countermeasures (2005 Amendment)

Q7.3 Describe your organization's approach to reporting Scope 2 emissions.

Response 1:

Scope 2, location-based

We are reporting a Scope 2, location-based figure

Scope 2, market-based

We are reporting a Scope 2, market-based figure

Comment

None

Q7.4 Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1, Scope 2 or Scope 3 emissions that are within your selected reporting boundary which are not included in your disclosure?

No

Q7.5 Provide your base year and base year emissions.

Response 1: Scope 1

Base year end

2021-03-31

Base year emissions (metric tons CO2e)

842

Methodological details

We calculate emissions by multiplying the fuel consumption by the emission factors as follows.

(1) Utility gas:

Domestic: After consumption is calculated as the volume of gas under normal conditions, and each supplier's CO2 emission factors* or calorific value and the emission factors* specified by law are used to calculate CO2 emissions.

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

(2) Liquefied petroleum gas, heavy oil, diesel fuel, and kerosene: Calculated on a consumption basis by the emission factors* based on values published by the Ministry of the Environment.

*Uses the emission factors in the Act on Promotion of Global Warming Countermeasures.

Response 2: Scope 2 (location-based)

Base year end

2021-03-31

Base year emissions (metric tons CO2e)

27437

Methodological details

We calculate emissions by multiplying the electricity consumption by the International Electricity Factors disclosed by the Carbon Footprint Ltd.

The emissions from steam, hot water, and cold water are calculated on a consumption basis by the emission factors* based on values published by the Ministry of the Environment.

*Uses the emission factors in the Act on Promotion of Global Warming Countermeasures.

Response 3: Scope 2 (market-based)

Base year end

2021-03-31

Base year emissions (metric tons CO2e)

24738

Methodological details

We calculate emissions by multiplying the electricity consumption by the emission factors for retail electricity providers.

The emissions from steam, hot water, and cold water are calculated on a consumption basis by the emission factors* based on values published by the Ministry of the Environment.

*Uses the emission factors in the Act on Promotion of Global Warming Countermeasures.

Response 4: Scope 3 category 1: Purchased goods and services

Base year end

2021-03-31

Base year emissions (metric tons CO2e)

400

Methodological details

The spending on paper is multiplied by emission factors based on methodologies and emission factors from the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain issued by the Ministry of the Environment of Japan.

Response 5: Scope 3 category 5: Waste generated in operations

Base year end

2021-03-31

Base year emissions (metric tons CO2e)

163.0

Methodological details

The amount of waste is multiplied by emission factors based on methodologies and emission factors from the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain issued by the Ministry of the Environment of Japan.

Response 6: Scope 3 category 6: Business travel

Base year end

2021-03-31

Base year emissions (metric tons CO2e)

76

Methodological details

We calculate emissions by multiplying the distance to the business trip destination by the emission factors from the emission factors database for corporate GHG emissions accounting over the supply chain (Ver.3.2) and IDEAv2.3 (For calculating supply chain greenhouse gas emissions).

The emission from Business travel is calculated by multiplying passenger-kilometers involved in overseas business travel (international flights) at Daiwa Securities Group Inc., Daiwa Securities Co.Ltd. and London and Hong Kong offices by emission factors.

Response 7: Scope 3 category 7: Employee commuting

Base year end

2021-03-31

Base year emissions (metric tons CO2e)

1600.0

Methodological details

We calculate emissions by multiplying employee commuting costs by the emission factors from the emission factors database for corporate GHG emissions accounting over the supply chain (Ver.3.2) and IDEAv2.3 (For calculating supply chain greenhouse gas emissions).

The emission from Employee commuting is calculated by multiplying commuting costs paid by Daiwa Securities to officers and employees by emission factors and attendance rate.

Response 8: Scope 3 category 8: Upstream leased assets

Base year end

2021-03-31

Base year emissions (metric tons CO2e)

1331.0

Methodological details

We calculate emissions by multiplying the fuel consumption in company cars that are leased by the emission factors from the emission factors database for corporate GHG emissions accounting over the supply chain (Ver.3.2) and IDEAv2.3 (For calculating supply chain greenhouse gas emissions). The leased cars are categorized in accordance with the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain.

Q7.6 What were your organization's gross global Scope 1 emissions in metric tons CO2e?

Response 1: Reporting year

Gross global Scope 1 emissions (metric tons CO2e)

841

Methodological details

We calculate emissions by multiplying the fuel consumption by the emission factors as follows. (1) Utility gas: Domestic: After consumption is calculated as the volume of gas under normal conditions, and each supplier's CO2 emission factors* or calorific value and the emission factors* specified by law are used to calculate CO2 emissions. Overseas: Same calculation method as above \ ' Japan \ ' (calculated based on the calorific value and emission factors defined in the Act of Promotion of Global Warming Countermeasures). (2) Liquefied petroleum gas, heavy oil, diesel fuel, and kerosene: Calculated on a consumption basis by the emission factors* based on values published by the Ministry of the Environment. *Uses the emission factors in the Act on Promotion of Global Warming Countermeasures.

Response 2: Past year 1

Gross global Scope 1 emissions (metric tons CO2e)

926

End date

2024-03-30

Methodological details

We calculate emissions by multiplying the fuel consumption by the emission factors as follows. (1) Utility gas: Domestic: After consumption is calculated as the volume of gas under normal conditions, and each supplier's CO2 emission factors* or calorific value and the emission factors* specified by law are used to calculate CO2 emissions. Overseas: Same calculation method as above \ ' Japan \ ' (calculated based on the calorific value and emission factors defined in the Act of Promotion of Global Warming Countermeasures). (2) Liquefied petroleum gas, heavy oil, diesel fuel, and kerosene: Calculated on a consumption basis by the emission factors* based on values published by the Ministry of the Environment. *Uses the emission factors in the Act on Promotion of Global Warming Countermeasures.

Response 3: Past year 2

Gross global Scope 1 emissions (metric tons CO2e)

840

End date

2023-03-30

Methodological details

We calculate emissions by multiplying the fuel consumption by the emission factors as follows. (1) Utility gas: Domestic: After consumption is calculated as the volume of gas under normal conditions, and each supplier's CO2 emission factors* or calorific value and the emission factors* specified by law are used to calculate CO2 emissions. Overseas: Same calculation method as above \ Japan\ (calculated based on the calorific value and emission factors defined in the Act of Promotion of Global Warming Countermeasures). (2) Liquefied petroleum gas, heavy oil, diesel fuel, and kerosene: Calculated on a consumption basis by the emission factors* based on values published by the Ministry of the Environment. *Uses the emission factors in the Act on Promotion of Global Warming Countermeasures.

Response 4: Past year 3

Gross global Scope 1 emissions (metric tons CO2e)

954

End date

2022-03-30

Methodological details

We calculate emissions by multiplying the fuel consumption by the emission factors as follows. (1) Utility gas: Domestic: After consumption is calculated as the volume of gas under normal conditions, and each supplier's CO2 emission factors* or calorific value and the emission factors* specified by law are used to calculate CO2 emissions. Overseas: Same calculation method as above \ Japan\ (calculated based on the calorific value and emission factors defined in the Act of Promotion of Global Warming Countermeasures). (2) Liquefied petroleum gas, heavy oil, diesel fuel, and kerosene: Calculated on a consumption basis by the emission factors* based on values published by the Ministry of the Environment. *Uses the emission factors in the Act on Promotion of Global Warming Countermeasures.

Q7.7 What were your organization's gross global Scope 2 emissions in metric tons CO2e?

Response 1: Reporting year

Gross global Scope 2, location-based emissions (metric tons CO2e)

25033.468

Gross global Scope 2, market-based emissions (metric tons CO2e)

1883.629

Methodological details

Location-based method: We calculate emissions by multiplying the electricity consumption by the International Electricity Factors disclosed by the Carbon Footprint Ltd. The emissions from steam, hot water, and cold water are calculated on a consumption basis by the emission factors* based on values published by the Ministry of the Environment. *Uses the emission factors in the Act on Promotion of Global Warming Countermeasures. Market-based method: We calculate emissions by multiplying the electricity consumption by the emission factors for retail electricity providers. The emissions from steam, hot water, and cold water are calculated on a consumption basis by the emission factors* based on values published by the Ministry of the Environment. *Uses the emission factors in the Act on Promotion of Global Warming Countermeasures.

Response 2: Past year 1

Gross global Scope 2, location-based emissions (metric tons CO2e)

25718

Gross global Scope 2, market-based emissions (metric tons CO2e)

8632

End date

2024-03-30

Methodological details

Location-based method: We calculate emissions by multiplying the electricity consumption by the International Electricity Factors disclosed by the Carbon Footprint Ltd. The emissions from steam, hot water, and cold water are calculated on a consumption basis by the emission factors* based on values published by the Ministry of the Environment. *Uses the emission factors in the Act on Promotion of Global Warming Countermeasures. Market-based method: We calculate emissions by multiplying the electricity consumption by the emission factors for retail electricity providers. The emissions from steam, hot water, and cold water are calculated on a consumption basis by the emission factors* based on values published by the Ministry of the Environment. *Uses the emission factors in the Act on Promotion of Global Warming Countermeasures.

