

Following up on the first Stakeholder Dialogue, the second such meeting brought together five outside stakeholders with different areas of expertise, such as environmental issues, social contribution and consumer issues. As a new experiment, five departmental managers from the Daiwa Securities Group also took part. The dialogue featured a lively exchange on the topic "How CSR should be done in the Daiwa Securities Group."

(Date: June 14, 2004)

 <p>Sachiko Kishimoto Executive Director, Center for Public Resources Development</p> <p>Daiwa Securities ought to do more to display its attitude of wanting to contribute to society through SRI by incorporating the SRI perspective in its own company pension plan.</p>	 <p>Takatoshi Wakabayashi General Manager of Corporate Planning Department, Daiwa Securities Group Inc.</p> <p>Whenever a corporation innovates from within, the most important thing is transparency.</p>
 <p>Masaaki Kogure Senior Researcher, Institute of Prosocial Research</p> <p>If a business goes too far in making a profit, it's easy to say, "I take full responsibility," but even so businesses lose credibility this way.</p>	 <p>Kenji Wada Head of Corporate Ethics Department, Daiwa Securities Group Inc.</p> <p>In our trainings, we tell employees that "the basis of compliance is asking whether you would want the most important people in your life to see what you are doing."</p>
 <p>Yoko Takahashi Chief Director, Japan Philanthropic Association</p> <p>I believe there are many who want to do more than make a profit with their investments; they want their investments to be useful to society.</p>	 <p>Hideyuki Taniguchi Head of CS Promotion Department, Daiwa Securities</p> <p>It's never easy to make something abstract penetrate into the consciousness of employees on the job, so CSR initiatives can't be pursued in the usual way.</p>
 <p>Yukiko Furuya East Japan Compliance Management Research Group, Nippon Association of Consumer Specialists (NACS)</p> <p>People are really questioning how enterprise makes a profit, so it's important that CSR become a vital part of doing business.</p>	 <p>Tetsuya Kawaguchi General Manager of Personnel Department, Daiwa Securities Group Inc.</p> <p>To reform the culture of a company, you have to use a system that "matches the temperature" of the company. We're quite aware of how important our initiatives hereafter will be.</p>
 <p>Yoshiaki Midorikawa Director, Green Consumer Research Group</p> <p>To practice CSR, you have to show how things really are. I commend Daiwa Securities for the ways in which it is sincerely disclosing information.</p>	 <p>Toshihiko Onishi General Manager of Corporate Planning Department, Daiwa Securities Group Inc.</p> <p>For SRI we really need sales techniques unlike anything in the past. I also hope to use SRI to benefit the Daiwa brand.</p>

(Titles given were valid as of June 2004)

The wide-ranging practice of CSR has to sink into an enterprise's activities

Kogure: The Daiwa Securities Group very clearly wants to have a correct corporate attitude and they're making great efforts. My job is to evaluate companies, but to speak frankly, I really don't understand CSR very well. One really has to think hard about some difficult things for something like this to appeal to the public. This is a big task for businesses.

Takahashi: CSR is something that is never completed, but I think CSR is the process by which a corporation changes itself.

Furuya: Businesses have to state clearly, "This is how we understand CSR, so this is the way in which we're going to deal with it." I think that will win praise from society.

As for myself, I would like to see more CSR efforts in the core business of the enterprise. If you ask whether the "core business" means simply making a profit, I say no, these days the question in particular is how that profit is made. I hope that CSR will become a vital part of the concrete activities of the Daiwa Securities Group. It's so important that CSR take root at the point of making the sale.

The greatest challenge: Growing the SRI market to promote CSR in the Group's core business

Takahashi: We live in a time of low interest rates, and many people are wondering where to invest their money. If you look at what the typical person is doing, he or she is investing in prefectural bonds. I think that many people don't just want to make a profit, they want to do something that benefits society. To address these needs, Daiwa Securities should be further expanding the SRI products market.

Kogure: Another way that Daiwa Securities can take initiatives in its core business is to assess companies on CSR principles and promote offerings of stock from those companies ranking high.

Right now you have an opportunity to develop a clear image as a leader in SRI. The difficulty is figuring out how to help consumers understand SRI. Even if we suppose that people recognize SRI as something good, many are still a long way from acting on it with their wallets. I think that you still need to do a little more to deal with that fact.

Onishi: I think that SRI products have to be sold with a different approach than securities companies have used in the past. I think they could really benefit the Daiwa brand as well.

Kishimoto: I find it particularly compelling that Daiwa Securities has taken up SRI as an example of an initiative in its core business. To bring this

act to the next step, the Daiwa Securities Group ought to do more to display its determination to contribute to society through SRI, for example by incorporating the SRI perspective in its own company pension plan.

Wakabayashi: Yes, it is just as you say. The Daiwa Securities Group has defined-contribution pension schemes, a Japanese version of the 401k. The Group has already decided to offer SRI funds as an option for employees.

