



Our First Hundred Years: Fujimoto Bill Broker - c. 1902

## Consolidated Income Statement Summary

(Millions of Yen)

	FY 2001	FY 2000	% change yoy	FY 2001			
				4Q (1-3)	3Q (10-12)	2Q (7-9)	1Q (4-6)
<b>Operating revenues</b>	<b>488,044</b>	<b>714,909</b>	<b>-31.7%</b>	<b>119,174</b>	<b>112,491</b>	<b>117,209</b>	<b>139,168</b>
Commissions	171,869	254,704	-32.5%	41,453	39,662	40,651	50,101
Net gain on trading securities	63,392	165,637	-61.7%	24,779	14,290	9,487	14,834
Net gain on operational investment securities	3,855	3,853	+0.1%	902	1,791	-942	2,104
Interest and dividend income	195,934	220,788	-11.3%	30,755	46,304	57,931	60,943
Other revenues	52,992	69,909	-24.2%	21,283	10,443	10,080	11,184
<b>Interest expenses</b>	<b>164,505</b>	<b>195,522</b>	<b>-15.9%</b>	<b>21,351</b>	<b>37,276</b>	<b>52,514</b>	<b>53,362</b>
<b>Cost of sales</b>	<b>38,606</b>	<b>55,330</b>	<b>-30.2%</b>	<b>15,085</b>	<b>7,740</b>	<b>7,154</b>	<b>8,625</b>
<b>Net operating revenues</b>	<b>284,932</b>	<b>464,056</b>	<b>-38.6%</b>	<b>82,737</b>	<b>67,474</b>	<b>57,539</b>	<b>77,180</b>
SG&A	262,163	286,948	-8.6%	64,799	62,988	66,835	67,539
<b>Ordinary income</b>	<b>25,849</b>	<b>177,795</b>	<b>-85.5%</b>	<b>19,500</b>	<b>5,173</b>	<b>-9,377</b>	<b>10,553</b>
<b>Net income</b>	<b>-130,547</b>	<b>64,550</b>	<b>-</b>	<b>12,798</b>	<b>-11,769</b>	<b>-136,618</b>	<b>5,041</b>

## Daiwa Securities Group Inc.

Daiwa Securities Group Inc., the successor to the former Daiwa Securities Co. Ltd., came into being on April 26, 1999 as a pure holding company. At that time, the retail securities operations of the company were incorporated as Daiwa Securities Co. Ltd., while the wholesale securities operations were separated into a joint venture with The Sumitomo Bank Limited, and named Daiwa Securities SB Capital Markets Co. Ltd. In April 2001, The Sumitomo Bank merged with The Sakura Bank Limited to form the Sumitomo Mitsui Banking Corporation. At this time, Daiwa Securities SB Capital Markets acquired the assets of Sakura Securities, a securities subsidiary of Sakura Bank, and was subsequently renamed Daiwa Securities SMBC Co. Ltd.

In addition to the Holding Company and the two securities subsidiaries, the main companies within the Daiwa Securities Group are Daiwa Asset Management and Daiwa SB Investments (asset management business), Daiwa Institute of Research (research, systems development and consulting operations), Daiwa Securities Business Center (securities back-office operations), Daiwa Real Estate (branch management operations) and NIF Ventures (venture capital business).

The Group's compliance and corporate governance activities embrace the way in which the Holding Company maintains oversight of the Group's activities as a whole. Activities subject to oversight by the Holding Company include those related to the strategic management of the Group; legal and ethical matters including disclosure; matters related to the Group's branding activities; and matters related to the recruiting and training of Group personnel, including the formation of a cadre of senior managers equipped to operate at board or executive director level.

Additionally, it is the Holding Company's responsibility to ensure that the Group makes adequate investments in IT to construct a sufficient business infrastructure.

### Group Medium-Term Management Plan

The primary management target is to maximize shareholder value by becoming Japan's strongest securities group. The medium-term management plan was established in March 2000 to achieve this target and was revised at the beginning of FY 2002, the final year of the current plan. The plan, as revised, sets the following goals for the Group to be achieved by March 2003.

### Consolidated Return on Equity

The principal measure of financial success adopted by the Group is consolidated return on shareholders' equity. The plan calls for the Group as a whole to achieve a sustainable return on shareholders' equity of 15% by the end of the current financial year. In order to achieve this result, every major company in the Group has also been allocated a target return on equity.