Response 3: Past year 2

Gross global Scope 2, location-based emissions (metric tons CO2e)

24806

Gross global Scope 2, market-based emissions (metric tons CO2e)

16265

End date

2023-03-30

Methodological details

Location-based method: We calculate emissions by multiplying the electricity consumption by the International Electricity Factors disclosed by the Carbon Footprint Ltd. The emissions from steam, hot water, and cold water are calculated on a consumption basis by the emission factors* based on values published by the Ministry of the Environment. *Uses the emission factors in the Act on Promotion of Global Warming Countermeasures. Market-based method: We calculate emissions by multiplying the electricity consumption by the emission factors for retail electricity providers. The emissions from steam, hot water, and cold water are calculated on a consumption basis by the emission factors* based on values published by the Ministry of the Environment. *Uses the emission factors in the Act on Promotion of Global Warming Countermeasures.

Response 4: Past year 3

Gross global Scope 2, location-based emissions (metric tons CO2e)

24378

Gross global Scope 2, market-based emissions (metric tons CO2e)

18790

End date

2022-03-30

Methodological details

Location-based method: We calculate emissions by multiplying the electricity consumption by the International Electricity Factors disclosed by the Carbon Footprint Ltd. The emissions from steam, hot water, and cold water are calculated on a consumption basis by the emission factors* based on values published by the Ministry of the Environment. *Uses the emission factors in the Act on Promotion of Global Warming Countermeasures. Market-based method: We calculate emissions by multiplying the electricity consumption by the emission factors for retail electricity providers. The emissions from steam, hot water, and cold water are calculated on a consumption basis by the emission factors* based on values published by the Ministry of the Environment. *Uses the emission factors in the Act on Promotion of Global Warming Countermeasures.

Q7.8 Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.

Response 1: Purchased goods and services

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

327.42

Emissions calculation methodology

Spend-based method

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

The spending on paper is multiplied by emission factors based on methodologies and emission factors from the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain issued by the Ministry of the Environment of Japan.

Response 2: Capital goods

Evaluation status

Not relevant, explanation provided

Please explain

Scope 3 emissions from these sources are considered irrelevant as we are in financial services. We confirmed there were no emissions from capital goods. Therefore, we determined this category's proportion of Scope 3 was not relevant.

Response 3: Fuel-and-energy-related activities (not included in Scope 1 or 2)

Evaluation status

Not relevant, explanation provided

Please explain

Scope 3 emissions from these sources are considered irrelevant as we are in financial services. We confirmed there were no fuel-and-energy related activities. Therefore, we determined this category's proportion of Scope 3 was not relevant.

Response 4: Upstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Please explain

As a financial institution, we are not involved in manufacturing activities and therefore the category of upstream transportation and distribution is not relevant for us due to the primarily financial nature of our business.

Response 5: Waste generated in operations

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

183.21

Emissions calculation methodology

Waste-type-specific method

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

The amount of waste is multiplied by emission factors based on methodologies and emission factors from the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain issued by the Ministry of the Environment of Japan.

Response 6: Business travel

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

1002.41

Emissions calculation methodology

Distance-based method

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

We calculate emissions by multiplying the distance to the business trip destination by the emission factors from the emission factors database for corporate GHG emissions accounting over the supply chain (Ver.3.2) and IDEAv2.3 (For calculating supply chain greenhouse gas emissions). The emission from Business travel is calculated by multiplying passenger-kilometers involved in overseas business travel (international flights) at Daiwa Securities Group Inc., Daiwa Securities Co.Ltd. and London and Hong Kong offices by emission factors.

Response 7: Employee commuting

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

1860.088

Emissions calculation methodology

Spend-based method

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

We calculate emissions by multiplying employee commuting costs by the emission factors from the emission factors database for corporate GHG emissions accounting over the supply chain (Ver.3.2) and IDEAv2.3 (For calculating supply chain greenhouse gas emissions). The emission from Employee commuting is calculated by multiplying commuting costs paid by Daiwa Securities to officers and employees by emission factors and attendance rate.

Response 8: Upstream leased assets

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

1411.475

Emissions calculation methodology

Fuel-based method

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

We calculate emissions by multiplying the fuel consumption in company cars that are leased by the emission factors from the emission factors database for corporate GHG emissions accounting over the supply chain

(Ver.3.2) and IDEAv2.3 (For calculating supply chain greenhouse gas emissions). The leased cars are categorized in accordance with the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain.

Response 9: Downstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Please explain

Scope 3 emissions from these sources are considered irrelevant as we are a financial services. We confirmed there were no emissions resulting from downstream transportation and distribution. Therefore, we determined this category's proportion of Scope 3 was not relevant.

Response 10: Processing of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Scope 3 emissions from these sources are considered irrelevant as we are a financial services. We confirmed there were no emissions from the processing of sold products. Therefore, we determined this category's proportion of Scope 3 was not relevant.

Response 11: Use of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Scope 3 emissions from these sources are considered irrelevant as we are a financial services and there are no produced or sold products with emissions from their use. Therefore, we determined this category's proportion of Scope 3 was not relevant.

Response 12: End of life treatment of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Our financial services do not require end-of-life treatment, so this category's proportion of Scope 3 is not relevant.

Response 13: Downstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

We do not have downstream leased assets. We confirmed there were no emissions from downstream leased assets. Therefore, we determined this category's proportion of Scope 3 was not relevant.

Response 14: Franchises

Evaluation status

Not relevant, explanation provided

Please explain

Because we are a financial services company, we do not operate franchises. Therefore, this category's proportion of Scope 3 is not relevant.

Response 15: Other (upstream)

Evaluation status

Not relevant, explanation provided

Please explain

We have confirmed there were no other upstream emissions except the emissions from upstream leased assets.

Response 16: Other (downstream)

Evaluation status

Not relevant, explanation provided

Please explain

We have confirmed there were no downstream emissions.

Q7.8.1 Disclose or restate your Scope 3 emissions data for previous years.

Response 1: Past year 1

End date

2024-03-30

Scope 3: Purchased goods and services (metric tons CO2e)

322.63

Scope 3: Capital goods (metric tons CO2e)

0

Scope 3: Fuel and energy-related activities (not included in Scopes 1 or 2) (metric tons CO2e)

0

Scope 3: Upstream transportation and distribution (metric tons CO2e)

0

Scope 3: Waste generated in operations (metric tons CO2e)

177.05

Scope 3: Business travel (metric tons CO2e)

957

Scope 3: Employee commuting (metric tons CO2e)

1848

Scope 3: Upstream leased assets (metric tons CO2e)

1537

Scope 3: Downstream transportation and distribution (metric tons CO2e)

0

Scope 3: Processing of sold products (metric tons CO2e)

0

Scope 3: Use of sold products (metric tons CO2e)

0

Scope 3: End of life treatment of sold products (metric tons CO2e)

0

Scope 3: Downstream leased assets (metric tons CO2e)

0

Scope 3: Franchises (metric tons CO2e)

0

Scope 3: Other (upstream) (metric tons CO2e)

0

Scope 3: Other (downstream) (metric tons CO2e)

0

Comment

None.

Response 2: Past year 2

End date

2023-03-30

Scope 3: Purchased goods and services (metric tons CO2e)

282.16

Scope 3: Capital goods (metric tons CO2e)

0

Scope 3: Fuel and energy-related activities (not included in Scopes 1 or 2) (metric tons CO2e)

0

Scope 3: Upstream transportation and distribution (metric tons CO2e)

0

Scope 3: Waste generated in operations (metric tons CO2e)

167.7

Scope 3: Business travel (metric tons CO2e)

792

Scope 3: Employee commuting (metric tons CO2e)

1818

Scope 3: Upstream leased assets (metric tons CO2e)

1530

Scope 3: Downstream transportation and distribution (metric tons CO2e)

0

Scope 3: Processing of sold products (metric tons CO2e)

0

Scope 3: Use of sold products (metric tons CO2e)

0

Scope 3: End of life treatment of sold products (metric tons CO2e)

0

Scope 3: Downstream leased assets (metric tons CO2e)

0

Scope 3: Franchises (metric tons CO2e)

0

Scope 3: Other (upstream) (metric tons CO2e)

0

Scope 3: Other (downstream) (metric tons CO2e)

0

Comment

None.

Q7.9 Indicate the verification/assurance status that applies to your reported emissions.

Verification/assurance status	
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	Third-party verification or assurance process in place

Q7.9.1 Provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements.

Response 1: Row 1

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

daiwa_sustainability_data_2025.pdf, 【署名済】 DSC_202503_Independent Assurance Report_20250827.pdf

Page/section reference

The environmental and social performance indicators marked with a red checkmark in our ' Sustainability Data Edition 2025' have received third-party assurance from KPMG. The Scope 1 emissions for the reporting year are published in P5. The third-party verification certificate can be reviewed at P27.

Relevant standard

ISAE 3410

Proportion of reported emissions verified (%)

100

Q7.9.2 Provide further details of the verification/assurance undertaken for your Scope 2 emissions and attach the relevant statements.

