

The Daiwa Securities Group recognizes that the environmental impact of its business is not trivial and is therefore working to reduce it. In FY 2003 it took initiatives in environment-related business areas and facilitated environmental communication for employees.

Reducing CO₂ emissions

In FY 2003 the Daiwa Securities Group accounted for 39,118 tons of CO₂ emissions¹. This represents a decline of 1,590 tons, or 3.9%, from FY 2002. CO₂ emissions per employee in Japan² came to 3.09 tons, a reduction of 0.16 tons since FY 2002.

The Group submitted Global Warming Action Programs to the government of Tokyo Prefecture in June 2002 for its relatively large buildings (Daiwa Securities Headquarters Building, Eitai Daiya Building and Daiwa Eitai Building). Under these plans the Group set goals of reducing greenhouse gas emissions derived from these buildings by 2%, 0.1% and 1.9% respectively vs. FY 2001 levels. The results in FY 2003 showed that the target was partially reached with, respectively, 12% and 3% reductions in the first two buildings but a 1% gain in the last.

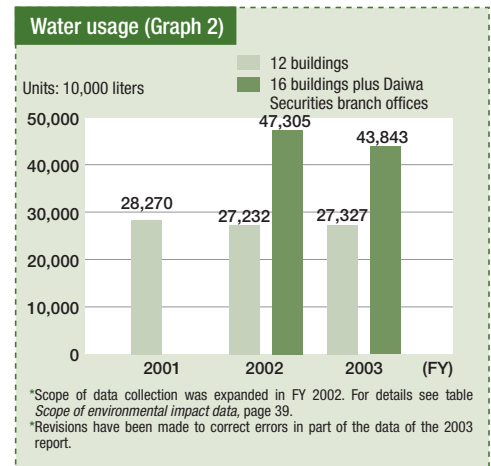
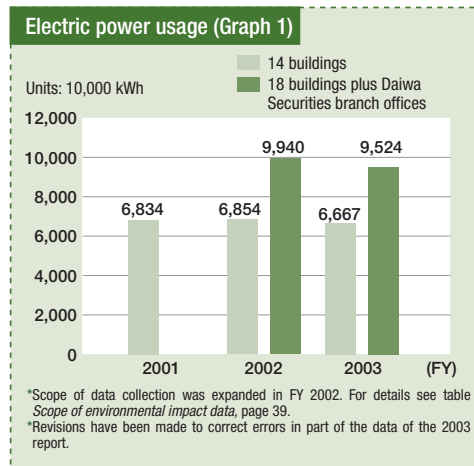
¹ This figure is a calculated equivalent found using the Ministry of the Environment's greenhouse gas emissions conversion formula. It is the CO₂ equivalent of the fuel, electric power and water usage of the Daiwa Securities Group in its 18 major office buildings and branch offices nationwide.

² Total employees, financial advisors and temporary employees in Japan: 12,656. For details, see *Daiwa People*, page 33.

Reducing electric power and water usage

FY 2003 electric power consumption totaled 95.24 million kWh, a decrease of 4.16 million kWh since FY 2002. We believe that much of the credit goes to the practice of energy patrols, air conditioning equipment inspection and maintenance management and the use of energy conserving equipment, although the cool summer of 2003 was an external contributing factor. An energy shortage during the summer of 2003 gave the "Group Administrative Council," consisting of members of Group company general affairs departments, a common awareness of the issue, inspiring the Group as a whole to work to reduce power consumption.

In FY 2003 the Group used 438,430,000 liters of water, which is 34,620,000 less than in FY 2002, a 7.3% savings. We believe that the cool summer of 2003 and the September 2003 closing of the cafeteria in the Daiwa Securities Headquarters Building were principle factors in the decrease.



Conserving resources, recycling and reducing waste

The FY 2003 data in the *Waste produced and recycled* table below does not include data for Daiwa Securities SMBC Headquarters Building, since this building changed in November 2003.

Efforts to put information in electronic form, use both sides of each sheet of paper and so on have resulted in total emissions of paper waste (exclusive of Daiwa Securities SMBC Headquarters Building) declining 5.8%, from 1,328.1 tons in FY 2002 to 1,250.6 tons in FY 2003.

