

## Initiatives in Our Core Business

The Daiwa Securities Group is contributing to social sustainability in its core securities business.

### Sustainable investing

The Daiwa Securities Group hopes to contribute to social sustainability by taking advantage of the unique features of its core business in securities. Three themes guide these efforts. First, we are building a system in which funds work for the benefit of the environment and society (socially responsible investing, for example). Second, we are offering our prescription for revitalizing the Japanese economy and fostering socially beneficial businesses, including environmental businesses. Third, we are giving training to nurture investors from all walks of life and to develop capital markets and we are promoting finance and securities education and research.

### Creating a society-friendly flow of capital

#### Financial products

#### Eco funds: Investing in companies with high environmental performance

In June 2001 Daiwa SB Investments introduced an eco fund<sup>1</sup>, the Global Eco Growth Fund, commonly known as Mrs. Green. This fund buys shares in companies around the world with strong growth potential and comparatively good environmental performance (indirect environmental companies) and in companies providing excellent environmental services or in possession of advanced environmental technologies (direct environmental companies). By selectively investing in such companies, it seeks to promote good environmental services and technologies while boosting environmental consideration at corporations. Net fund assets as of the end of March 2003 amounted to 6.30 billion yen, of which 57% was invested in the US, 33% in

### Key Points

- Using the unique characteristics of its business, the Group has contributed to sustainability in the following three ways.
- The Group is building a system in which funds work for the benefit of the environment and society.
- We are proposing and fostering socially responsible businesses.
- We are providing education to develop a wide range of investors and promoting finance and securities research.

Europe and 6.2% in Asia.

<sup>1</sup> An investment fund that invests in companies chosen for environmental friendliness



#### Regional index funds: Investing to support regional economies

Daiwa Asset Management established the Shizuoka Benchmark Fund in April 2002, thus creating the first regional index fund<sup>2</sup> in Japan. This fund gave a new-concept opportunity to investors; namely, to build up assets while supporting Shizuoka Prefecture companies and the regional economy. In FY 2002 the company followed up with regional funds Ibaraki Fund (Ibaraki Prefecture), Kanagawa Support Fund (Kanagawa Prefecture) and Sainokuni Support Fund (Saitama Prefecture). Total assets in these funds has grown to nearly 14.5 billion yen by the end of March 2003.

<sup>2</sup> An investment fund targeting companies headquartered in a specific region, expanding into that region or creating employment there.

#### Supporting socially responsible investing (SRI)

#### Tokyo Conference of the ASRIA

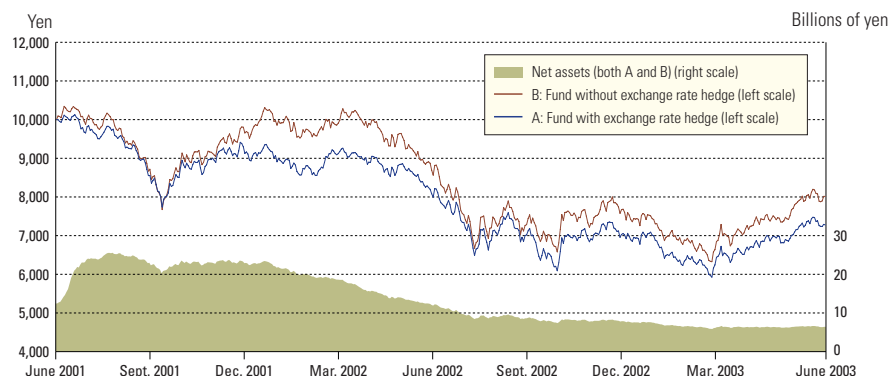
The Daiwa Securities Group in October 2002 sponsored the international conference of the Association for Sustainable & Responsible Investment in Asia<sup>3</sup>, which brought to Tokyo a crowd of 260 institutional investors and corporate representatives from Japan and abroad. Kenji Hayashibe, a Director from Daiwa Securities Group Inc., gave an address on sustainability efforts in our Group and the status of institutional investors in Japan. The day after the conference ended, Daiwa Securities Group led Japan's first SRI tour of companies for social responsible investors from abroad who had come to the conference.

<sup>3</sup> For information about the ASRIA conference in Tokyo, visit <http://www.asria.org/events/japan/oct02/postconf/28fspeakerspanel>.



ASRIA Tokyo conference

#### Performance and net assets of Mrs. Green, from June 15, 2001 inception through June 2003



### Survey of institutional investors on SRI

Daiwa Investor Relations, the IR consulting company of the Daiwa Securities Group, conducted a SRI survey in December 2002, which was the first SRI survey of analysts and fund managers in Japan. The survey received responses from 127 parties, with the result that 76% of analysts and fund managers in Japan were aware of SRI, while 50% of fund managers believed that the SRI principles affected the way they selected investment instruments<sup>4</sup>.