Response 1: Row 1

Scope 2 approach

Scope 2 market-based

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

daiwa_sustainability_data_2025.pdf, 【署名済】 DSC_202503_Independent Assurance Report_20250827.pdf

Page/ section reference

The environmental and social performance indicators marked with a red checkmark in our ' Sustainability Data Edition 2025' have received third-party assurance from KPMG. The Scope 2 emissions for the reporting year are published in P5. The third-party verification certificate can be reviewed at P27.

Relevant standard

ISAE 3410

Proportion of reported emissions verified (%)

100

Q7.9.3 Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.**Response 1: Row 1****Scope 3 category**

- Scope 3: Upstream leased assets
- Scope 3: Business travel
- Scope 3: Employee commuting

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

daiwa_sustainability_data_2025.pdf, 【署名済】 DSC_202503_Independent Assurance Report_20250827.pdf

Page/section reference

The environmental and social performance indicators marked with a red checkmark in our ' Sustainability Data Edition 2025' have received third-party assurance from KPMG. The Scope 2 emissions for the reporting year are published in P5. The third-party verification certificate can be reviewed at P27.

Relevant standard

ISAE 3410

Proportion of reported emissions verified (%)

100

Q7.10 How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?

Decreased

Q7.10.1 Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.

Response 1: Change in renewable energy consumption

Change in emissions (metric tons CO2e)

6832

Direction of change in emissions

Decreased

Emissions value (percentage)

71.5

Please explain calculation

Renewable energy was introduced at all domestic locations. Consequently, the proportion of renewable energy in the group's total electricity consumption rose from 62.7% in fiscal year 2023 to 93.2% in fiscal year 2024. Dividing the 6,832 tonnes of CO2 emissions reduced by this measure by the total Scope 1 and 2 emissions for fiscal 2023 (9,557.4 tonnes of CO2) shows a 71.5% reduction in emissions.

Response 2: Other emissions reduction activities

Change in emissions (metric tons CO2e)

0

Direction of change in emissions

No change

Emissions value (percentage)

0

Please explain calculation

None.

Response 3: Divestment

Change in emissions (metric tons CO2e)

0

Direction of change in emissions

No change

Emissions value (percentage)

0

Please explain calculation

None.

Response 4: Acquisitions

Change in emissions (metric tons CO2e)

0

Direction of change in emissions

No change

Emissions value (percentage)

0

Please explain calculation

None.

Response 5: Mergers

Change in emissions (metric tons CO2e)

0

Direction of change in emissions

No change

Emissions value (percentage)

0

Please explain calculation

None.

Response 6: Change in output

Change in emissions (metric tons CO2e)

0

Direction of change in emissions

No change

Emissions value (percentage)

0

Please explain calculation

None.

Response 7: Change in methodology

Change in emissions (metric tons CO2e)

0

Direction of change in emissions

No change

Emissions value (percentage)

0

Please explain calculation

None.

Response 8: Change in boundary

Change in emissions (metric tons CO2e)

0

Direction of change in emissions

No change

Emissions value (percentage)

0

Please explain calculation

None.

Response 9: Change in physical operating conditions

Change in emissions (metric tons CO2e)

0

Direction of change in emissions

No change

Emissions value (percentage)

0

Please explain calculation

None.

Response 10: Unidentified

Change in emissions (metric tons CO2e)

0

Direction of change in emissions

No change

Emissions value (percentage)

0

Please explain calculation

None.

Response 11: Other

Change in emissions (metric tons CO2e)

0

Direction of change in emissions

No change

Emissions value (percentage)

0

Please explain calculation

None.

Q7.10.2 Are your emissions performance calculations in 7.10 and 7.10.1 based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?

Market-based

Q7.23 Is your organization able to break down your emissions data for any of the subsidiaries included in your CDP response?

No

Q7.29 What percentage of your total operational spend in the reporting year was on energy?

More than 0% but less than or equal to 5%

Q7.30 Select which energy-related activities your organization has undertaken.

	Indicate whether your organization undertook this energy-related activity in the reporting year
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	Yes
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	Yes
Generation of electricity, heat, steam, or cooling	No

Q7.30.1 Report your organization's energy consumption totals (excluding feedstocks) in MWh.

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable + non-renewable) MWh
Consumption of fuel (excluding feedstock)	HHV (higher heating value)	0	4413.42	4413.42
Consumption of purchased or acquired electricity	HHV (higher heating value)	51278.27	3764.59	55042.86
Consumption of purchased or acquired heat	HHV (higher heating value)	0	108.58	108.58
Consumption of purchased or acquired cooling	HHV (higher heating value)	0	201.2	201.20
Total energy consumption	HHV (higher heating value)	51278.27	8487.79	59766.06

Q7.30.16 Provide a breakdown by country/area of your electricity/heat/steam/cooling consumption in the reporting year.

	Consumption of purchased electricity (MWh)	Consumption of self-generated electricity (MWh)	Consumption of purchased heat, steam, and cooling (MWh)	Consumption of self-generated heat, steam, and cooling (MWh)	Total electricity/heat/steam/cooling energy consumption (MWh)
Hong Kong SAR, China	1244.36	0	3.07	0	1247.43
India	0	0	0	0	0.00
Japan	49518.44	0	260.44	0	49778.88
Philippines	0	0	0	0	0.00
Republic of Korea	218.09	0	0	0	218.09
Singapore	217.41	0	46.11	0	263.52
Taiwan, China	230.23	0	0.16	0	230.39
United Kingdom of Great Britain and Northern Ireland	1741.58	0	0	0	1741.58
United States of America	1872.75	0	0	0	1872.75

Q7.45 Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Response 1: Row 1

Intensity figure

2e-9

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)

2724.63

Metric denominator

unit total revenue

Metric denominator: Unit total

1372014000000

Scope 2 figure used

Market-based

% change from previous year

73

Direction of change

Decreased

Reasons for change

Change in renewable energy consumption

Please explain

In the reporting year, the procurement of renewable energy electricity was further expanded compared to the previous year. The amount of renewable energy electricity procured in the reporting year was 51,278,272.6kWh, of which 49,518,442 kWh was in Japan. Annual emission reduction amount was 6,832 tCO₂ by purchasing non-fossil certificates and using renewable electricity plan, etc.

Q7.52 Provide any additional climate-related metrics relevant to your business.**Response 1: Row 1****Description**

Other: Clean water consumption

Metric value

95.91

Metric numerator

thousand cubic meter

Metric denominator (intensity metric only)

None.

% change from previous year

0.06

Direction of change

Increased

Please explain

None.

Q7.53 Did you have an emissions target that was active in the reporting year?

- Portfolio target
- Absolute target

Q7.53.1 Provide details of your absolute emissions targets and progress made against those targets.

Response 1: Row 1

Target reference number

Abs 1

Is this a science-based target?

No, but we anticipate setting one in the next two years

Date target was set

2021-05-30

Target coverage

Organization-wide

Greenhouse gases covered by target

Carbon dioxide (CO2)

Scopes

- Scope 2
- Scope 1

Scope 2 accounting method

Market-based

End date of base year

2021-03-30

Base year Scope 1 emissions covered by target (metric tons CO2e)

842

Base year Scope 2 emissions covered by target (metric tons CO2e)

24739

Base year total Scope 3 emissions covered by target (metric tons CO2e)

0.000

Total base year emissions covered by target in all selected Scopes (metric tons CO2e)

25581.000

Base year Scope 1 emissions covered by target as % of total base year emissions in Scope 1

100

Base year Scope 2 emissions covered by target as % of total base year emissions in Scope 2

100

Base year emissions covered by target in all selected Scopes as % of total base year emissions in all selected Scopes

100

End date of target

2031-03-30

Targeted reduction from base year (%)

100

Total emissions at end date of target covered by target in all selected Scopes (metric tons CO2e)

0.000

Scope 1 emissions in reporting year covered by target (metric tons CO2e)

841

Scope 2 emissions in reporting year covered by target (metric tons CO2e)

1883.629

Total emissions in reporting year covered by target in all selected scopes (metric tons CO2e)

2724.629

Land-related emissions covered by target

No, it does not cover any land-related emissions (e.g. non-FLAG SBT)

% of target achieved relative to base year

89.35

Target status in reporting year

Underway

Explain target coverage and identify any exclusions

No exclusions.

Target objective

In line with the goals pursued by the Paris Agreement and to contribute to the creation of a sustainable society, our group has set a target to achieve net zero emissions by FY2030.

Plan for achieving target, and progress made to the end of the reporting year

To achieve our target, our group has developed a reduction roadmap. For the reporting year, we have achieved a reduction rate of 96.1% for Scope 1 and Scope 2 emissions.

Target derived using a sectoral decarbonization approach

No

Response 2: Row 2

Target reference number

Abs 2

Is this a science-based target?