Allocation of equity capital among Group companies on formation of the Daiwa Securities Group was made according to the needs of the business and the potential risks and return expected. In June 2002, in order to optimally redistribute resources, Daiwa Asset Management transferred 60 billion yen to the Holding Company as a dividend.

During FY 2001, the Daiwa Securities Group Inc. recorded a net loss and a negative return on equity.

---

## Credit Rating

---

The Group wishes to achieve a credit rating of single-A or better for each of the two securities companies (Daiwa Securities Co. Ltd. and Daiwa Securities SMBC Co. Ltd.) by March 2003. The rationale for adopting this measure was to complement measures of profitability, such as return on equity, with a measure of the quality of earnings of the Group as a whole. In addition, certain businesses of interest to the Group are sensitive to credit standing. Daiwa Securities Group Inc. believes that achieving a rating of single-A in the securities subsidiaries would give it sufficient standing to compete effectively in all market segments of interest.

Daiwa Securities, the retail securities company, underwent a series of rating downgrades by a number of rating agencies during the last financial year. In October 2001, the domestic rating agency JCR downgraded Daiwa Securities from A+ to A. This was followed in February by a downgrade from Baa1 to Baa2 by Moody's and, in March, from BBB to BBB- by Standard & Poors'. Meanwhile, the wholesale securities company, Daiwa Securities SMBC, was downgraded from A- to BBB+ by the rating agency Fitch in November 2001 and from BBB+ to BBB by Standard & Poors' in March 2002. Reasons given for the downgrade of Daiwa Securities included pressure on profitability and a slower than expected flow of retail funds into securities markets. For Daiwa Securities SMBC, reasons included delays in diversification and stabilization of the income stream and a decline in the credit standing of the Sumitomo Mitsui Banking Corporation.

---

## Retail Client Assets under Custody

---

The initial plan, announced during FY 2000, called for the Group to achieve retail client assets under custody of 28.3 trillion yen by March 2003. Unfortunately, the targets have been badly affected by falling valuations as well as dislocation to securities markets caused by the September 11 terrorist attacks and such other developments as the crisis of confidence in MMFs following the bankruptcy of Enron. Consequently, the targets were amended in March 2002 to achieving an increase of 2.9 trillion yen to 16.1 trillion yen during FY 2002, excluding fluctuations due to changes in market valuation. Retail client assets under custody are representative of the Group's overall capabilities. Although each company is contributing to this effort, as of end-March 2002, retail client assets under custody amounted to 13.2 trillion yen compared with 14.7 trillion yen at the start of the plan in March 2000.

---

## Corporate Governance

---

### Managerial Oversight of Group Management

---

The Daiwa Securities Group was the first Japanese listed company to adopt a holding company structure in April 1999. Under this structure, day-to-day decision-making has been delegated to the individual operating companies within the Group subject to oversight by the Holding Company. The Holding Company also takes responsibility for deciding strategic matters affecting the Group as a whole.

#### Board of Directors

As the main decision-making organ, the Board of Directors takes responsibility for important management issues such as efficient utilization of group resources and strategic policy-making.

#### Board of Statutory Auditors

The Board of Statutory Auditors oversees the legality of the Board's execution as well as ensuring substantial and adequate disclosure in financial statements to improve accountability to shareholders and creditors of the Holding Company.

### Executive Oversight of Group Management

---

#### Management Committee

The Management Committee considers crucial management matters such as the formulation of annual and medium-term management plans, budgets and personnel. Matters discussed here will proceed for deliberation at the Board of Directors' Meeting.

#### Executive Committee

##### (Former Group Management Meeting)

The Executive Committee consists of executive officers of the Holding Company and Group executive officers from other Group companies. Its brief is to maintain wide-ranging strategic oversight of the Group and all Group companies.

#### Advisory

---

##### Advisory Board

The Advisory Board's members, who are drawn from people with a well-established reputation, provide opinions and suggestions to the CEO drawing on their accumulated experience and expertise regarding managerial issues.

##### Compensation Committee

This committee consists of members from outside the Group and the CEO. Its purpose is to promote transparency in the setting of compensation and to ensure appropriate compensation for directors and executive officers.

#### Compliance and Ethical Oversight

---

While, in principle, each Group company is expected to maintain oversight of its own activities to ensure compliance with legal and ethical norms, the Holding Company monitors and supports these activities in the following ways.