<sup>4</sup> "Survey on Effect of Socially Responsible Investing (SRI) on Japanese Companies." For details visit <http://www.daiwair.co.jp/pdf/pr030116.pdf>.

### Fostering socially beneficial businesses

#### Helping to revitalize regional economies

In January 2002 the Daiwa Securities Group partnered with the City of Kobe in an effort to attract businesses, especially in the biosciences, to the city. Following up on this, we joined Fukuoka Prefecture in a partnership to attract system-on-chip companies to that prefecture. By supporting Fukuoka Prefecture in its bid to build its profile as a system-on-chip design and development center in Asia, the Group seeks to vitalize the area and help foster venture companies<sup>5</sup>.

<sup>5</sup> For details on the partnerships with Kobe City and Fukuoka Prefecture, see the press release at [http://www.ir.daiwa.co.jp/japanese/index\\_press.asp](http://www.ir.daiwa.co.jp/japanese/index_press.asp).

#### Policy proposals to revitalize Japan's economy

As an urgent measure to stimulate the stock market and to foster individual investors, Daiwa Institute of Research in April 2003 proposed eliminating double taxation of dividends in Japan. It has also made other timely policy proposals, including pointing out the need in June 2003 to use post offices as sales outlets for equity mutual funds.

### World Bank carbon fund

With an investment of US\$2.5 million in July 2003, Daiwa Securities SMBC Principal Investments became the only Japanese securities company to participate in the World Bank's Community Development Carbon Fund. This fund seeks to contribute to the social development of developing nations and regions while reducing emissions of greenhouse gases at the regional level. It does this by investing in emissions rights that arise from the use of wind power, biomass power generation, new electricity-based transportation systems and reforestation projects in the developing world.

### Daiwa Institute of Research soil pollution study group

In March 2003 Daiwa Institute of Research became a partner in starting up a study group on cleaning and redeveloping areas of polluted soils. The study group is investigating the feasibility of such projects.

### To help fostering a wide range of investors

#### Education and research in finance and securities

Vitalizing the financial and stock markets and fostering individual investors are nothing less than national issues for revitalizing the Japanese economy. The Daiwa Securities Group is collaborating with more than 20 universities, graduate schools and so on in partnerships in financial and securi-

ties education and research. The range of these partnerships includes lectures on the latest financial technology, joint research and investment training for students of all types. Additionally, the Group supports ventures such as technology licensing organizations (TLOs) originating in the academic sector and promotes industry-academia collaboration<sup>6</sup>.

<sup>6</sup> For details about industry-academia collaboration, see *As a Corporate Citizen and a Member of the Community*, page 31.

#### Investment clubs

Seeking to aid and foster individual investors, Daiwa Securities began supporting the first investment clubs in Japan in 1996, having so far assisted in the launch of 174 such clubs. This corresponds to about 70% of all currently active clubs. Daiwa Securities branches nationwide offer guidebooks for starting up investment clubs, and the company sends employees to speak to clubs.



A lecturer from Daiwa Securities Group gives a talk.

## Working for Customer Satisfaction

At the Daiwa Securities Group, promoting customer satisfaction is closely tied with our corporate branding campaign. Customer feedback comes to us directly, and day by day we are working to improve our sales and service systems.

### Customer satisfaction at the core of corporate branding

The Daiwa Securities Group has undertaken its corporate branding campaign in the full awareness that trust from our stakeholders is critical if we are to fulfill our social mission. At the core of our branding activities is our effort to improve customer satisfaction. This means listening to what customers say, understanding their needs, and promptly using this feedback to improve products and services.

As part of this activity, Daiwa Securities in April 2001 established the Customer Satisfaction (CS) Promotion Department within its Compliance Division. In November of the same year, the CS Promotion Department launched its Customer Support Hotline. The CS Promotion Department compiles and analyzes the comments it hears from customers through the Customer Support Hotline and branch offices, organizes the issues it will address and then takes steps to resolve the issues, thus endeavoring to increase customer satisfaction.

Daiwa Securities began studying the effectiveness of these activities in 2001 when it gave its first independent survey of customer satisfaction, or "branding survey." To bolster its system for using customer opinions to improve products and services, the CS Promotion Department moved from the Compliance Division to the Marketing Division in June 2003. Additionally, in the belief that improved customer satisfaction should increase employee satisfaction by raising the morale of those actually providing the service, the CS Promotion Department started performing employee satisfaction surveys in September 2002.

### Key Points

- Working to enhance customer satisfaction is the centerpiece of our branding campaign.
- The Group is periodically conducting surveys of customer satisfaction.
- Post-sales follow up is the greatest issue in increasing customer satisfaction.
- Comments received on our Customer Support Hotline are used to improve products and services.