No, but we anticipate setting one in the next two years

Date target was set

2021-05-30

Target coverage

Organization-wide

Greenhouse gases covered by target

Carbon dioxide (CO2)

Scopes

- Scope 1
- Scope 2

Scope 2 accounting method

Market-based

End date of base year

2021-03-30

Base year Scope 1 emissions covered by target (metric tons CO2e)

842

Base year Scope 2 emissions covered by target (metric tons CO2e)

24739

Base year total Scope 3 emissions covered by target (metric tons CO2e)

0.000

Total base year emissions covered by target in all selected Scopes (metric tons CO2e)

25581.000

Base year Scope 1 emissions covered by target as % of total base year emissions in Scope 1

100

Base year Scope 2 emissions covered by target as % of total base year emissions in Scope 2

100

Base year emissions covered by target in all selected Scopes as % of total base year emissions in all selected Scopes

100

End date of target

2050-12-30

Targeted reduction from base year (%)

100

Total emissions at end date of target covered by target in all selected Scopes (metric tons CO2e)

0.000

Scope 1 emissions in reporting year covered by target (metric tons CO2e)

841

Scope 2 emissions in reporting year covered by target (metric tons CO2e)

1883.629

Total emissions in reporting year covered by target in all selected scopes (metric tons CO2e)

2724.629

Land-related emissions covered by target

No, it does not cover any land-related emissions (e.g. non-FLAG SBT)

% of target achieved relative to base year

89.35

Target status in reporting year

Underway

Explain target coverage and identify any exclusions

No exclusions.

Target objective

Based on the goals pursued by the Paris Agreement and to contribute to the creation of a sustainable society, our group has set a target to achieve net zero emissions by the FY 2030. Although there may be business expansions through acquisitions or mergers between FY2030 and 2050, our long-term goal is to maintain a net zero status.

Plan for achieving target, and progress made to the end of the reporting year

To achieve our target, our group has developed a reduction roadmap. For the reporting year, we have achieved a reduction rate of 96.1% for Scope 1 and Scope 2 emissions.

Target derived using a sectoral decarbonization approach

No

Q7.53.4 Provide details of the climate-related targets for your portfolio.

Response 1: Row 1

Target reference number

Por1

Target type

Portfolio emissions intensity

Methodology used when setting the target

Own methodology

Date target was set

2023-03-30

Target is set and progress against it is tracked at

Sector level

Sector

Power generation

Portfolios covered by the target

Investing (Asset manager)

Asset classes covered by the target

Project finance

Target type: Absolute or intensity

Intensity

% of portfolio emissions covered by the target

100

Metric (or target numerator if intensity)

tCO₂e

Target denominator

Million invested (unit currency as reported in 1.2)

% of portfolio covered in relation to total portfolio value

100

Frequency of target reviews

Annually

End date of base year

2023-03-30

Figure in base year

471200

We have an interim target

Yes

End of interim target year

2030-03-30

Figure in interim target year

255

End date of target

2050-12-30

Figure in target year

0

Figure in reporting year

267.5

% of target achieved relative to base year

99.94323005093378

Target status in reporting year

Underway

Is this a science-based target?

No, but we anticipate setting one in the next 2 years

Please explain target coverage and identify any exclusions

We have set interim targets for project finance through fiscal 2030 for the power sector, which accounts for the largest share of our group's investment and financing portfolio emissions.

To support increasing electricity demand while simultaneously advancing the transition to clean energy, we use emissions intensity (emissions per unit of electricity generated) as a measurement metric to indicate GHG emissions efficiency. Additionally, in line with the Paris Agreement's goals of staying well below 2°C and being consistent with the 1.5°C target, we have set reduction targets within a range based on the IEA's NZE scenario and APS scenario.

The targets include the investment destinations of Daiwa Securities Group Inc. and the asset management division (self-held shares, excluding non-listed shares via funds) and the investment destinations of Daiwa Next Bank.

The interim target indicator is the emission intensity (g-CO₂/kWh), and the 'Interim Target Year Figures' column shows the figures in g-CO₂/kWh.

Target objective

Our group has set a target for FY 2023 to achieve 'Net Zero GHG Emissions (Scope 3) for the investment and financing portfolio by 2050.

Q7.54 Did you have any other climate-related targets that were active in the reporting year?

- Other climate-related targets
- Net-zero targets

Q7.54.2 Provide details of any other climate-related targets, including methane reduction targets.

Response 1: Row 1

Target reference number

Oth 1

Date target was set

2022-05-15

Target coverage

Business division

Target type: absolute or intensity

Intensity

Target type: category & metric (target numerator if reporting an intensity target)

Energy consumption or efficiency: Other energy consumption or efficiency: Energy consumption or efficiency (tCO₂)

Target denominator (intensity targets only)

Other: square meter

End date of base year

2014-03-30

Figure or percentage in base year

110.6

End date of target

2031-03-30

Figure or percentage at end of date of target

54.2

Figure or percentage in reporting year

63.7

% of target achieved relative to base year

83.1560283688

Target status in reporting year

Achieved

Is this target part of an emissions target?

Yes, this is part of an emissions target (Abs1).

Is this target part of an overarching initiative?

Other: This is a Japan Securities Dealers Association's target that all members are required to achieve.

Please explain target coverage and identify any exclusions

The scope of this goal covers Daiwa Securities Co.Ltd.

Target objective

The Japan Securities Dealers Association requires member securities companies to set a goal of reducing CO2 emissions based on electricity usage per square meter of floor space by more than 51% compared to FY 2013 by FY2030. In line with this, we have set the target. Additionally, our company has established a net zero CO2 emissions target for Scope 1 and 2 by FY2030. To achieve this, our key initiatives include improving energy efficiency and expanding the procurement of renewable energy. These efforts aim not only to achieve sustainable operations and reduce environmental impact but also to drive long-term cost savings and enhance the company's competitiveness.

List the actions which contributed most to achieving this target

We believe that expanding the procurement of renewable energy is the most effective measure for reducing emission intensity.

Q7.54.3 Provide details of your net-zero target(s).

Response 1: Row 1

Target reference number

NZ1

Date target was set

2021-08-09

Target Coverage

Organization-wide

Targets linked to this net zero target

Abs1

End date of target for achieving net zero

2031-03-30

Is this a science-based target?

No, and we do not anticipate setting one in the next two years

Scopes

- Scope 1
- Scope 2

Greenhouse gases covered by target

Carbon dioxide (CO2)

Explain target coverage and identify any exclusions

The target covers Scope 1 and Scope 2 of our company and group companies on a consolidated basis.

Target objective

Based on the Paris Agreement's 1.5°C target, our company aims to achieve net zero CO2 emissions from our operations by FY2030. To achieve this, we are focusing on initiatives such as transitioning company vehicles to EVs/HEVs and expanding our procurement of renewable energy. Additionally, by sharing the knowledge gained from our own practices with our investees, we aim to contribute to reducing emissions across our entire portfolio. Through these efforts, we seek to fulfill our corporate social responsibility and enhance the long-term stability and credibility of our business.

Do you intend to neutralize any residual emissions with permanent carbon removals at the end of the target?

Yes

Do you plan to mitigate emissions beyond your value chain?

No, but we plan to within the next two years

Do you intend to purchase and cancel carbon credits for neutralization and/or beyond value chain mitigation?

Yes, we plan to purchase and cancel carbon credits for neutralization at the end of the target

Planned milestones and/or near-term investments for neutralization at the end of the target

By the end of the target period, we plan to offset any remaining CO2 using external methods such as carbon credits or non-fossil certificates.

Target status in reporting year

Underway

Process for reviewing target

Every year, we calculate Scope 1, 2, and 3 emissions and measure our reduction progress. The progress and outcomes of our initiatives are reported from the Sustainability Promotion Committee to the Board of Directors, and the status is shared accordingly. We have developed a reduction roadmap, and based on this, we implement specific and effective action plans annually. By evaluating the reduction effects and reviewing the appropriateness of our targets every year, we strive to maintain achievable goals. While we may revise our targets or adjust measures as necessary in response to global or governmental trends, we are currently proceeding with the measures towards the targets we have set, and no changes to the targets are planned at this stage.

Response 2: Row 2

Target reference number

NZ2

Date target was set

2021-08-09

Target Coverage

Organization-wide

Targets linked to this net zero target

Abs1

End date of target for achieving net zero

2051-03-30

Is this a science-based target?

No, and we do not anticipate setting one in the next two years

Scopes

- Scope 1
- Scope 2
- Scope 3

Greenhouse gases covered by target

Carbon dioxide (CO2)

Explain target coverage and identify any exclusions

The target covers Scope 1, Scope 2, and Scope 3, including our investment and loan portfolios, business travel, commuting, and leased cars. Going forward, we have set interim targets for project finance through fiscal 2030 for the power sector, which accounts for the largest share of our group's investment and financing portfolio emissions.

To support increasing electricity demand while simultaneously advancing the transition to clean energy, we use emissions intensity (emissions per unit of electricity generated) as a measurement metric to indicate GHG emissions efficiency. Additionally, in line with the Paris Agreement's goals of staying well below 2°C and being consistent with the 1.5°C target, we have set reduction targets within a range based on the IEA's NZE scenario and APS scenario.

Target objective

Based on the Paris Agreement's 1.5°C target, our company has set a goal to achieve net zero emissions across the entire value chain, including Scope 3, by 2050. To achieve this, we developed the 'Daiwa Securities Group Supplier Code of Conduct' in May 2023, which includes requirements to reduce greenhouse gas emissions and promote the efficient use of resources and energy. This code of conduct strengthens our collaboration with suppliers and drives specific initiatives towards building a sustainable value chain. Through these efforts, we aim to reduce overall environmental impact and contribute to the realization of a sustainable society.