##### Internal Monitoring

The Group has stepped up its self-monitoring procedures. These include regular review of its contractual obligations with suppliers to ensure fair treatment (supplier contracts have so far been reviewed three times in total) and regular inspections to check compliance with Group ethical policies.

Inspections involve the Group Ethics Promotion Department and the Legal Department, and focus on areas where payment of money and/or expenses are involved. The goal of such inspections is to insure that there is no flow of funds to anti-social groups. During FY 2001 inspections were restricted to the Holding Company. However, discussions aimed at promoting inspections throughout the Group are currently in progress.

In the past, inspections were only intended to check for compliance with the Securities and Exchange Laws. Recently, the Holding Company has extended the scope of such monitoring and now conducts more intrusive inspections with the aim of isolating the Group as a whole from undesirable elements.

---

## Developments in Corporate Governance

---

During FY 2002 Daiwa Securities Group will implement a number of measures intended to promote the emergence of a “shareholder culture” within the Group. These will consist of a sequence of initiatives aiming at promotion of shareholder value.

### External Directors

---

At the June 2002 General Shareholders' Meeting, the Company appointed an external director to its board - Mr. Tetsuro Kawakami, Counsel of Sumitomo Electric Industries. The Company believes that appointment of external directors having no executive responsibilities within the Group is a key measure needed to promote long-term corporate governance.

### Expansion of Executive Committee

---

The former Group Management Meeting consisted of the directors of the Holding Company together with the Presidents of the main Group companies. Reflecting the policy to concentrate management resources on securities-related businesses and to realize an executive body with a firm footing in the securities business, the composition of this decision-making body has been expanded so as to also include the deputy-president, director in charge of sales and director in charge of products from the two main securities subsidiaries.

### Change in Directors' Terms

---

From June 2002, all directors and executive officers will be appointed (or re-appointed as necessary) for a term of one year only.

## Review of the Group-Wide Risk Management System

In preparation for the Company's listing on the New York Stock Exchange, the Group's risk management system is in the process of being expanded in scope so as to ensure compliance with applicable US regulations. This involves establishing a risk management system covering legal, system, disclosure, as well as operational risk.

## Changes to the Commercial Code and the Basic Structure of Corporate Governance

Under revisions to the Commercial Code promulgated in May 2002, Japanese companies will be given a choice of continuing with the present basic system of governance embodied in the Commercial Code or of electing to implement a new system based on an executive officer system. Under the current Japanese system, responsibility for executive oversight of the corporation rests with the Board of Directors and the auditors. The executive officer system allows the division of management and executive functions in addition to the appointment of outside directors and executive officers. Under this system, a corporation must set up three standing committees (Nominating, Compensation and Auditing). This also requires the board to appoint external directors so that such directors make up a majority on each of these committees. The executive officers may also concurrently serve as directors.

As can be seen from the above, The Daiwa Securities Group is implementing a number of reforms, which lay the foundation for maximizing shareholder value.

## Personnel and Training

### Basic Personnel Policy

The Daiwa Securities Group has significantly revamped its general personnel policies since formation of the Group in April 1999. In general, the Group has abandoned seniority-based remuneration and promotion. Today, the company links remuneration and promotion, including allowances payable on retirement, with performance.

### Training and Development of Managerial Ability

Over the last two years the Group has also invested heavily in training programs, directed primarily at the Group's senior managers, with a view to promoting a cadre of officers able to serve at a Group level.

#### Daiwa Management Academy

Senior Group managers are chosen to attend the Daiwa Management Academy on recommendation from the President of the respective Group company.

The courses last for five months. In order to graduate, all students must on conclusion of the course present a business plan directly to President Hara who is closely involved with the process. To date, 74 managers have graduated from this course.

#### Daiwa Management Academy - Curriculum

- Basic Knowledge (2 weeks)
- Main Program (6 weeks)
- Business Plan (2 weeks)

---

Basic knowledge consists of accounting and financial theory, which is taught because of the wide range of academic backgrounds possessed by attendees.

The main program is based around the Harvard case methodology and involves case studies and discussions and debates rather than formal lectures. The only prerequisite is the basic knowledge course. The main focus is human resources management, management theory and organization. Over 6 weeks, students complete 17 such courses given by both Daiwa Institute of Research staff and by invited academics and other specialists.