### Each employee has a part in "post-sales follow up"<sup>1</sup>

#### Customer satisfaction surveys

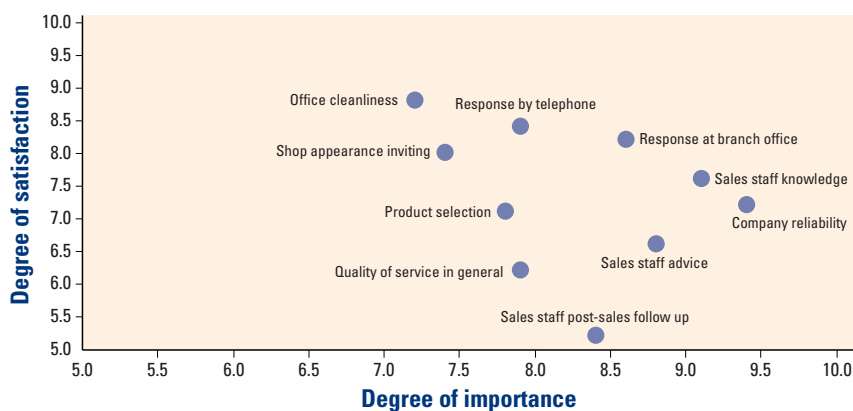
The second customer satisfaction survey, taken in September 2002, showed that customer satisfaction with branch office and telephone response was slightly higher than in the previous survey. This was confirmed by a February 2003 survey of financial institution branch offices by the Nikkei Financial Daily which ranked Daiwa Securities second among securities companies. The results of the second customer satisfaction survey also indicated, however, that after the first survey in 2001, the level of customer satisfaction was relatively low in the categories of post-sales follow up, quality of service in general and sales staff advice, and that these were high-priority items for customers. In response, Daiwa Securities decided to make post-sales follow up a central theme of its branding activities.

Although Daiwa Securities was certainly aware of the importance of post-sales follow up before, the low score that customers gave the company in this category suggested that not all employees

had a shared understanding of its importance and that the company had not taken sufficient concrete steps to address it. The CS Promotion Department therefore started a semimonthly publication on this theme in April 2003. This newsletter advises employees on specific ways to approach post-sales follow up. In addition, staff members of the CS Promotion Department are working to communicate with branch offices by visiting them directly and talking about conscientious customer response. The department further began producing posters for in-company use as another communication tool to raise employee awareness about post-sales follow up.

<sup>1</sup> "Post-sales follow up" expresses Daiwa Securities' commitment to maximizing our customers' satisfaction by following up after the sales of a product.

#### Results of second customer satisfaction survey (branding survey)



\* Survey was sent by post in September 2002 to 5,000 Daiwa Securities customers, of whom 1,631 responded.

\* The above graph shows results for just some of the 49 items on the survey. Respondents ranked their "degree of satisfaction" with each item in five grades from high to low and the "degree of importance" in three grades. In each case, the middle ranking ("Neither high nor low") was assigned a point total of 5.0. Average customer satisfaction exceeded 5.0 points in all categories.

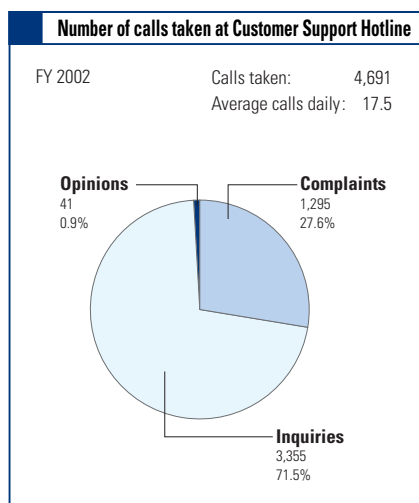
## Customer Support Hotline<sup>2</sup>

The graph below shows a breakdown of the nature of the telephone calls taken by the Customer Support Hotline in FY 2002. Of the total, 71.5% were inquiries about services and procedures, while 27.6% were complaints. The complaints were mainly related to sales (insincere response, dissatisfaction with post-sales follow up) or company rules and systems (dissatisfaction with work procedures).

To make sure that customer comments and complaints are used to improve products and services, Daiwa Securities gives instructions and advice to its branch offices and immediately posts information on its intranet for employees under such titles as CS News or CS Message. This way, employees have a common awareness of customer opinions and become more motivated to enhance customer satisfaction. In addition, the publication "Tento (Shop) Weekly," aimed primarily at branch offices to help them improve service quality, has been



Customer Support Hotline



writing about both successes and shortcomings at the retail level since May 2002.

<sup>2</sup> Daiwa Securities Customer Support Hotline  
Tel : 81-(0) 3-3665-5111 (Japanese only)

## Sales and service systems to improve customer satisfaction

Daiwa Securities is working to improve its sales and service systems in order to offer high quality service reflecting customer opinion and further raise customer satisfaction.

### New Satellite Branch System

Daiwa Securities implemented its new Satellite Branch System in FY 2002 to revise its sales operations. Under the Satellite Branch System, multiple branches in the same region are organized around a core (mother) branch. This arrangement means that Daiwa Securities can learn the characteristics and needs of customers in each area and respond promptly and appropriately. The Satellite Branch System was inaugurated in the Tokyo metropolitan and Osaka areas in July 2002 and to Nagoya in February 2003.