The brand and the CSR idea only mean something if employees understand them

Onishi: Customers have a certain image of the Daiwa Securities Group, and questionnaire results show that many customers describe the Group with the word "kind." But communicating kindness is exceptionally difficult. And there is some debate as to whether being "kind" is really a good thing in the first place. The reality is that we still don't have a clear answer to the question of what kind of Daiwa brand we want to have.

Midorikawa: Recently the Journal of Research on Social Economic Life ran an essay entitled "Investment-type financial products and investor information." The essay compared information availability in the UK, US and Japan and made a very detailed argument that Japan is behind on this point. Doing a better job of offering information, I believe, is a key way in which the Group can demonstrate "kindness".

Taniguchi: It's very difficult to convey something like CSR or a brand when it's so hard to grasp what those things really are, so I'm really concerned about employee awareness. To what extent do our employees understand these things? We may be sending out messages about the brand, sustainability and CSR, but getting these ideas to penetrate into the understanding of the employees doing the job is not so easy. A business can't use the usual method when it practices CSR.



We may issue SRI funds, but it's important to be sure whether our employees have the same passion to sell those products. If our employees don't understand our social mission, our customers will not either.

And because customers will neither understand nor buy SRI products unless employees understand them, we will be working continuously to raise employee awareness.

Midorikawa: Speaking of employees, I notice your 2003 report has a section about personnel. This section states the case very well with the title *Respect for People*. [Editor's note: This section is entitled *Daiwa People* in the English version]. What kinds of management are you practicing in respect to labor? I think it important to state clearly your policies on your wage system, labor and work styles.

Kawaguchi: Establishing a system does change the culture of a company, but that takes time. To change a culture, it is essential to consider the "temperature" of the company. A system that is significantly different in temperature will only create greater confusion and is not likely to bring about any improvements. In the Group's case, the performance-based evaluation system penetrated long ago, but it is only relatively recently that we have begun to be aware of ideas like "how we work" or "ease of working," so we're quite aware that efforts must still be made.



Substituting "reliability" for "responsibility" and aiming to be a trusted company

Kogure: An enterprise is really a system for creating a profit. As a result, when an enterprise finds itself in violation of the law, there is a tendency to say, "I take full responsibility." Even so, claiming to take responsibility is not the same as actually taking responsibility.

Takahashi: The tendency is for that person to quit and be done with it, which doesn't mean anyone has taken responsibility.

Kogure: I'm actually opposed to interpreting the R in CSR as "responsibility." If we interpret it instead as "reliability," that is far more understandable. The reason is that responsibility is something that happens completely within the confines of a business. If a superior tells his subordinates, "Just do it, I'll take responsibility," they have little choice but to obey, even if it means doing something the superior cannot possibly take responsibility for. Even a very small part of an enterprise's actions can cause the entire organization to lose its credibility. Business needs to reconsider its management by asking the question, "Will society trust us?"

Taniguchi: Our Chairman Yoshinari Hara has actually been using the term "social reliability" for a long time. We've been engaged in a branding campaign since 2000, and the starting point of this is the recognition that we won't be able to do business unless we earn the trust of society.

Furuya: But whenever there is a choice between profits and compliance, it seems to me that profits always win. There's a strong tendency, isn't there, to think of profits and compliance separately. In the future we need to take a new view and ask how to make a profit while safeguarding fairness and reliability. Why not reform corporate activities by getting stakeholders more involved in them? Disclosing your processes would promote reliability. Of course, I understand this is not a simple thing.

Takahashi: If one looks at compliance alone, the focus gets very narrow. We look at things in so much detail and think, "Don't do this! Don't do that!" So I don't think addressing compliance alone is the way to go. Rather, one should think of CSR as part of total corporate management.

The basis of compliance: Would you tell your child?

Wada: In my role as the Head of the Corporate Ethics Department, I ask my trainees, "As long as you aren't violating the law, is it OK to do whatever you want?" Of course the answer is no. I tell the trainees that corporate ethics means acting in a way that a fair third party would have no cause to criticize in the slightest way. To put it more simply, you ask, "If the people most important to you saw you acting this way, would they say things behind your back? Would you be willing to have your parents, for example, or your children, see what you are trying to do? As I see it, it is my role to keep saying these things all the time.

Kishimoto: When you give these trainings, do you talk about any specific cases? Do you tell them that at times like these they do not need to obey their superiors?

Wada: Yes, I do. I'm especially sure to do so when we are training new employees. I also tell them about our internal reporting system, the Corporate Ethics Hotline.

Kishimoto: Is it an outside organization that runs the hotline?

Wada: The role of contact point for the hotline is shared between us and an outside attorney's office. Of the more than 10 reports we have gotten so far, all went to the attorney's office. Maybe many people think that if they report internally, we would not protect their confidentiality. However, that is not the case at all.

Midorikawa: Systems like hotlines are still in the formative stage, so it's



crucial to decide what kind of system you are going to make it. To make another point, I believe it's important that when something happens, it should always be reported both internally and externally.

Furuya: I've heard that in the past fiscal year there were nine reports to the hotline, which seems like a small number to me. Does this number include requests for advice?