#### Daiwa Leadership Program

This program has been introduced for staff of deputy general manager level, one rank below those entitled to attend the Daiwa Management Academy. The basic goal of the course is to promote mindset adjustment and broadening the vision of attendees to a global level as well as promotion of logical thinking and analytical skills.

The course is held on weekends over a period of about 10 weeks.

---

## Disclosure

---

The Daiwa Securities Group maintains a policy of full and fair disclosure regarding the current situation and outlook for the Daiwa Securities Group.

The Holding Company's Investor Relations Section within the Corporate Communications Department is tasked with ensuring full disclosure of corporate information and with widespread information dissemination. This department undertakes a program of meetings and telephone conferences in order to ensure that investors are sufficiently well informed to arrive at an informed understanding of the Group's management strategy and business prospects.

The Group also exploits such new channels of communication as the Internet in its investor-relations activities to ensure the widest possible disclosure. The Holding Company maintains a state-of-the-art website (<http://www.ir.daiwa.co.jp/>), specifically dedicated to investor-relations activities and includes a number of interactive features designed to promote two-way communication with investors. In addition to posting press releases, earnings announcements and presentations, the Holding Company has heavily promoted the Internet as a means of communicating with investors in other ways by, for example, making available streaming video covering important company events such as investor relations meetings.

## Branding and Corporate Culture

The Daiwa Securities Group believes that establishing a corporate culture is a key success factor for survival in the financial markets of the twenty-first century. In the highly regulated Japanese securities markets of the late twentieth century, competition between companies and innovation were stunted. In March 2001, in an effort to mark a clean break with the past and to set the company on the road to prosperity in the new century, the Daiwa Securities Group distilled its core values into a brand statement.

The initial focus of the Group's branding initiative is its own employees, with the clear aim of instilling a set of shared values, laid out in the Brand Statement, throughout the Group.

The branding initiative has also been widely publicized outside of the Company through an extensive series of print and television advertisements and through the branding homepage (<http://www.branding.daiwa.co.jp/>).

The Group is currently preparing a "Sustainability Report" to report on the Group's activities with regard to social and environmental issues. This report, expected to be published in October this year, is part of the Group's branding initiatives targeting stakeholders such as customers, shareholders and employees.

### Daiwa Securities Group Brand Statement

We, the Daiwa Securities Group, are committed to acting as our clients' best partner and promoting their financial well-being. In order to achieve this, we shall redefine currently accepted best practice, drawing on the following three core values.

#### **We Shall Provide Products and Services that Exceed Expectations**

It is important that we apply detailed knowledge of customer needs, innovation in our internal processes, and a strong customer focus to provide solutions that routinely exceed customer expectations.

#### **We Shall Bring the Full Strength of the Group to Bear**

Cooperation among Group companies, sweeping aside traditional corporate barriers, a flexible approach to business, and swift decision making will enable us to offer comprehensive financial services precisely geared to meeting our customers' financial goals.

#### **We Shall Continually Challenge the Limits of Financial Best Practice**

Exploitation of our substantial store of professional knowledge and a proactive approach to team building will enable us to remain pioneers in our marketplace.

---

## Stimulation of Securities and Finance Markets through Cooperation between Business and Academia

---

The Daiwa Securities Group is currently cooperating with various universities for the purpose of contributing to the revitalization of the Japanese economy. In pursuit of this aim, the company is working to educate the public in the fundamentals of securities by sponsoring courses in this field. It is also involved in joint research with universities to further the expansion of financial and capital markets and to develop personnel with a high level of professional skills.

As examples, the Daiwa Securities Group has formed alliances with Hitotsubashi University's graduate school, Department of International Corporate Strategic Research (MBA course) in finance and business administration and with Kyoto University's graduate school, Department of Economic Research in Financial Science. The Department of International Corporate Strategic Research of Hitotsubashi University has appointed Michael Porter, a professor at Harvard University and the leading figure in corporate strategy theory, to serve as an advisor of the Porter Award, which was created to honor companies with a history of excellence in corporate strategy. Daiwa Institute of Research is fully backing this award. In addition, the Daiwa Securities Group offers programs at numerous universities and graduate schools including Keio University and Tohoku Fukushi University, sending directors and employees of the Daiwa Securities Group to serve as lecturers for the purpose of promoting securities-related knowledge.