### Reforming sales channels

Until this year Daiwa Securities offered services through three channels: Daiwa Consulting (over-the-counter service), Daiwa Call (a call center) and Daiwa Net (the Internet). Each offered different services and different fee structures. In May 2003 Daiwa Call and Daiwa Net merged into Daiwa Direct. Together Daiwa Direct and Daiwa Consulting are the two transaction service options we have available. Until this time there were limits on the products available to customers in each channel, but now customers can make transactions for the same product lineup in each service, the only difference being whether customers are provided investment consulting.

## Start of point earning service

Under the "Daiwa Comprehensive Account Service (Cash Management Program) Port One" program, begun in December 2002, customers earn points for doing business. Points are awarded every time customers entrust assets to us or make a trade through us. These points entitle customers to a variety of services.

### Future efforts

Daiwa Securities will endeavor to use customer opinion to improve its services more quickly in the future. That is why the company is currently putting in place new systems to assess branch offices and employees from the customer's point of view. As a first step, we added the item "customer retention rate" to our branch office performance evaluation in April 2003. Hereafter we plan to reflect the level of customer satisfaction, as determined by survey data, in evaluations of branch offices and employees.

## Daiwa People

The Daiwa Securities Group is enriching its human resource management system as a key issue of its new medium-term management plan for FY 2003-05.

### Group human resources platform

The Daiwa Securities Group Corporate Principles affirm that "People are the source of our competence." The Group has determined to foster its human resources by appropriately assessing each employee's skills and contribution. Assessments emphasize employee creativity. Raising the profile of the Group's brand and achieving continuous growth will require preparing an environment and systems in which employees take satisfaction and pride in their work and are eager to do it. Since 1999 the Daiwa Securities Group has endeavored to create a human resources platform reflecting our basic principles and sense of values, and to use this platform to construct a variety of human resource systems at Group companies, reflecting the nature of their business.

### Equal opportunity

Any company desiring to fulfill its social responsibilities has to select its personnel fairly. Thus the Daiwa Securities Group created its "Fair Employment Guidelines" in 1999, based on the following three basic principles.

1. We shall give utmost respect to the human rights of applicants.
2. Any person meeting the hiring requirements is able to apply for employment.
3. We shall be fair and objective when we evaluate each applicant's appropriateness, skills and desire and make the hiring decision.

The guidelines stipulate that staff members in charge of the hiring process shall follow these principles in their application paperwork, recruitment notices, job vacancy ads and interviews. For

### Key Points

- The Group increased employment of persons with disabilities in FY 2002 and expects to meet the legally mandated rate of such employment in FY 2003.
- In FY 2002 we improved our system to better accommodate employees with small children, decrease overtime and improve health considerations.
- We are fostering human resources through leadership training, online training and so on.
- The Group has adopted new compensation practices to be fully implemented by FY 2004.

example, the guidelines expressly forbid hiring managers to ask applicants or otherwise inquire about their family records, details of upbringing, family member employment and income, family makeup or home environment.

Staff members are classified as employees, securities advisors and temporary employees based on the length of contract.

### Human rights

The Group's guidelines for ethical behavior prohibit discrimination against persons based on sex, age, nationality, race or other factors irrelevant to business and also forbid harassment, sexual or otherwise. The Group is establishing a Human Rights Awareness Promotion Committee, headed

up by the Daiwa Securities Group Inc. Director for Personnel Management, as a way to address human rights problems. The Group raises awareness about the issue of human rights and gives training in it; the subject is included in new employee training and manager training among others. Also, the Daiwa Securities Group participates in the Industrial Federation for Human Rights, Tokyo<sup>1</sup>.

<sup>1</sup> The Industrial Federation for Human Rights, Tokyo is a voluntary organization formed to solve discrimination and human rights problems from industry's perspective.

### Number of new graduates hired in entire Daiwa Securities Group

	April 2001	April 2002	April 2003
<b>Career-track employees and regional career-track employees<sup>1</sup></b> <b>(Female)</b>	364 (20)	712 (361)	600 (274)
<b>General employees<sup>2</sup></b> <b>(Female)</b>	516 (516)	81 (81)	54 (54)
<b>Securities advisors<sup>3</sup></b> <b>(Female)</b>	70 (43)	28 (16)	18 (6)

<sup>1</sup> Regional career-track employees make up a class of career-track employees established at Daiwa Securities in 1998. These employees stay in one region and are not subject to transfers that require changing residence. Hiring of new graduates into this class began in earnest in April 2002.

<sup>2</sup> General employees make up a class that resulted in April 2003 by blending the old general employee class with the old area general employee class.

<sup>3</sup> Securities advisors are employees who work in sales at Daiwa Securities under one-year contracts.