Do you intend to neutralize any residual emissions with permanent carbon removals at the end of the target?

Yes

Do you plan to mitigate emissions beyond your value chain?

No, but we plan to within the next two years

Do you intend to purchase and cancel carbon credits for neutralization and/or beyond value chain mitigation?

Yes, we plan to purchase and cancel carbon credits for neutralization at the end of the target

Planned milestones and/or near-term investments for neutralization at the end of the target

Regarding the remaining CO2 by the end of the target period, we have a policy to offset it using external methods such as carbon credits or non-fossil certificates. Currently, it has not yet been determined whether credits or non-fossil certificates will be applied to Scope 3 reductions, but we are aware that the industry is actively considering this option. In the future, we may use a combination of these methods to offset Scope 3 emissions.

Target status in reporting year

Underway

Process for reviewing target

Every year, we calculate Scope 1, 2, and 3 emissions and measure our reduction progress. The progress and outcomes of our initiatives are reported from the Sustainability Promotion Committee to the Board of Directors, and the status is shared accordingly. We have developed a reduction roadmap, and based on this, we implement specific and effective action plans annually. By evaluating the reduction effects and reviewing the appropriateness of our targets each year, we strive to maintain achievable goals. While we may revise our targets or adjust measures as necessary in response to global or governmental trends, we are currently proceeding with the measures towards the targets we have set, and no changes to the targets are planned at this stage.

Q7.55 Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.

Yes

Q7.55.1 Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e
Under investigation	0	
To be implemented	0	0
Implementation commenced	0	0
Implemented	1	6748
Not to be implemented	0	

Q7.55.2 Provide details on the initiatives implemented in the reporting year in the table below.

Response 1: Row 1

Initiative category & Initiative type

Low-carbon energy consumption: Low-carbon electricity mix

Estimated annual CO2e savings (metric tonnes CO2e)

6748

Scope(s) or Scope 3 category(ies) where emissions savings occur

Scope 2 (market-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency - as specified in 1.2)

0

Investment required (unit currency - as specified in 1.2)

0

Payback period

No payback

Estimated lifetime of the initiative

6-10 years

Comment

During the reporting year, the procurement of renewable energy was 51,278,271 kWh in Japan. Annual emission reduction amount was 6,748 tCO2 by using renewable electricity plan, etc.

Q7.55.3 What methods do you use to drive investment in emissions reduction activities?

Response 1: Row 1

Method

Internal incentives/recognition programs

Comment

The compensation of Directors and Corporate Executive Officers consists of the following three components: base compensation, performance-linked compensation, and a stock price-linked compensation. In order to increase the incentive of Directors and Corporate Executive Officers to address climate issues, Sustainability KPIs have been incorporated into the evaluation system of performance-linked compensation since FY2021. Climate-related sustainability KPIs include the followings: (1) Rank among the top 2 in the SDG bond league table by FY2026 (2) Net zero of Daiwa Securities GHG emissions by FY2030. Performance-linked compensation is determined by the Compensation Committee, reflecting the individual's contribution to these sustainability KPIs.

Response 2: Row 2

Method

Dedicated budget for energy efficiency

Comment

Regarding the introduction of renewable energy, all group companies that moved into the head office building (Gran Tokyo North Tower) in April 2021 have switched to renewable energy by utilising tracking-enabled non-fossil fuel certificates. Furthermore, in January 2024, Daiwa Securities switched all of its domestic bases to renewable energy, followed by Daiwa Institute of Research in April of the same year. The cost of switching to renewable energy in fiscal 2024 amounted to approximately 30 million yen.

Response 3: Row 3

Method

Employee engagement

Comment

With "Our approach to Green Procurement", we encourage our employees to procure eco-friendly products for our centralized procurement when purchasing new equipment. In addition, we share environmental measures that can be implemented by employees through our in-house magazine "Fuji". In FY2023, we newly formulated and disclosed the Daiwa Securities Group Supplier Code of Conduct and integrated the "Our approach to Green Procurement".

Response 4: Row 4

Method

Compliance with regulatory requirements/standards

Comment

We are committed to complying with applicable climate-related legislation such as the Act on the Rational Use of Energy and Tokyo's environmental protection ordinances. To do so, we monitor regulatory requirements and prepare for new legislation.

Q7.79 Has your organization retired any project-based carbon credits within the reporting year?

No

Q12.1 Does your organization measure the impact of your portfolio on the environment?

Response 1: Investing (Asset manager)

We measure the impact of our portfolio on the climate

Yes

Disclosure metric

Financed emissions

We measure the impact of our portfolio on biodiversity

No, but we plan to do so in the next two years

Primary reason for not measuring portfolio impact on biodiversity

Not an immediate strategic priority

Explain why your organization does not measure its portfolio impact on biodiversity

In the reporting year, our company used the LEAP approach recommended by the TNFD framework to analyze our portfolio's dependency on and impact on natural capital. However, we have not yet developed quantitative metrics and plan to deepen the analysis in the coming FYs.

Q12.1.1 Provide details of your organization's financed emissions in the reporting year and in the base year.

Response 1: Investing (Asset manager)

Asset classes covered in the calculation

- Bonds
- Equity investments
- Real estate
- Loans
- Other: Private Equity Investment
- Project finance

Financed emissions (metric unit tons CO2e) in the reporting year

1137010.36

% of portfolio covered in relation to total portfolio value

100

Total value of assets included in the financed emissions calculation

35180000000000.00

% of financed emissions calculated using data obtained from clients/investees (optional)

0

Emissions calculation methodology

The Global GHG Accounting and Reporting Standard for the Financial Industry (PCAF)

Weighted data quality score (for PCAF-aligned data quality scores only)

2.12

Financed emissions (metric unit tons CO2e) in the base year

951639

Base year end

2024-03-30

% of undrawn loan commitments included in the financed emissions calculation

0

Please explain the details of and assumptions used in your calculation

Regarding emissions in FY2022, we conducted measurements for the following 10 high-emitting sectors and asset classes that are subject to calculation by PCAF. Sectors; power generation, transport, real estate, automobile manufacturing, coal, oil and gas, steel, cement, agriculture, and aluminum Asset classes; listed equity, unlisted equity, corporate bonds, and project finance Subjects are Scope 1 and 2 of Daiwa Securities Group Inc.'s invested companies, assets managed by the Asset Management Division (own holdings, excluding unlisted stocks via funds), and companies managed by Daiwa Next Bank, Ltd. Some estimates are based on the PCAF Database (excluding subjects that cannot be referenced in the Database). We calculate in accordance with the global GHG accounting and reporting standards for the financial industry (PCAF). In the reporting year, we expanded the calculation scope to include the power generation, transport, real estate, automobile manufacturing, coal, oil and gas, steel, cement, agriculture, aluminum, metals & mining (other than steel and aluminum), chemicals, building material, capital goods (buildings, etc.), beverage, packaged foods & meat, and paper & forest products sector.

Q12.1.2 Disclose or restate your financed emissions for previous years.

Response 1: Past year 1 for Investing (Asset manager)

End Date

2024-03-30

Financed emissions (metric unit tons CO2e) in the reporting year

951639

% of portfolio covered in relation to total portfolio value

100

% calculated using data obtained from clients/investees

0

Emissions calculation methodology

The Global GHG Accounting and Reporting Standard for the Financial Industry (PCAF)

Please explain the details of and assumptions used in your calculation

Compared to previous years, the scope of the 2023 measurement was expanded. It was not limited to high-emission sectors, but was conducted across all sectors. Asset classes covered included listed and unlisted stocks, corporate bonds, commercial real estate, corporate loans and project finance. Additionally, emissions from investment and financing destinations were measured as the total of not only Scope 1 and 2, but also Scope 3.

The breakdown of emissions is as follows:

[Scope 1 and 2] Listed stocks: 105,638 + Unlisted stocks: 17,374 + Corporate bonds: 167,532 + project finance: 397,634 = 688,178 tCO₂

+

[scope 3] 263,461 tCO₂

Total: 951,639 t-CO₂

Response 2: Past year 2 for Investing (Asset manager)

End Date

2023-03-30

Financed emissions (metric unit tons CO₂e) in the reporting year

520529

% of portfolio covered in relation to total portfolio value

100

% calculated using data obtained from clients/investees

0

Emissions calculation methodology

The Global GHG Accounting and Reporting Standard for the Financial Industry (PCAF)

Please explain the details of and assumptions used in your calculation

Regarding emissions in FY2022, we conducted measurements for the following 10 high-emitting sectors and asset classes that are subject to calculation by PCAF. Sectors; power generation, transport, real estate, automobile manufacturing, coal, oil and gas, steel, cement, agriculture, and aluminum Asset classes; listed equity, unlisted equity, corporate bonds, and project finance Subjects are Scope 1 and 2 of Daiwa Securities Group Inc.'s invested companies, assets managed by the Asset Management Division (own holdings, excluding unlisted stocks via funds), and companies managed by Daiwa Next Bank, Ltd. Some estimates are based on the PCAF Database (excluding subjects that cannot be referenced in the Database). We calculate in accordance with the global GHG accounting and reporting standards for the financial industry (PCAF) in the reporting year.

Q12.2 Are you able to provide a breakdown of your organization's financed emissions and other portfolio carbon footprinting metrics?