---

## Finance

---

The Holding Company oversees the financial management of the Daiwa Securities Group including the setting of financial yardsticks and goals and allocation of capital and other financial resources to Group companies. It also takes overall responsibility for monitoring and controlling the risks occurring in pursuit of its business objectives.

---

### Group Cash Management System (Group CMS)

---

In addition to the allocation of equity capital among Group companies and the setting of financial and operational targets, the Group has also implemented a Group cash management system (CMS) to monitor the Group's liquidity situation. The two securities subsidiaries and NIF Ventures, the venture capital arm of the Group, are responsible for their own cash management, reflecting needs for flexible funding and the companies' capacity to manage risk, but remain subject to oversight from the Holding Company. Other companies within the group make use of the Group cash management system. Under this system, all external liabilities are held as loans from the Holding Company, which has assumed sole responsibility for external financing with a view to optimally managing the Group's net external liabilities.

Between March 2000 and March 2002, the Group was able to reduce cash balances and debt from 916 billion yen to 596 billion yen as a result of the CMS. This equates to savings of roughly 6.5 billion yen in interest payments per annum in addition to a major reduction in liquidity risk.

Originally, the Group was expecting to record a further reduction in debt during the year to March 2003 to 500 billion yen. However, in the wake of the Enron debacle and the industry wide turbulence in bond investment trusts, particularly the crucially important money management funds (MMF), Daiwa Asset Management, the asset management arm of the group, elected to transfer certain investments held in its bond investment trusts to its own account, reflecting the spirit of the revised guidelines. This has generated a need for additional funds over those foreseen in the plan of approximately 150 billion yen.

## Risk Management

### Responsibility for Risk Management

Risk management is primarily monitored by each individual company according to its business characteristics, while the Holding Company monitors and is responsible for the Group's overall risk management. Within the Holding Company, risk management is the responsibility of the Chief Executive Officer (CEO), as well as the directors and executives in charge of financial affairs. Matters requiring resolutions of the Board of Directors of each company include large borrowings, loans and the acquisition or disposal of assets.

Relevant financial matters including each company's risk management rules and matters which will affect the whole group are reported and deliberated by the Executive Committee.

The Daiwa Securities Group concentrates on domestic and cross-border securities operations and related activities in which it can achieve a competitive advantage. This also includes competitive advantage in terms of its ability to cope with risk arising in the course of business activities. The growth of Group activities will inevitably be accompanied by increased

IT investment and the expansion of trading positions in securities and venture capital holdings. To accommodate such expansion of the core business, and to avoid unnecessary risks, asset and liquidity risk has been minimized through the reduction of assets and liabilities outside of these areas.

The Holding Company measures risk factors relating to the scale and liquidity of assets held by each Group company on the basis of those companies' business plans, and the risks associated with the business activities in which they are engaged. It has provided each company with sufficient capital to bear liquidity risk and loss risk. This is, presently, the main risk countermeasure for Group companies other than the securities subsidiaries and NIF Ventures, which require additional risk management measures based on laws and regulations that govern these businesses. However, as has been discussed, the Company is currently working towards enhancing its oversight in this respect.

### Risk Management for the Securities Subsidiaries

Broker-dealer companies which are the heart of the Group's activities and the largest source of risk, are required to have self-contained risk management systems in accordance with the Securities and Exchange Law or equivalent rules in most jurisdictions. Because Daiwa Securities SMBC and its affiliated overseas operations are involved primarily in the trading and underwriting of securities and the trading of derivatives, there is a concentration of risk factors, such as market risk, credit risk and liquidity risk. Because of its importance, the risk management structure that has been adopted in respect of this company will be described separately within this annual report.

Daiwa Securities, the retail securities company, has also developed a risk management system in compliance with regulations. However, because it is mainly engaged in retail securities operations, especially brokerage, its exposure to market risk and credit risk is minimal. On the other hand, management of compliance in relation to solicitation activities, and the management of liquidity in relation to margin lending are important considerations.

### Risk Management for Other Main Group Companies

NIF Ventures invests on behalf of investment partnerships as well as directly. For this reason, it is exposed to credit and liquidity risk. As a listed company, NIF conducts its own risk management although this is monitored by the Holding Company.

All companies are exposed to operating risk and system risk. Key areas include research, systems development and consultation by the Daiwa Institute of Research, and the securities-related back office operations of the Daiwa Securities Business Center.