### Employees in entire Daiwa Securities Group

	As of end of March 2002			As of end of March 2003			
	Employees	Securities advisors	Temporary employees <sup>1</sup>	Employees	Securities advisors	Temporary employees <sup>1</sup>	
Japan	<b>Men</b>	6,656	116	—	6,799	123	—
	(career-track)	(6,073)	(—)	—	(6,151)	(—)	—
	(manager)	(2,951)	(—)	—	(3,055)	(—)	—
	<b>Women</b>	3,559	988	—	3,573	801	—
	(career-track)	(937)	(—)	—	(1,372)	(—)	—
(manager)	(36)	(—)	—	(39)	(—)	—	
	<b>Japan total</b>	10,215	1,104	1,367	10,372	924	1,242
	<b>Overseas</b>	1,268	—	25	1,187	—	23
	<b>Total</b>	11,483	1,104	1,392	11,559	924	1,265

<sup>1</sup> Temporary employees are part-time employees; the figure shown here is the average number of such employees over the year. The temporary employee class is made up mostly of women but includes some men.

## An increase in employment of the disabled in FY 2002

Since January 2001 the Daiwa Securities Group has participated in websites and seminars on the employment of people with disabilities. Average employment of persons with disabilities at the nine main Group companies was 1.69% of all employees as of the end of March 2003, a jump of 0.15 points from the 1.54% of the previous year. The new medium-term management plan sets a goal of meeting the legally mandated rate of 1.8%, which we intend to reach in FY 2003. The Group for example hosted interns with mental disabilities from a special school in 2002 and hired them in April 2003.

## A workplace empowering women to excel

At the end of March 2003, 1,372 women were working throughout the Group as career-track and regional career-track employees. Women in these programs make up 13.2% of all employees in Japan, a gain over the 9.2% of the year before. There are also 39 female managers, an increase of three. Women make up 1.3% of managers in Japan, a slight rise over the previous 1.2%. One reason this rate is so low is because the Group has few female career-track employees with the necessary experience to be promoted to the manager class, but the Group is strongly aware of the need for actively employing female workers at this level. Incidentally, among recent new graduate hires, about half of all career-track and regional career-track employees are women.

Since 1992 the Daiwa Securities Group has let women take maternity leave for two years after childbirth so that they can better balance their careers with parenting. This was an improvement over the legally mandated one year. To help parents of young children even more, in 2002 the Group extended the period during which parents are excused from overtime work from two years to three after childbirth.

## Better working conditions

The Group negotiates with the employees' union to set limits on holiday and overtime work, but occasionally these limits are exceeded. In FY 2002 we made certain to provide make-up holidays for Saturdays when Daiwa Securities branch offices were open and also reduce the number of such Saturdays. In April 2003 Daiwa Securities Group Inc. launched an Intranet-based overtime control system, which allows the Personnel Department to see overtime requests and approvals in real time and receive notice if the set number of hours is exceeded.

In addition to normal periodic health checkups, all Group employees (except temporary employees working short hours) get an in-depth physical exam at no cost to themselves. The Health Development Center at Daiwa Securities Group Inc. provides physical and mental health support for employees, with a full-time staff physician managing employee health and full-time counselors and mental health specialists also offering consultation. In FY 2002, the Group decided to focus on the increasing problems of employee

overwork and stress. The Personnel Department began listing individuals at Daiwa Securities Group Inc., Daiwa Securities and Daiwa Securities SMBC working more overtime than the established limit (80 hours/month). The staff physician now checks these workers very closely.

Finally, we stepped up smoking restrictions in the workplace in FY 2002. Daiwa Securities Group Inc., Daiwa Securities, Daiwa Securities SMBC and Daiwa Institute of Research have formulated rules on smoking areas, so now all nine main Group companies have smoke-free offices with the exception of designated smoking areas.

### Workplace environment data at Daiwa Securities Group

	FY 2000	FY 2001	FY 2002
<b>Average employment of persons with disabilities (end of March)</b>	1.52 %	1.54 %	1.69 %
<b>Daiwa Elder System<sup>1</sup> employees (end of March)<sup>2</sup></b>	N.A.	46	57
<b>Employees on prenatal/postnatal leave</b>	76	74	88
<b>Employees on maternity leave</b>	57	69	80
<b>Annual regular work hours</b>	1,845 hours	1,837.5	1,845
<b>Monthly average of overtime hours worked<sup>3</sup></b>	22.8 hours	21.8	22.2
<b>Paid leave usage rate<sup>2</sup></b>	34.8 %	34.6 %	34.1 %
<b>Employees that are union members (end of March)<sup>4</sup></b>	6,371	6,419	6,388

<sup>1</sup> The Daiwa Elder System re-employs Group employees who have reached the standard retirement age.

<sup>2</sup> Figures cover three companies: Daiwa Securities Group Inc., Daiwa Securities and Daiwa Securities SMBC.

<sup>3</sup> Figures show the number of union members among employees of three companies: Daiwa Securities Group Inc., Daiwa Securities and Daiwa Securities SMBC.