Waste produced and recycled (Table 1)

(Units: tons)

		FY 2001	FY 2002	FY 2003
Paper	Waste produced	1,617.9	1,564.2	1,250.6
	Recycled	1,438.3	1,357.0	1,105.2
	Disposed	179.6	207.3	145.4
	Recycling rate	89%	87%	88%
Non-paper	Waste produced	297.1	352.6	260.1
	Recycled	88.7	101.0	84.7
	Disposed	208.5	251.6	175.4
	Recycling rate	30%	29%	33%

*See *Scope of environmental impact* data below for data coverage. Data for Daiwa Securities SMBC Headquarters Building is not included in the FY 2003 figures since the headquarters for this company has moved. Paper waste from Daiwa Securities SMBC Headquarters Building equaled 236.1 tons, and non-paper waste, 86.3 tons in FY 2002.

Scope of environmental impact data

(○ : Facilities added to scope of data collection in FY 2002)

Site name	Graph 1	Graph 2	Table 1
Daiwa Securities Headquarters Building	○	○	○
Daiwa Securities Kabutocho Building	○	○	○
Daiwa Securities SMBC Headquarters Building ¹	○	○	
Eitai Daiya Building	○	○	○
Daiwa Securities Osaka Branch Building	○	○	○
Daiwa Securities Nagoya Branch	○	○	
DAM Headquarters	○	○	○
DIR Headquarters Building	○	○	○
DIR Annex	○	○	○
Daiwa Eitai Building	○	○	
DIR Kiyosumi Park Building	○		
DIR Izumi Eitai Building	○		
Daiwa Osaka Center Building	○	○	○
Toyochō Center Building	○	○	○
Daiwa Securities branch offices ²	○	○	
Daiwa SB Investments Headquarters	○	○	
NIF Ventures Headquarters	○	○	○
Daiwa Training Center	○	○	
Daiwa Sanko Building (Main and Annex)	○	○	

¹In November 2003, Daiwa Securities SMBC moved its headquarters to Marunouchi Trust Tower North Building.

²This applies to 123 office locations and does not include headquarters, Osaka Branch and Nagoya Branch (end of March 2004).

Additionally, the rate of recycling of paper waste was just under 90% overall.

Environmental business initiatives

The Daiwa Securities Group is directly engaged in environmental businesses through its three SRI funds (Daiwa SRI Fund, UBS Global Equity 40 SRI+, Global Eco Growth Fund), the Kamakura Midori Sai ("Kamakura Green Bonds") and its engagement with the World Bank's carbon fund program.³

Dr. Sustaina's Environmental Course

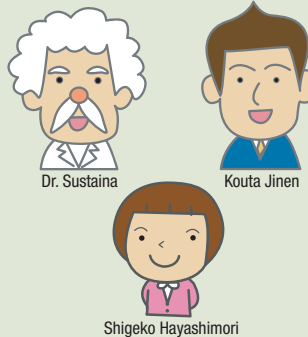
In May 2003 the Group ran its "Do Something Good for the Environment" campaign as a way of raising employee awareness about the environment. Some employees who took part in the campaign said that they did not adequately understand environmental issues and that some form of environmental communication was necessary. Comments like these resulted in the "Dr. Sustaina's Environmental Course."

"Dr. Sustaina's Environmental Course" began running in Fuji, a seasonal publication for Group employees, in the summer 2003 issue. The feature takes the broad theme of the relationship between the Daiwa Securities Group and the environment and explains global environmental problems in simple terms. The feature is also posted on our website for persons outside the Group.⁴

³ For details, see *Initiatives for Socially Responsible Investment*, pages 08 - 11.

⁴ For details, see *CSR Website*, page 47.