The risk exposure from the asset management activities of Daiwa Asset Management and Daiwa SB Investments is normally minimal, since these companies do not apply their own assets. They do have a fiduciary duty to properly manage assets on behalf of beneficiaries and trustees, however. There is some slight exposure to settlement risk arising from a mismatch between settlement terms on their investing activities and those applying to their own funds, particularly MMFs. This is normally not significant as a factor but was significant during FY 2001 due to a transitory but massive outflow of funds from MMFs during the period of instability in that market triggered by the collapse of the U.S. company Enron. During this period, actions were taken based on the funding capacities of Daiwa Asset Management as well as Daiwa Securities and Daiwa Securities SMBC.

Consequent to the events above, the Investment Trust Association of Japan set down rules to prevent further incidents that may lead to mass redemptions. In February 2002, Daiwa Asset Management acquired for its own portfolio bonds from its MMF, mainly subordinate bonds issued by City Banks, having a face value of approximately 140 billion yen, in response to this new rule.

This decision was exceptional and was based on a careful review of the Group's capacity to incur credit and liquidity risks as well as Daiwa Asset Management's reputation as an asset management company.

Through its involvement in real estate activities, including branch management, Daiwa Real Estate is exposed to liquidity risk as well as risks arising on real estate held. During the year, the company announced its intention to dispose of certain non-core portions of its real estate portfolio and consequently revalued these assets to market value under applicable regulations, thereby generating significant losses.

### Commitment Facilities

Through the diversification of funding sources and the maturity structure, the creditworthiness of the Holding Company has been used to establish commitment facilities that cover the short-term liquidity risk of the Group as a whole. As of March 2002, the Group has access to commitment facilities in the sum of 190 billion yen (Daiwa Securities Group Inc.: 120 billion yen, Daiwa Securities SMBC: 70 billion yen).

## Information Technology

In many areas of the securities markets information technology is a key determinant of future success and competitive advantage. The importance of IT has greatly increased as Japan's securities markets have become progressively more deregulated. Historically, entry into new business areas was regulated and subject to specific licensing requirements. With the move to administration based on registration rather than licensing, Daiwa Securities Group has gained more control over its own development activities.

The Daiwa Institute of Research is the Group's main organ responsible for systems development within the Group and continues to be responsible for the majority of investment in core systems. However, over recent years, the Group as a whole has increased the amount of business given to technology partners and third-party contractors. Starting in late 2001, however, the number of such contractors and partners has started being reduced as a number of major projects reach completion and the Company attempts to reduce costs in this area.

### Group IT Spending

FY 2000	37.4 billion yen
FY 2001	39.6 billion yen
FY 2002	31.6 billion yen (est.)

The Group's medium-term management plan initially called for spending between 130 billion yen and 150 billion yen over the three-year period started April 2000. Actual spending during FY 2001 was approximately 39.6 billion yen, somewhat below initial projections. After reviewing the initial plan from a cost-cutting point of view at the start of FY 2002, total spending for the three years to March 2003

is now projected at 110 billion yen with 31.6 billion yen scheduled for FY 2002. During the first two years of the medium-term management plan, the Group invested heavily in the ATRAS equity trading system, which underlies the Company's competitive advantage in equity trading, and an online version of its Total Bond Analysis system into the wholesale securities company, introduction of customer relationship management systems into the retail securities company and systems to prepare for the introduction of defined contribution pension plans into several Group companies. One priority for FY 2002 will be an upgrade for the BT97 bond trading system, introduced five years ago and currently in need of a makeover. Other priorities include continuing upgrades to the ATRAS systems and investment with an eye to the introduction of T+1 settlement systems.

---

## Social Activities

---

The Holding Company bears ultimate responsibility for the Group's engagement in the communities in which it operates. It aims to foster awareness of social contribution and organize activities designed to contribute to the development of a healthy civil society. The Corporate Community Affairs Department of the Holding Company has created a framework for group-level social contribution activities, as well as an organized support structure for voluntary activities by directors and employees. In addition to its own social contribution activities, the Daiwa Securities Group also works through the Daiwa Securities Health Foundation, the Daiwa Foundation and the Daiwa Anglo-Japanese Foundation. These organizations also engage in social activities that meet Group goals.

The principal social contribution activities of the Daiwa Securities Group are described below.