<sup>4</sup> Figures exclude Daiwa Asset Management, which has its own employees' union, and Daiwa Property, which has no union.

## Daiwa People

### Diverse training opportunities

How we foster our human resources will affect the Daiwa Securities Group's future competitiveness. The Group provides cross-Group training for new employees as well as leadership training and a system for studying in Japan or abroad, while individual companies give training primarily to help their employees gather the knowledge and skills they need on the job. Employees can take training in a number of ways: at the training center in groups, within their own companies via satellite broadcast, or online over the Intranet. The Group also supports employees working toward formal credentials<sup>2</sup>.

<sup>2</sup> For more information about the Group training system, see *Sustainability Report 2002*, page 28.

### Cross-Group training

The nine main Group companies began giving joint training for new career-track employees in FY 2002. This five-day training is less about increasing work skills than it is about the Daiwa Securities Group's Corporate Principles, corporate ethics and social responsibility. One day of the training is devoted to learning about social contribution and human rights and includes volunteer experiences, such as providing assistance at homes for the elderly<sup>3</sup>.

<sup>3</sup> For more information about volunteer experiences within the training for new employees, see *As a Corporate Citizen and a Member of the Community*, page 30.



New employee training

### Leadership training

The Daiwa Management Academy, begun in 2000 for select General Managers, and the Daiwa Leadership Program, started in 2001 for select Deputy General Managers, have steadily produced more graduates. Presently there are 90 graduates of the Daiwa Management Academy. Of the 104 officers<sup>4</sup> at the nine main Group companies at the end of June 2003, 13 are graduates of the program. Of the Deputy General Manager class, 149, or about 10%, are graduates of the Daiwa Leadership Program. By the end of FY 2003, we expect to reach our goal of having 20% of the class consist of graduates of this course.

<sup>4</sup> Directors (other than Outside Directors) and Executive Officers

### Skill-building training

Daiwa Securities started its online learning system "@DESK" in March 2002. During FY 2002 the company added eight new courses and now operates a total of 10, preparing employees to take credentials exams, teaching them about products like pension insurance and bonds, and examining them on skills learned in group trainings and satellite courses. Because employees can take @DESK courses at any time or place, as of the end of March 2003, about 60% had done so. About 200 employees access the system every day. @DESK further enables training managers to check employees' progress and understanding by the net and thus provide more responsive support. There is also a cost advantage: unlike group courses, no time or money is lost in traveling to class. The company plans to bolster skill-building and specialized knowledge acquisition among employees by giving broader support for earning external credentials and introducing an internal credential system. Additionally, Daiwa Securities SMBC is starting up its own online learning system in FY 2003.

Because the systematic development of profes-

sional human resources is an issue for the Group as a whole in the future, the Group is expanding programs intended to enhance the ability of consulting and asset management.

### Persons earning credentials

(end of March 2003, nine Group companies)

Credentials	Earned by 3/2003
Chartered Member of The Security Analyst Association of Japan	1,122
Chartered Financial Analysts (USA credential)	32
Financial Planners (AFP)	2,487
Financial Planners (CFP)	144
Licensed Tax Accountant	12
Variable insurance sales credentials	5,584
System Analysts	18
Overseas MBA program graduates, etc.*	121

\* Persons sent by the Group to earn degree. Other degrees include master's degrees in law and international affairs.

## Performance based compensation and career paths

The Daiwa Securities Group began linking employee bonuses to company performance in 1999 when it adopted the holding company system. This practice was nearly completely established by FY 2002. The great themes of the Group's medium-term management plan in effect from FY 2003 are to emphasize professional performance, give employees more choices, establish a fair evaluation system and improve the quality of our human resources.

Personnel compensation reforms announced in March 2003 called for job-specific compensation, performance reviews with more graduated salary levels (16 instead of 11), and a senior work system with reduced salary for basically all career-track employees age 55 and up<sup>5</sup>. All of these reforms come into full effect in FY 2004.

Furthermore, we will be greatly expanding intra-Group job postings. This is intended to encourage movement of personnel within the Group and to help skilled, eager employees reach their potential. Employees with the required qualifications and able to pass examinations (in the form of written essays, live interviews and so on) are able to transfer to other posts in other departments they hope to join within the Group. The table at the bottom of the page lists numbers of applicants

and how many were successful in the last four intra-Group job postings.

The Group is simultaneously setting up processes for the selection and promotion of officers. As we shift to a committee system<sup>6</sup>, scheduled for FY 2004, we are studying operations systems and officer selection standards that will assure that our new nominating committee can adequately function.

<sup>5</sup> Under the senior work system, during their working years up to the regular retirement age, employees do not have to transfer from the area from which they originate.

<sup>6</sup> See *Corporate Governance*, page 16, for more details about the transition to the committee system.