- Yes, by industry
- Yes, by asset class
- Yes, by scope

Q12.2.1 Break down your organization's financed emissions and other portfolio carbon footprinting metrics by asset class, by industry, and/or by scope.

Response 1: Row 1

Portfolio

Investing (Asset manager)

Portfolio metric

Absolute portfolio emissions (tCO₂e)

Industry

Power generation

Asset class

Equity investments

Clients'/investees' scope

Scope 1

% of asset class emissions calculated in the reporting year based on total value of assets

6.11

Value of assets covered in the calculation

3623981837.93

Financed emissions or alternative metric

51695.7

Are you able to provide the gross exposure for your undrawn loan commitment separately from the drawn loan commitment?

Not applicable

Please explain the details, assumptions and exclusions in your calculation

We calculate in accordance with the global GHG accounting and reporting standards for the financial industry (PCAF). In the reporting year, we expanded the calculation scope to include the power generation, transport, real estate, automobile manufacturing, coal, oil and gas, steel, cement, agriculture, aluminum, metals & mining (other than steel and aluminum), chemicals, building material, capital goods (buildings, etc.), beverage, packaged foods & meat, and paper & forest products sector. We disclose details of the 'power generation' sector, which has the highest emissions, in this questionnaire. Since we focus on equity

investments, no ' loan commitment' exists. We have answered ' No.' The total portfolio emissions disclosed in 12.1.1 only cover Scope 1 and 2 emissions. However, since Scope 3 emissions were already calculated for the power generation sector, a breakdown of Scope 3 emissions is disclosed in addition to Scope 1 and 2 here.

Response 2: Row 2

Portfolio

Investing (Asset manager)

Portfolio metric

Absolute portfolio emissions (tCO2e)

Industry

Power generation

Asset class

Equity investments

Clients'/investees' scope

Scope 2

% of asset class emissions calculated in the reporting year based on total value of assets

0.02

Value of assets covered in the calculation

3623981837.93

Financed emissions or alternative metric

162.42

Are you able to provide the gross exposure for your undrawn loan commitment separately from the drawn loan commitment?

Not applicable

Please explain the details, assumptions and exclusions in your calculation

We calculate in accordance with the global GHG accounting and reporting standards for the financial industry (PCAF). In the reporting year, we expanded the calculation scope to include the power generation, transport, real estate, automobile manufacturing, coal, oil and gas, steel, cement, agriculture, aluminum, metals & mining (other than steel and aluminum), chemicals, building material, capital goods (buildings, etc.), beverage, packaged foods & meat, and paper & forest products sector. We disclose details of the ' power generation' sector, which has the highest emissions, in this questionnaire. Since we focus on equity investments, no ' loan commitment' exists. We have answered ' No.' The total portfolio emissions disclosed in 12.1.1 only cover Scope 1 and 2 emissions. However, since Scope 3 emissions were already calculated for the power generation sector, a breakdown of Scope 3 emissions is disclosed in addition to Scope 1 and 2 here.

Response 3: Row 3

Portfolio

Investing (Asset manager)

Portfolio metric

Absolute portfolio emissions (tCO2e)

Industry

Power generation

Asset class

Equity investments

Clients'/investees' scope

Scope 3

% of asset class emissions calculated in the reporting year based on total value of assets

1.04

Value of assets covered in the calculation

3623981837.93

Financed emissions or alternative metric

8773.4

Are you able to provide the gross exposure for your undrawn loan commitment separately from the drawn loan commitment?

Not applicable

Please explain the details, assumptions and exclusions in your calculation

We calculate in accordance with the global GHG accounting and reporting standards for the financial industry (PCAF). In the reporting year, we expanded the calculation scope to include the power generation, transport, real estate, automobile manufacturing, coal, oil and gas, steel, cement, agriculture, aluminum, metals & mining (other than steel and aluminum), chemicals, building material, capital goods (buildings, etc.), beverage, packaged foods & meat, and paper & forest products sector. We disclose details of the 'power generation' sector, which has the highest emissions, in this questionnaire. Since we focus on equity investments, no 'loan commitment' exists. We have answered 'No.' The total portfolio emissions disclosed in 12.1.1 only cover Scope 1 and 2 emissions. However, since Scope 3 emissions were already calculated for the power generation sector, a breakdown of Scope 3 emissions is disclosed in addition to Scope 1 and 2 here.

Response 4: Row 4

Portfolio

Investing (Asset manager)

Portfolio metric

Absolute portfolio emissions (tCO₂e)

Industry

Power generation

Asset class

Other: Unlisted equity

Clients'/investees' scope

Scope 1

% of asset class emissions calculated in the reporting year based on total value of assets

0

Value of assets covered in the calculation

1

Financed emissions or alternative metric

0

Are you able to provide the gross exposure for your undrawn loan commitment separately from the drawn loan commitment?

Not applicable

Please explain the details, assumptions and exclusions in your calculation

We calculate in accordance with the global GHG accounting and reporting standards for the financial industry (PCAF). In the reporting year, we expanded the calculation scope to include the power generation, transport, real estate, automobile manufacturing, coal, oil and gas, steel, cement, agriculture, aluminum, metals & mining (other than steel and aluminum), chemicals, building material, capital goods (buildings, etc.), beverage, packaged foods & meat, and paper & forest products sector. We disclose details of the ' power generation' sector, which has the highest emissions, in this questionnaire. Since we focus on equity investments, no ' loan commitment' exists. We have answered ' No.' The total portfolio emissions disclosed in 12.1.1 only cover Scope 1 and 2 emissions. However, since Scope 3 emissions were already calculated for the power generation sector, a breakdown of Scope 3 emissions is disclosed in addition to Scope 1 and 2 here.

Response 5: Row 5

Portfolio

Investing (Asset manager)

Portfolio metric

Absolute portfolio emissions (tCO₂e)

Industry

Power generation

Asset class

Other: Unlisted equity

Clients'/investees' scope

Scope 2

% of asset class emissions calculated in the reporting year based on total value of assets

0

Value of assets covered in the calculation

1

Financed emissions or alternative metric

0

Are you able to provide the gross exposure for your undrawn loan commitment separately from the drawn loan commitment?

Not applicable

Please explain the details, assumptions and exclusions in your calculation

We calculate in accordance with the global GHG accounting and reporting standards for the financial industry (PCAF). In the reporting year, we expanded the calculation scope to include the power generation, transport, real estate, automobile manufacturing, coal, oil and gas, steel, cement, agriculture, aluminum, metals & mining (other than steel and aluminum), chemicals, building material, capital goods (buildings, etc.), beverage, packaged foods & meat, and paper & forest products sector. We disclose details of the 'power generation' sector, which has the highest emissions, in this questionnaire. Since we focus on equity investments, no 'loan commitment' exists. We have answered 'No.' The total portfolio emissions disclosed in 12.1.1 only cover Scope 1 and 2 emissions. However, since Scope 3 emissions were already calculated for the power generation sector, a breakdown of Scope 3 emissions is disclosed in addition to Scope 1 and 2 here.

Response 6: Row 6

Portfolio

Investing (Asset manager)

Portfolio metric

Absolute portfolio emissions (tCO2e)

Industry

Power generation

Asset class

Other: Unlisted equity

Clients'/investees' scope

Scope 3

% of asset class emissions calculated in the reporting year based on total value of assets

0

Value of assets covered in the calculation

1

Financed emissions or alternative metric

0

Are you able to provide the gross exposure for your undrawn loan commitment separately from the drawn loan commitment?

Not applicable

Please explain the details, assumptions and exclusions in your calculation

We calculate in accordance with the global GHG accounting and reporting standards for the financial industry (PCAF). In the reporting year, we expanded the calculation scope to include the power generation, transport, real estate, automobile manufacturing, coal, oil and gas, steel, cement, agriculture, aluminum, metals & mining (other than steel and aluminum), chemicals, building material, capital goods (buildings, etc.), beverage, packaged foods & meat, and paper & forest products sector. We disclose details of the 'power generation' sector, which has the highest emissions, in this questionnaire. Since we focus on equity investments, no 'loan commitment' exists. We have answered 'No.' The total portfolio emissions disclosed in 12.1.1 only cover Scope 1 and 2 emissions. However, since Scope 3 emissions were already calculated for the power generation sector, a breakdown of Scope 3 emissions is disclosed in addition to Scope 1 and 2 here.

Response 7: Row 7

Portfolio

Investing (Asset manager)

Portfolio metric

Absolute portfolio emissions (tCO2e)

Industry

Power generation

Asset class

Fixed income

Clients'/investees' scope

Scope 1

% of asset class emissions calculated in the reporting year based on total value of assets

30.39

Value of assets covered in the calculation

29286552085.53

Financed emissions or alternative metric

256941.96

Are you able to provide the gross exposure for your undrawn loan commitment separately from the drawn loan commitment?