### Regional Community Action Programs

---

The global business activities developed by the Daiwa Securities Group through its nationwide branch network and overseas offices rely on the support of regional communities and the many people engaged in them. The Group aims to be a good corporate citizen by fostering a relationship of trust with communities, and by basing its corporate activities on the ideal of growth in partnership with society. This approach is based on the belief that healthy and dynamic communities are the foundation stones for business success. The Daiwa Securities Group puts considerable importance on communications with local communities and flexible support in response to specific needs, as part of its efforts to contribute to the

development and maintenance of a truly prosperous and dynamic society.

### Ecological Programs

---

Environmental problems are closely linked to people's values and lifestyles. Efforts to enhance understanding of ecological issues will be necessary to solve these problems. It will also be necessary to modify existing social and economic systems to create structures that can support sustainable development. The Daiwa Securities Group is helping to build this environmentally aware society. For example, all new hires into Group companies undertake a week of intensive induction into the Group before being dispatched to their ultimate destinations. This induction happens at the Group's main training center located in the Tama area near Tokyo. The last day of this induction consists of cleaning local parks to indicate support and respect for the local community and its ecology. These measures are supplemented by a range of voluntary activities, usually conducted at weekends with the cooperation of local authorities.

### Support for Employee Participation in Voluntary Activities

---

In addition to their contribution to society, those who participate in voluntary activities themselves gain certain tangible and intangible benefits, including the discovery of new worlds, as well as lifestyle diversity. To achieve these benefits, it is necessary to provide initial support to promote the development of such voluntary activities. The Daiwa Securities Group regards voluntary activities as a way to enhance the value of people, and it offers a variety of guidance and support to encourage participation by as many of its employees as possible. One example of this support is the arrangement of seminars to promote better understanding of the needs of people with low vision.

### The Daiwa Securities Health Foundation

This foundation was created in 1972 to commemorate the 30th anniversary of the establishment of the former Daiwa Securities. Its purpose is to fund research into the prevention and treatment of lifestyle-related diseases, and to disseminate information about the maintenance and promotion of health in adulthood. The Foundation also contributes to public welfare by supporting health-care and welfare programs for the aged. Activities are funded using investment income from the basic endowment, which in the year ended March 31, 2002 amounted to 135 million yen, together with donations from the Daiwa Securities Group. During FY 2001, assistance to the value of 30 million yen was made to 30 projects. The funds are used mainly for grants for research into health-care, medical treatment and welfare for the middle-aged and elderly.

### The Daiwa Foundation

The Daiwa Foundation was established in 1994 to mark the 50th anniversary of the founding of the former Daiwa Securities. Its role is to contribute to the good of society and create an environment in which all people can participate in voluntary activities, by providing grants to support voluntary activities in such areas as welfare and medical care, and by promoting the volunteer spirit.

Funding for the Foundation's activities includes investment income from its basic endowment, which amounted to 1.95 billion yen as of March 31, 2002, and donations from the Daiwa Securities Group. Grants are provided principally for voluntary activities in the areas of home care for the aged, support for children and adults with disabilities, and children's

issues. The Foundation also provides grants for research in such areas as welfare, medical care and public health. Donations of 50.4 million yen to fund 206 projects and a grant of 500 thousand yen to 1 project were provided in FY 2001.

### The Daiwa Anglo-Japanese Foundation

This Foundation was created in 1988 to commemorate the 25th anniversary of the establishment of the London operation of the former Daiwa Securities. It was established in the United Kingdom with an endowment of approximately 5 billion yen from the former Daiwa Securities. Its mission is to contribute to mutual understanding and goodwill between Japan and the United Kingdom through international exchange between the two countries.

As of March 31, 2002, the Foundation's endowment amounted to approximately 35 million pounds (approximately 6.8 billion yen). It uses its investment income to award grants and fund the Daiwa Scholar Program and the Daiwa Japan House. Under the Daiwa Scholar Program, young British people are invited to Japan to learn the Japanese language and participate in other study programs.

To date 81 scholars have participated in the program. Total grants provided amount to approximately 3.3 million pounds (approximately 640 million yen).

The Foundation also provides grants for activities in the United Kingdom and Japan that contribute to the growth of international exchange between the two countries in such areas as education, science and the arts. Some 1,400 grants totaling approximately 7 million pounds (approximately 1.5 billion yen) have been provided.