

August 7, 2012

Press Release

Daiwa Securities Co. Ltd.

Attention

This is an unofficial translation of the press release issued on August 7, 2012, by Daiwa Securities Co. Ltd. The original press release is in Japanese.

Report on the Management Systems of Corporate-related Information

We have investigated and inspected our management system of corporate-related information, and submitted our report to the Financial Services Agency. The summary of the report can be found in Annex 1.

To fulfill the public role and responsibility of a securities company, we will soundly strengthen and improve our internal control systems through appropriate management of corporate-related information.

1. Our Organization Structure

Below is our organization structure

(1) Underwriting Division

	Department Name	Responsibilities
Underwriting Division	Equity Capital Markets Dept.	<ul style="list-style-type: none"> ✓ Marketing and proposal of equity issuance. ✓ Negotiation and determination of the conditions of IPO and PO issues.
	Osaka Capital Marktes Dept.	<ul style="list-style-type: none"> ✓ Formation of syndicate, determination of share allocation etc. ✓ Research on finance operations information and trends of investor demands.
	Initial Public Offering Dept.	<ul style="list-style-type: none"> ✓ Marketing and proposal of financing including equity-listing. ✓ Documentation to enter into an underwriting agreement. ✓ Negotiation and arrangement with corporate institution clients.
	Investment Banking Solution Dept.	<ul style="list-style-type: none"> ✓ Research and analysis of the business and financial profile of corporations in relation to the financing operation. ✓ Marketing and proposal of financing and advisory services to corporate institution clients. ✓ Documentation to enter into an underwriting agreement.
	Due Diligence Dept.	<ul style="list-style-type: none"> ✓ Due diligence and disclosure examination in relation to underwriting operations. ✓ Examination for equity-listing.
	Corporate Finance Dept.(I) and (II)	<ul style="list-style-type: none"> ✓ Marketing and proposal of corporate finance and advisory services.

(2) Corporate Sales Division

	Department Name	Responsibilities
Corporate Sales Division(Note)	Corporate Sales Dept.(I) –(IV)	<ul style="list-style-type: none"> ✓ Marketing and proposal of fund management to listed corporate institutions, financial institutions, public institutions, and other unlisted companies.
	Osaka Corporate Sales Dept.	
	Nagoya Corporate Sales Dept.	
	Global Equity Sales Dept.(I) and (II)	<ul style="list-style-type: none"> ✓ Following services of equity- related products for domestic and international institutional investors: Advisory service on buying and selling; trading and related operations

	Global Equity Trading Dept.	<ul style="list-style-type: none"> ✓ Receiving orders from and executing equity-related products for domestic and international institution investors. ✓ Confirming and reporting of the execution.
	Corporate Access Dept.	<ul style="list-style-type: none"> ✓ Providing corporate access opportunities to: a) issuers by supporting their Investor Relations activities; b) investors by supporting their information gathering activities.
	Equity Research Dept.	<ul style="list-style-type: none"> ✓ Research and study of domestic and international industries and companies as well as publishing of the report. ✓ Provision of information to investors and within the company.

(Note) The Corporate Sales Division list only includes departments, which in principle, do not have unpublished significant information for business operations.

(3) Administration Division and Internal Audit Division

	Department Name	Responsibilities
Administration Division	Compliance Dept.	<ul style="list-style-type: none"> ✓ Management of corporate-related information; checking and approving whether or not research reports contain corporate –related information. ✓ Checking insider trading; management of insider personnel identification registration and guidance on this operation ✓ Checking of unfair trading; notifying and reporting to the authority. ✓ Information gathering; monitoring of operations; training and educating in relation to compliance ✓ Investigation on the breach of laws and ordinances
Internal Audit Division	Internal Audit Dept.	<ul style="list-style-type: none"> ✓ Conduct internal audit. ✓ Submit audit reports to the Representative Directors

(4) Measures taken by the Board and Representative Directors to adhere to Laws and Ordinances.

We have set up a “Legal and Audit Committee”, where discussions and decisions are made on the overall policies and specific measures in relation to issues concerning compliance matters, establishment of corporate ethics, issues on internal controls, etc. Issues concerning compliance matters are reported to

and improvement measures are decided by the committee.

2. Management of Corporate-related information

(1) Internal rules on handling corporate-related information

Daiwa's internal rules on management of corporate-related information prohibits the following actions: (a) dealing with the usage of corporate-related information; (b) sales with provision of corporate-related information; (c) dealing by its employees based on corporate-related information; (d) transmission of corporate-related information-except when necessary for business operations.

(2) Chinese Wall (Information Segregation)

As part of its information management system, Daiwa categorizes its business sections by color. Sections that are expected to obtain corporate-related information from usual operations are categorized as "Black Sections". "Order placing sections and their related sections" that should be blocked from corporate-related information and sections that are not expected to receive corporate-related information from usual operations, are categorized as "White Sections". Daiwa plots the categorized sections on a 'Chinese Wall Map' and supervises corporate-related information so that it is cut off from the "White Sections".

(3) Information Management System of Corporate-related Information on Public Offerings

When a staff obtains corporate-related information on public offerings through correspondence with issuing companies including proposals, they register the information onto a dedicated system.

All corporate-related information is registered onto the dedicated system, and managed centrally by the Compliance Division. The Division therefore knows what kind of corporate information is shared among which sections.

(4) Monitoring and Internal Inspection of Underwriting Division and Corporate Sales Division by the Administrating Division

(a) Monitoring

As corporate-related information is registered onto a dedicated system on a daily basis, the obtaining of and passing on of information can be managed

centrally on the system. In addition, the department heads monitor: whether all obtained information is registered onto the system; and whether information has been passed onto other sections or outside parties appropriately. That is conducted by matching business logs with corporate-related information system and by inspecting email correspondences. The department heads also conduct regular email surveillance and report the results to the Compliance Division.

(b) Internal Inspection

Daiwa has an independent section that conducts internal audits, which also inspects the management of corporate-related information.

3. Issues and Improvement Measures of the Management of Corporate-related Information

Please see the following document for information on issues and improvement measures of the management of corporate-related information: ‘(Annex 1) III. The problems which are found in this investigation’(Page 9) and ‘(Annex 2) Improvement Measures’ (Page 16) of ‘The Investigation Committee’s Investigation Report on the Securities and Exchange Surveillance Commission’s Recommendations and Daiwa’s Improvement Measures’, which was released on the 27th July, 2012.