Not applicable

Please explain the details, assumptions and exclusions in your calculation

We calculate in accordance with the global GHG accounting and reporting standards for the financial industry (PCAF). In the reporting year, we expanded the calculation scope to include the power generation, transport, real estate, automobile manufacturing, coal, oil and gas, steel, cement, agriculture, aluminum, metals & mining (other than steel and aluminum), chemicals, building material, capital goods (buildings, etc.), beverage, packaged foods & meat, and paper & forest products sector. We disclose details of the 'power generation' sector, which has the highest emissions, in this questionnaire. Since we focus on equity investments, no 'loan commitment' exists. We have answered 'No.' The total portfolio emissions disclosed in 12.1.1 only cover Scope 1 and 2 emissions. However, since Scope 3 emissions were already calculated for the power generation sector, a breakdown of Scope 3 emissions is disclosed in addition to Scope 1 and 2 here.

Response 8: Row 8

Portfolio

Investing (Asset manager)

Portfolio metric

Absolute portfolio emissions (tCO2e)

Industry

Power generation

Asset class

Fixed income

Clients'/investees' scope

Scope 2

% of asset class emissions calculated in the reporting year based on total value of assets

1.07

Value of assets covered in the calculation

29286552085.53

Financed emissions or alternative metric

9008.39

Are you able to provide the gross exposure for your undrawn loan commitment separately from the drawn loan commitment?

Not applicable

Please explain the details, assumptions and exclusions in your calculation

We calculate in accordance with the global GHG accounting and reporting standards for the financial industry (PCAF). In the reporting year, we expanded the calculation scope to include the power generation, transport, real estate, automobile manufacturing, coal, oil and gas, steel, cement, agriculture, aluminum, metals & mining (other than steel and aluminum), chemicals, building material, capital goods (buildings, etc.), beverage, packaged foods & meat, and paper & forest products sector. We disclose details of the 'power generation' sector, which has the highest emissions, in this questionnaire. Since we focus on equity investments, no 'loan commitment' exists. We have answered 'No.' The total portfolio emissions disclosed in 12.1.1 only cover Scope 1 and 2 emissions. However, since Scope 3 emissions were already calculated for the power generation sector, a breakdown of Scope 3 emissions is disclosed in addition to Scope 1 and 2 here.

Response 9: Row 9

Portfolio

Investing (Asset manager)

Portfolio metric

Absolute portfolio emissions (tCO2e)

Industry

Power generation

Asset class

Fixed income

Clients'/investees' scope

Scope 3

% of asset class emissions calculated in the reporting year based on total value of assets

4.11

Value of assets covered in the calculation

29286552085.53

Financed emissions or alternative metric

34782.62

Are you able to provide the gross exposure for your undrawn loan commitment separately from the drawn loan commitment?

Not applicable

Please explain the details, assumptions and exclusions in your calculation

We calculate in accordance with the global GHG accounting and reporting standards for the financial industry (PCAF). In the reporting year, we expanded the calculation scope to include the power generation, transport, real estate, automobile manufacturing, coal, oil and gas, steel, cement, agriculture, aluminum, metals & mining (other than steel and aluminum), chemicals, building material, capital goods (buildings, etc.), beverage, packaged foods & meat, and paper & forest products sector. We disclose details of the 'power generation' sector, which has the highest emissions, in this questionnaire. Since we focus on equity investments, no 'loan commitment' exists. We have answered 'No.' The total portfolio emissions disclosed in 12.1.1 only cover Scope 1 and 2 emissions. However, since Scope 3 emissions were already calculated for the power generation sector, a breakdown of Scope 3 emissions is disclosed in addition to Scope 1 and 2 here.

Response 10: Row 10

Portfolio

Investing (Asset manager)

Portfolio metric

Absolute portfolio emissions (tCO2e)

Industry

Power generation

Asset class

Project finance

Clients'/investees' scope

Scope 1

% of asset class emissions calculated in the reporting year based on total value of assets

50.12

Value of assets covered in the calculation

110676073973

Financed emissions or alternative metric

423809.93

Are you able to provide the gross exposure for your undrawn loan commitment separately from the drawn loan commitment?

Not applicable

Please explain the details, assumptions and exclusions in your calculation

We calculate in accordance with the global GHG accounting and reporting standards for the financial industry (PCAF). In the reporting year, we expanded the calculation scope to include the power generation, transport, real estate, automobile manufacturing, coal, oil and gas, steel, cement, agriculture, aluminum, metals & mining (other than steel and aluminum), chemicals, building material, capital goods (buildings, etc.),

beverage, packaged foods & meat, and paper & forest products sector. We disclose details of the ' power generation' sector, which has the highest emissions, in this questionnaire. Since we focus on equity investments, no ' loan commitment' exists. We have answered ' No.' The total portfolio emissions disclosed in 12.1.1 only cover Scope 1 and 2 emissions. However, since Scope 3 emissions were already calculated for the power generation sector, a breakdown of Scope 3 emissions is disclosed in addition to Scope 1 and 2 here.

Response 11: Row 11

Portfolio

Investing (Asset manager)

Portfolio metric

Absolute portfolio emissions (tCO2e)

Industry

Power generation

Asset class

Project finance

Clients'/investees' scope

Scope 2

% of asset class emissions calculated in the reporting year based on total value of assets

1.47

Value of assets covered in the calculation

110676073973

Financed emissions or alternative metric

12421.65

Are you able to provide the gross exposure for your undrawn loan commitment separately from the drawn loan commitment?

Not applicable

Please explain the details, assumptions and exclusions in your calculation

We calculate in accordance with the global GHG accounting and reporting standards for the financial industry (PCAF). In the reporting year, we expanded the calculation scope to include the power generation, transport, real estate, automobile manufacturing, coal, oil and gas, steel, cement, agriculture, aluminum, metals & mining (other than steel and aluminum), chemicals, building material, capital goods (buildings, etc.), beverage, packaged foods & meat, and paper & forest products sector. We disclose details of the ' power generation' sector, which has the highest emissions, in this questionnaire. Since we focus on equity investments, no ' loan commitment' exists. We have answered ' No.' The total portfolio emissions disclosed in 12.1.1 only cover Scope 1 and 2 emissions. However, since Scope 3 emissions were already calculated for the power generation sector, a breakdown of Scope 3 emissions is disclosed in addition to Scope 1 and 2 here.

Response 12: Row 12

Portfolio

Investing (Asset manager)

Portfolio metric

Absolute portfolio emissions (tCO2e)

Industry

Power generation

Asset class

Project finance

Clients'/investees' scope

Scope 3

% of asset class emissions calculated in the reporting year based on total value of assets

5.67

Value of assets covered in the calculation

110676073973

Financed emissions or alternative metric

47961.66

Are you able to provide the gross exposure for your undrawn loan commitment separately from the drawn loan commitment?

Not applicable

Please explain the details, assumptions and exclusions in your calculation

We calculate in accordance with the global GHG accounting and reporting standards for the financial industry (PCAF). In the reporting year, we expanded the calculation scope to include the power generation, transport, real estate, automobile manufacturing, coal, oil and gas, steel, cement, agriculture, aluminum, metals & mining (other than steel and aluminum), chemicals, building material, capital goods (buildings, etc.), beverage, packaged foods & meat, and paper & forest products sector. We disclose details of the 'power generation' sector, which has the highest emissions, in this questionnaire. Since we focus on equity investments, no 'loan commitment' exists. We have answered 'No.' The total portfolio emissions disclosed in 12.1.1 only cover Scope 1 and 2 emissions. However, since Scope 3 emissions were already calculated for the power generation sector, a breakdown of Scope 3 emissions is disclosed in addition to Scope 1 and 2 here.

Q12.3 State the values of your financing and insurance of fossil fuel assets in the reporting year.

Response 1: Investing in all fossil fuel assets (Asset manager)

Reporting values of the financing and/or insurance of fossil fuel assets

Yes

Value of the fossil fuel assets in your portfolio (unit currency - as specified in 1.2)

550000000000

% of portfolio value comprised of fossil fuel assets to total portfolio value in reporting year

32.3

Details of calculation

We calculated these assets through a total of CLOs (Collateralized Loan Obligations), investments and equity investments, and LMS (Securities-Backed Loans). The 22 industries covered include energy, transportation, materials/construction, and agriculture/food/forestry, which are among the 33 sectors classified by the Tokyo Stock Exchange.

Response 2: Investing in thermal coal (Asset manager)

Reporting values of the financing and/or insurance of fossil fuel assets

Yes

Value of the fossil fuel assets in your portfolio (unit currency - as specified in 1.2)

165000000000

% of portfolio value comprised of fossil fuel assets to total portfolio value in reporting year

1

Details of calculation

These assets were calculated through carbon-related assets totaling 550 billion yen, which represent 32.3% of the total assets. Of this amount, energy-related assets account for 15%, and carbon-related assets fall under one of the five industries classified as energy (electricity, gas, oil, coal, mining). Therefore, $(550 \text{ billion yen} \times 15\%) \div (550 \text{ billion yen} \div 32.3\%) \times 1/5 = 0.97\%$.

Response 3: Investing in met coal (Asset manager)

Reporting values of the financing and/or insurance of fossil fuel assets

Yes

Value of the fossil fuel assets in your portfolio (unit currency - as specified in 1.2)

165000000000

% of portfolio value comprised of fossil fuel assets to total portfolio value in reporting year

1

Details of calculation

These assets were calculated through carbon-related assets totaling 550 billion yen, which represent 32.3% of the total assets. Of this amount, energy-related assets account for 15%, and carbon-related assets fall under one of the five industries classified as energy (electricity, gas, oil, coal, mining). Therefore, $(550 \text{ billion yen} \times 15\%) \div (550 \text{ billion yen} \div 32.3\%) \times 1/5 = 0.97\%$.