## A multi-directional, evaluation system

### Multi-directional evaluation

Fair personnel evaluations by the appropriate evaluator are a critical part of human resource management. The Daiwa Securities Group is working to implement a more plausible evaluation system, focusing heavily on quality and productivity. Daiwa Securities Group Inc. did this in a very concrete way in January 2002 by introducing its own multi-directional evaluation system<sup>7</sup>. Personnel are evaluated once a year by superiors, subordinates and others closely connected to their jobs, and this is fed back to the evaluatee. This type of system will be expanded to the entire Group in the

future. Moreover, the Group is enhancing its training of evaluation interviewers.

<sup>7</sup> Daiwa Securities, Daiwa Securities SMBC and Daiwa Asset Management used a two-way evaluation system under which General Managers are assessed by their subordinates.

### Customer satisfaction perspective

Daiwa Securities has begun creating ways to evaluate branch offices and employees from the point of view of customer satisfaction. To start, the company added the factor "customer retention rate" to its branch office performance evaluations in April 2003. It plans to send out its third customer satisfaction survey in the autumn of 2003 and will use the resulting data to reflect customer satisfaction in its evaluations of branch offices and employees.

### Compliance perspective

The Daiwa Securities Group is adding a compliance component to its evaluation of all employees except temporary employees. In April 2003 Daiwa Securities SMBC modified its evaluation systems for internal administration supervisors and General Managers. For details see *Compliance*, page 13.

### Employees' union

The Daiwa Securities Group Employees' Union has offices on the premises of Group companies and is helping to maintain good relations between labor and management through the efforts of members to improve the working environment and increase employee satisfaction. Membership stood at 6,388 at the end of March 2003<sup>8</sup>.

<sup>8</sup> This figure excludes Daiwa Asset Management, which has its own employees' union, and Daiwa Property, which has no union.

### Employees qualifying under intra-Group job posting

Time of posting	Jobs offered	Applicants	Successful applicants
Summer 2000	Fund manager, analyst, venture capitalist	12	2
Winter 2000	Work abroad	71	6
Summer 2001	Fund manager, analyst, venture capitalist, principal finance, etc.	58	7
Summer 2002	Fund manager, mergers and acquisitions, derivatives, work abroad, satellite broadcaster, etc.	60	8

# As a Corporate Citizen and a Member of the Community

Acting in our capacity as a corporate citizen is a key form of “our investment in society.” The Daiwa Securities Group makes this investment toward its own sustainability as well as that of society as a whole. The Group forms partnerships with universities and other academic institutes, conducts volunteer activities through its Corporate Community Affairs Department, offers financial support through three foundations, and patronizes arts and culture.

## Approach to activities as a corporate citizen

Actions taken in our role as corporate citizens can be broadly divided into four types: finance and securities education and research, support for employees doing volunteer work, support for local and international society through foundations, and patronizing arts and culture. In FY 2002 the Daiwa Securities Group provided 320 million yen through such activities, an amount equivalent to about 1.1% of ordinary income. The Daiwa Securities

Group intends to continue a steady level of financial support, regardless of earnings performance.

## Support for employees performing volunteer work

The Daiwa Securities Group established its Corporate Community Affairs Department in 1999 and actively supports employee interest in volunteer work. The department sponsors programs that employees can participate in and additionally uses the Group intranet to publicize programs of foundations, non-profits and other companies among Daiwa employees. Thus, employees have plenty of chances to participate in activities of interest in their spare time. The department further serves as the Group’s contact for donations to the community and supports the activities of the foundations detailed below.

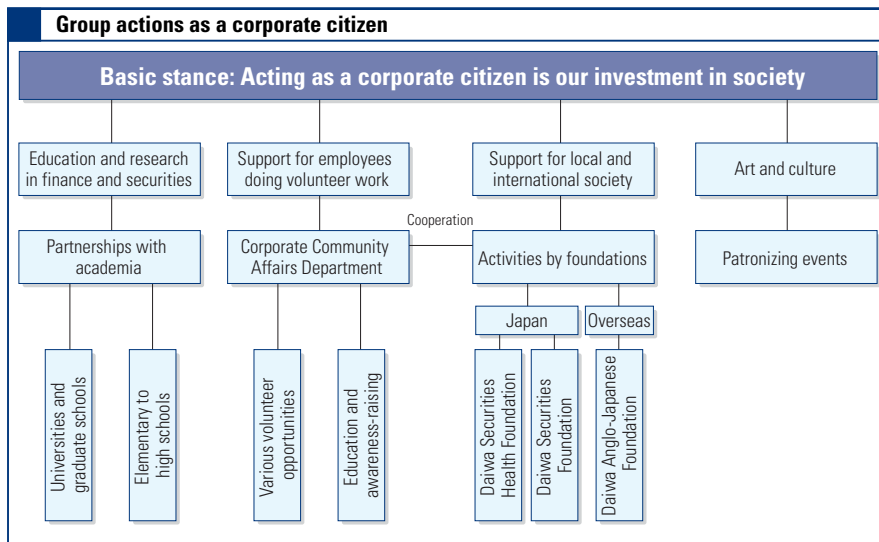
## Volunteerism grounded in local communities

In April 2001 community affairs programs were incorporated into our training for new employees as a way of promoting employee volunteerism and generating interest in community work. The programs include sign language courses, lectures,

and hands-on experience like cleanups around our training center and assistance at homes for the elderly. Our Management Program of training and education for managers includes experience-based courses that let these managers experience life in a wheelchair or as an elderly person. This program seeks to inspire understanding and the practice of volunteerism on the part of managers, who can take the lead in such efforts. As a result, volunteerism becomes a habit in the offices where the training is given.