Dr. Sustaina's Environmental Course (portion covering November 2003 - August 2004)



No. 1 (November 2003):
Global Warming and the Environmental Impact of the Daiwa Securities Group

No. 2 (January 2004):
The Daiwa Securities Group and Environmental Management

No. 3 (May 2004):
Garbage Processing and Recycling at the Daiwa Securities Group

No. 4 (August 2004):
The Business of the Daiwa Securities Group and the Environment

Status of environmental management initiatives

Item	Content
Scope of environmental performance data	Nine major companies of Daiwa Securities Group
Major environmental impacts	1. CO ₂ emissions from workplace energy usage 2. Paper waste from the workplace
Environmental philosophy, environmental policy	The Daiwa Securities Group has established the following environmental policies within the Code of Conduct and Ethics. 1. The Daiwa Securities Group shall be mindful to practice business management that protects the environment and, when deciding whether or not to conduct a transaction with another business, shall take that business's attitude toward environmental protection into account. 2. In their day to day work, Group Directors and employees shall be mindful of conserving resources (electricity, water, gas, paper, etc.) and shall actively work to protect the environment. "The Daiwa Securities Group recognizes that the environmental impact of its business is not trivial and it is making efforts to reduce it."
Signing of/with charters, declarations, foundations	Signatory of Carbon Disclosure Project in March 2004.
Acquisition of third-party certifications (ISO14001, etc.)	None. Studying necessity of certifications.
Directors with environmental responsibility	Established position of Director to oversee CSR Promotion Department.
Decision-making organizations in which management participates	Board of Directors, Executive Committee and subcommittees of these (no decision-making organizations specifically for environment)
Environmental management departments	General Affairs Department, Daiwa Securities Group Inc.
Production of environmental report	Providing environmental information in <i>Sustainability Report</i> (first issued October 2002).
Environmental accounting	Not conducted.
Energy usage reduction	Set numerical targets for greenhouse gas reductions for three major buildings in Global Warming Action Programs submitted to Tokyo Prefecture.
Waste reduction, recycling	Set numerical targets for waste reduction and recycling rates for each major building in "large commercial building waste recycling plans" submitted to local governments.
Water usage reduction	Have run a campaign to prevent water waste since 2000. No reduction targets set.
Environmental measures for company vehicles	The Group has a fleet of 750 autos. An effort has been underway since FY 2003 to switch its 600 sales autos from compact to sub-compact (as of August 2004, the change has been made with about 200 autos). The Group is learning fuel consumption of its autos Group-wide.
Logistics environmental impact and response	Internal mail and use of transportation systems → streamlined internal mail and installed teleconferencing system.
Paper resource usage reduction	Set numerical targets and taking paper usage reduction measures.
Green purchasing	Joined Green Purchasing Network in June 2003. Through use of Sanko Net*, FY 2003 green purchasing rate reached about 40% of goods purchased.
Targets and plans for making products and services eco-friendly	Expanded product lineup of SRI funds, etc.
Making eco-friendly financial products and services better known	Made pamphlets for SRI funds available at branch offices. Information distribution via Internet. Issue periodic documents (<i>Sustainability Report</i>).
Cases of environmental violations	None.

*An intranet site run by Group company Daiwa Sanko Co., Ltd. and used by 14 Group companies.

Environmental targets and results

Issue	Efforts considered essential	Status of usage, etc. monitoring (March 2004)	Scope
Global warming prevention measures	Greenhouse gas emissions reductions (CO ₂ equivalent)	Measured for 18 buildings + Daiwa Securities branch offices. Reduction targets set for three buildings on the right.	Daiwa Securities Headquarters Building Eitai Daiya Building Daiwa Eitai Building
Resource recycling	Paper resource usage reduction	Measured for nine buildings	Daiwa Securities Headquarters Building
			Daiwa Securities Kabutocho Building
			Eitai Daiya Building
	DAM Headquarters		
DIR Headquarters Building			
Daiwa Osaka Center Building			
Daiwa Securities Osaka Branch Building			
NIF Ventures Headquarters			
Toyocho Center Building			
Waste recycling (paper waste)	Measured for nine buildings	Daiwa Securities Headquarters Building	
		Daiwa Securities Kabutocho Building	
		Eitai Daiya Building	
DAM Headquarters			
DIR Headquarters Building			
Daiwa Osaka Center Building			
Daiwa Securities Osaka Branch Building			
NIF Ventures Headquarters			
Toyocho Center Building			
Waste recycling (non-paper waste)	Measured for nine buildings	Above nine buildings	
Water usage reduction	Measured for 16 buildings + Daiwa Securities branch offices	See <i>Scope of environmental impact data</i> , page 39.	
Other	Green purchasing	Purchasing through Sanko Net	14 Group companies

*FY 2004 targets were achieved at two buildings in FY 2003. Targets for next period are now under review.