Response 4: Investing in oil (Asset manager)

Reporting values of the financing and/or insurance of fossil fuel assets

Yes

Value of the fossil fuel assets in your portfolio (unit currency - as specified in 1.2)

16500000000

% of portfolio value comprised of fossil fuel assets to total portfolio value in reporting year

1

Details of calculation

These assets were calculated through carbon-related assets totaling 550 billion yen, which represent 32.3% of the total assets. Of this amount, energy-related assets account for 15%, and carbon-related assets fall under one of the five industries classified as energy (electricity, gas, oil, coal, mining). Therefore, $(550 \text{ billion yen} \times 15\%) \div (550 \text{ billion yen} \div 32.3\%) \times 1/5 = 0.97\%$.

Response 5: Investing in gas (Asset manager)

Reporting values of the financing and/or insurance of fossil fuel assets

Yes

Value of the fossil fuel assets in your portfolio (unit currency - as specified in 1.2)

16500000000

% of portfolio value comprised of fossil fuel assets to total portfolio value in reporting year

1

Details of calculation

These assets were calculated through carbon-related assets totaling 550 billion yen, which represent 32.3% of the total assets. Of this amount, energy-related assets account for 15%, and carbon-related assets fall under one of the five industries classified as energy (electricity, gas, oil, coal, mining). Therefore, $(550 \text{ billion yen} \times 15\%) \div (550 \text{ billion yen} \div 32.3\%) \times 1/5 = 0.97\%$.

Q12.5 In the reporting year, did your organization finance and/or insure activities or sectors that are aligned with, or eligible under, a sustainable finance taxonomy? If so, are you able to report the values of that financing and/or underwriting?

Response 1: Investing (Asset manager)

Reporting values of the financing and/or insurance of activities or sectors that are eligible under or aligned with a sustainable finance taxonomy

No, but we plan to report in the next two years

Primary reason for not providing values of the financing and/or insurance

Not an immediate strategic priority

Explain why you are not providing values of the financing and/or insurance

We plan to respond within 2 years.

Q12.6 Do any of your existing products and services enable clients to mitigate and/or adapt to the effects of environmental issues?

Yes

Q12.6.1 Provide details of your existing products and services that enable clients to mitigate and/or adapt to the effects of environmental issues, including any taxonomy or methodology used to classify the products and services.

Response 1: Row 1

Environmental issue

Climate change

Product/service enables clients to mitigate and/or adapt to climate change

Mitigation

Portfolio

Investing (Asset manager)

Asset class

Other: Mutual funds

Type of product classification

Products that promote environmental and/or social characteristics

Taxonomy or methodology used to identify product characteristics

Low-carbon Investment (LCI) Registry Taxonomy

Type of solution financed, invested in or insured

Carbon removal

Description of product/service

[Carbon Neutral Equity Fund]

One of our services that addresses climate change is the ' Carbon Neutral Equity Fund (Carbon Zero), which was launched in July 2021 by Daiwa Asset Management and managed with advice from Candriam Belgium S.A. The Fund invests in companies that provide solutions for a decarbonized society, such as CCUS (Carbon Capture, Utilization, and Storage), zero-emission passenger aircraft, and electric vehicles. A portion of the fees earned by Candriam for advising the fund will be used to offset the fund's CO2 emissions by funding green projects aimed at reducing CO2 emissions, such as solar thermal power generation projects and tree planting projects in developing countries. At the same time, DAM will also donate a portion of trust fees to tree-planting projects through NPOs. In FY2023 2024, Daiwa Securities and DAM donated a total of 23,801,410 12 million yen, which was used to plant 5,010 2,439 trees. The total number of trees planted has reached 20,276 22,715 trees. Donation results are disclosed through our website. Additionally, an Impact Report is

published annually to report on the Fund's management policy and investment approach, as well as the environmental and social impact of its investments. It is projected that a massive investment fund of about 131 trillion dollars will be required to achieve a decarbonized society. Through this fund, we aim to contribute to the realization of a decarbonized society by supporting the financing of companies that provide solutions for such a society.

[Mirai Earth fund]

Since 2020, we have launched the 'Mirai Earth' fund, which invests in green tech-related companies. The target companies are those working on solving environmental issues such as the adoption of eco-friendly transportation methods, transitioning to alternative energy sources, achieving healthier diets and sustainable food supply, conserving and reusing water resources, and reducing waste. By investing in these companies, we aim to promote the realization of a sustainable society and create a positive impact on the environment and society. Through the management of this fund, we work towards reducing environmental impact and enhancing social value, supporting long-term growth and sustainable development.

% of portfolio aligned with a taxonomy or methodology in relation to total portfolio value

0.2

% of asset value aligned with a taxonomy or methodology

0.2

Product considers principal adverse impacts on environmental factors

No

Q13.1 Indicate if any environmental information included in your CDP response (not already reported in 7.9.1/2/3, 8.9.1/2/3/4, and 9.3.2) is verified and/or assured by a third party?

Yes

Q13.1.1 Which data points within your CDP response are verified and/or assured by a third party, and which standards were used?

Response 1: Row 1

Environmental issue for which data has been verified and/or assured

Climate change

Disclosure module and data verified and/or assured

Environmental performance - Climate change: Electricity/Steam/Heat/Cooling consumption

Verification/assurance standard

- General standards: ISAE 3410, Assurance Engagements on Greenhouse Gas Statements
- General standards: ISAE 3000

Further details of the third-party verification/assurance process

The data of total energy consumption which consists of utility gas, heavy oil, diesel fuel, kerosene, purchased electricity, steam, heat (hot water), and cooling (cold water) have been verified as part of the third party assurance.

Attach verification/assurance evidence/report (optional)

daiwa_sustainability_data_2025.pdf

Response 2: Row 2

Environmental issue for which data has been verified and/or assured

Climate change

Disclosure module and data verified and/or assured

Environmental performance - Climate change: Waste data

Verification/assurance standard

General standards: ISAE 3000

Further details of the third-party verification/assurance process

The data of the amount of generated, disposed, and recycled waste have been verified as part of the third party assurance.

Attach verification/assurance evidence/report (optional)

daiwa_sustainability_data_2025.pdf

Q13.3 Provide the following information for the person that has signed off (approved) your CDP response.

Response 1:

Job title

Chief Executive Officer (CEO)

Corresponding job category

Chief Executive Officer (CEO)

Question Number	Question	Subquestion	Attachment
Q5.2	Does your organization's strategy include a climate transition plan?	Attach any relevant documents which detail your climate transition plan (optional)	Annual Securities Report.pdf
Q7.9.2	Provide further details of the verification/assurance undertaken for your Scope 2 emissions and attach the relevant statements.	Attach the statement	daiwa_sustainability_data_2025.pdf, 【署名済】 DSC_202503_Independent Assurance Report_20250827.pdf
Q4.1	Does your organization have a board of directors or an equivalent governing body?	Attach the policy (optional)	corporate_governance_report.pdf
Q5.11.4	Provide details of your environmental engagement strategy with your investees.	Attach your engagement strategy	sustainability_report_2024.pdf
Q13.1.1	Which data points within your CDP response are verified and/or assured by a third party, and which standards were used?	Attach verification/assurance evidence/report (optional)	daiwa_sustainability_data_2025.pdf
Q4.6.1	Provide details of your environmental policies.	Attach the policy	Environmental and Social Policy Framework.pdf
Q4.12.1	Provide details on the information published about your organization's response to environmental issues for this reporting year in places other than your CDP response. Please attach the publication.	Attach the relevant publication	tcf-report.pdf
Q4.7.1	Provide details of the policies which include environmental requirements that clients/investees need to meet.	Attach the policy	Environmental and Social Policy Framework.pdf
Q4.7.1	Provide details of the policies which include environmental requirements that clients/investees need to meet.	Attach the policy	sustainability_report_2024.pdf
Q4.11	In the reporting year, did your organization engage in activities that could directly or indirectly influence policy, law, or regulation that may (positively or negatively) impact the environment?	Attach commitment or position statement	Integrated Report 2025.pdf
Q7.9.3	Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.	Attach the statement	daiwa_sustainability_data_2025.pdf, 【署名済】 DSC_202503_Independent Assurance Report_20250827.pdf

Question Number	Question	Subquestion	Attachment
Q13.1.1	Which data points within your CDP response are verified and/or assured by a third party, and which standards were used?	Attach verification/assurance evidence/report (optional)	daiwa_sustainability_data_2025.pdf
Q5.11.3	Provide details of your environmental engagement strategy with your clients.	Attach your engagement strategy	sustainability_report_2024.pdf
Q4.12.1	Provide details on the information published about your organization's response to environmental issues for this reporting year in places other than your CDP response. Please attach the publication.	Attach the relevant publication	Annual Securities Report.pdf
Q7.9.1	Provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements.	Attach the statement	daiwa_sustainability_data_2025.pdf, 【署名済】DSC_202503_Independent Assurance Report_20250827.pdf