Sign language courses and guide dog experience are two ongoing activities. Offered twice a month, sign language courses began in 2000 in Tokyo and the following year in Osaka and Nagoya. Besides employees, family members and even customers have taken part. Branch office managers and other management members have occasionally joined to better their communication with employees that have hearing impairments. Meanwhile, the guide dog experience course began in 2000 and is held once or twice a year. A handmade picture book entitled “Daisuke the Guide Dog!” is distributed as part of this course and has been used to support the general curriculum in 67 elementary schools.

<sup>1</sup> Created by the family of a Group employee, “Daisuke the Guide Dog” is assembled personally as a volunteer effort by a number of employees.



Guide dog experience course



Sign language lesson

## Education and research in finance and securities

Believing that societal awareness of the importance of direct finance is needed to revitalize Japanese society, the Daiwa Securities Group is putting its efforts into finance and securities education, particularly in universities and graduate schools. It also takes part in industry-academia partnerships by supporting university-based ventures in such forms as technology licensing organizations (TLO).

Additionally, officers and employees from Group companies lecture at several graduate schools, universities and junior colleges, including Okinawa University, Kagawa University and Tohoku Fukushi University.

## Support for local and international society through foundations

Two Group foundations in Japan and another overseas actively support worthy goals. The Daiwa Securities Health Foundation, founded in 1972, performs surveys and research on the prevention and treatment of lifestyle diseases and increases understanding about maintaining and improving health. In FY 2002 it handed out 30 grants worth 30 million yen. The Daiwa Securities

Foundation, founded in 1994, supports volunteer efforts in the areas of social welfare and medical care and gave out 202 grants worth 52 million yen in FY 2002. The Foundation maximizes the exposure of these grants within and beyond the Group by handing out grant notices and certificates at branch offices of Daiwa Securities.

Finally, the Daiwa Anglo-Japanese Foundation<sup>2</sup>, founded in London in 1988, seeks to enhance mutual understanding between the United Kingdom and Japan through its main program, the Daiwa Scholarship. Under this program, 81 young British people have studied in Japan to deepen their knowledge of Japan and the Japanese language as of the end of March 2003. In September 2002, five British students came to Japan, the twelfth set of students to do so; they are currently in the middle of a 20-month program. In addition to the existing Daiwa Adrian Prizes, two more award programs began in January 2003: the Daiwa Foundation Small Grants and Daiwa Foundation Awards.

<sup>2</sup> For more information about the Daiwa Anglo-Japanese Foundation, visit [www.dajf.org.uk](http://www.dajf.org.uk).

### Key industry-academia partnerships in FY 2002

University/graduate school	Activities
Aoyama Gakuin University Graduate School of International Management	Sent instructor to course on management analysis
Kyoto University Graduate School of Economics	Sponsored lectures on theory of finance and securities systems
Kyoto University International Innovation Center	Supported industry-academia project
Keio University Faculty of Policy Management	Omnibus lectures primarily involving employees as lecturer
University of Cambridge Entrepreneurship Centre	Support of investment fostering project
University of Tokyo	Activity support for University of Tokyo Office of University Corporate Relations
Nihon University Business Incubation Center (NUBIC)	Consultation on Nihon University TLO operations
Hitotsubashi University Graduate School of International Corporate Strategy (ICS)	Sponsored course on Daiwa Securities investment strategy theory
	Sponsored course on Daiwa Securities corporate strategy building
	Group scholarship system for non-Japanese to study in Japan (nine students in FY 2002)
Waseda University	Waseda/Daiwa TLO Pilot Fund
	Joint research with Waseda University Institute of Financial Studies

## Patronizing art and culture

In commemoration of the 100<sup>th</sup> anniversary of its founding, the Daiwa Securities Group sponsored an exhibition of the works of Marc Chagall from April to December 2002 in Tokyo, Niigata and Hiroshima. In May and June 2003 it sponsored Tokyo and Shiga performances by the Fondazione Teatro Lirico "Giuseppe Verdi" Trieste opera company from Northern Italy.



Poster for "Giuseppe Verdi" Trieste opera performance

## Issues to be addressed

The Daiwa Securities Group believes that its social mission is to expand activities primarily in its main field of business: finance and securities. Specifically, we will actively support the education of young people in the areas of economics and investment.