Where addressed
<i>Sustainability Report 2003, 2004</i>
<i>Sustainability Report 2003</i>
Summary of the Code of Ethics printed in <i>Sustainability Report 2002</i>
<i>Sustainability Report 2002, 2003, 2004</i>
<i>Sustainability Report 2004</i>
<i>Sustainability Report 2003, 2004</i>
<i>Sustainability Report 2004</i>
<i>Sustainability Report 2004</i>
Included in CSR Website, <i>Sustainability Report</i>
See table below.
See table below.
<i>Sustainability Report 2003, 2004</i>
<i>Sustainability Report 2002</i>
See table below.
<i>Sustainability Report 2003</i>
<i>Sustainability Report 2004</i>

Base year	FY 2003 results	FY 2004 targets
FY 2001	2,689.8 tons (11.9% reduction)*	2,991.2 tons (2.0% reduction)
	3,011.9 tons (3.3% reduction)*	3,110.0 tons (0.1% reduction)
	10,329.0 tons (1.1% increase)	10,025.1 tons (1.9% reduction)
—	397.0 tons	382.0 tons (3.8% reduction)
	100.7 tons	94.0 tons (6.7% reduction)
	214.0 tons	212.0 tons (1.0% reduction)
	100.2 tons	95.5 tons (4.7% reduction)
	126.3 tons	115.5 tons (8.6% reduction)
	48.7 tons	43.7 tons (10.3% reduction)
	140.8 tons	140.0 tons (0.6% reduction)
	86.0 tons	80.0 tons (7.0% reduction)
	43.2 tons	38.2 tons (11.6% reduction)
—	92.1%	92.1%
	100.0%	100.0%
	100.0%	100.0%
	100.0%	100.0%
	54.0%	54.1%
	95.7%	95.2%
	74.0%	74.0%
	79.0%	81.3%
100.0%	100.0%	
—	-	Described in recycling plans
—	-	None
—	40%	None

Building an environmental management system

The table to the left summarizes the Daiwa Securities Group's environmental initiatives at this time.

In the process of building our environmental management system, the Daiwa Securities Group in FY 2001 gathered environmental performance data and set greenhouse gas (CO₂ equivalent) reduction targets for the three major Group buildings, and in FY 2002 expanded the scope of data collection.

The Group has also examined acquiring ISO14001 certification but has not acquired it as of June 2004. Although we believe that such environmental certifications are effective for building environmental management systems, the Group has not yet concluded whether acquiring certification would be cost-effective for a business like ours, that creates a relatively small environmental impact compared to other industries.

Beginning in FY 2003, the Group has run internal environmental campaigns and included awareness raising environmental features¹ in the internal publication *Fuji* to teach employees about environmental problems. The Group is now planning ways to expand environmental communication with a focus on the relationship between environmental issues and the Group.

Additionally, although the Group has not implemented environmental accounting, as the table at the left indicates, it is studying the effectiveness of doing so, taking into account the business characteristics of the Group.

¹ For details, see *Dr. Sustaina's Environmental Course* on page 39 of *Working for the Environment*.

My opinion of Daiwa Securities Group initiatives

Director, The CSR Institute, Inc.
Dr. Naoki Adachi

First of all, the Daiwa Securities Group has been very respectful of the idea of steadily pushing forward in its initiatives. However, I believe there is still much effort to be made in terms of the Group's scope of data collection and degree of achievement. Moreover, efforts to reduce the Group's environmental impact internally, as measured in paper and electric power use and waste output, are still in the beginning stages. It also needs to set environmental targets for its core business in order to answer, for example, how much the Group has helped protect the environment through SRI. I expect that the Group's initiatives will change the way money flows and move us closer to an eco-friendly society.