Wada: Requests for advice are not included in the number of reports to the hotline. But nine reports is certainly a small number. I think there is a problem in the level of recognition and a sense that calling a hotline blows the issue out of proportion, and these are limiting use of the system. However, the Personnel Department has long gotten various inquiries, as do the counselors of the Health Development Center, and branch offices give input to our CS Promotion Department.

Nothing to hide: The most important part of corporate innovation is transparency

Midorikawa: To practice CSR, one first of all has to show how things really are. I commend the Daiwa Securities Group for the ways in which it is sincerely disclosing information.

Kogure: Specialized organizations have different lists of items they check to evaluate CSR at businesses, but I think it is enough just to assess how a company fulfills its responsibility to explain. Once that is done, society can make its own assessment. We are trying to see whether it is possible to evaluate how visible a company is to society, how "naked" it is, if you will.

Wakabayashi: I understand exactly what you are saying. Whenever a corporation like us innovates from within, the most important thing is transparency.

Takahashi: It may be that the typical customer is more interested in information protection than information disclosure. Information protection is another great responsibility, so even with company information, I think customers will understand if you explain why you are not releasing some information.

The next step: Defining stakeholders and creating opportunities to talk

Kishimoto: The next issue is how a business defines its stakeholders. What's your definition at the Daiwa Securities Group?

Wakabayashi: Shareholders, customers and employees are clearly stakeholders. It's a constant debate which of the stakeholders to place first; we haven't set any rank on them. The three are really one group. When thinking about CSR, how our internal stakeholders—our employees—feel about things and how they are acting is an important consideration.

Takahashi: From the CSR standpoint, I believe the internal stakeholders have to come first. It's important that employees take pride in their company and their jobs and be able to talk to their children about them. If you have more employees like that, it will naturally have a good impact on your external stakeholders and create a positive cycle. That cycle will assure that you have a good company, don't you think?

Kishimoto: There are groups capable of giving constructive opinions on how securities companies offer product information; don't you think you should find out who these groups are and meet with them regularly?

Onishi: Lately I really feel that we need to have close communication as you suggest. I thank you all for taking time from your schedules to offer us this valuable input.

In response to stakeholder dialogue

CSR does not have a strict definition, and I often hear people say they do not really understand what CSR means in the financial industry. In this year's stakeholder dialogue there was a clear belief that the SRI initiatives taken in our securities business are an important step. I also got a new awareness of the importance of reconsidering management by asking whether an act will encourage society to trust us or not.

For the Daiwa Securities Group, 2004 is Year 1 of SRI in Japan, and in this year we are endeavoring to raise investor consciousness by establishing SRI funds, offering SRI seminars and so on. We have a new sense of the need to accelerate activities through our core busi-

ness this way, including economic and financial education. This publication is our third *Sustainability Report*, but in the future we intend to do more to incorporate third-party opinions into the creation of this report so that these opinions will serve as a tool to diagnose the current state of our management and issues therein.

In July 2004 we created the CSR Promotion Department by joining the staff of our Corporate Communication Department, which previously provided CSR communication services, with members of the Corporate Community Affairs Department. The Daiwa Securities Group looks forward to the pursuit of greater CSR in the future.

Head of CSR Promotion Department, Daiwa Securities Group Inc.
Yasuaki Takakuwa



Communication to strengthen ties across Group

The Group Management Training given since FY 2001 are internal trainings that cut across the Group and seek to use communication so that Group directors and employees have a shared sense of values and ultimately develop the brand. In FY 2001 all Directors/Executive Officers and all department and branch leaders became subject to training, and starting the following year the training was extended to Deputy General Managers. Each session features a vigorous discussion on the progress and problems of branding initiatives and ways to address these issues.

General discussion and lecture, June 5, 2004

With Professor Kunio Ito of the Hitotsubashi University Graduate School serving as lecturer, this training examined issues in the Group's branding initiatives as based on short papers students had submitted in advance. All members discussed case studies on the themes "Strengths and weaknesses of the Daiwa Securities Group" and "How well branding initiatives have sunk into day to day work" as perceived by the students. Professor Ito gave a lecture entitled "Corporate branding" and the CS Promotion Department of Daiwa Securities reported results of analysis of its customer questionnaire.

Group discussions and presentations

After the general discussion in the morning, the 30 attendees broke into five small groups to continue the discussion there. They summed up their roughly three hours of group discussions in presentations given in front of President (now Chairman) Hara.

Group Management Training given and employees completing

(End of June 2004)

Directors: four times (taken by total of 114 persons)
 Executive Officers: three times (95 persons)
 Department and branch leaders: 13 times (397 persons)
 Deputy General Managers: nine times (313 persons)



Group A

Putting branding into practice at the level of the workplace is not simple. Management has to persistently put out the message and we have to be leaders in spreading the practice.

Group B

If our employees believe strongly that they are acting in the interest of the customers, customers will sense the virtues of Daiwa Securities. In our post-sales follow up, there should be a shift in emphasis from "follow up" to "care." And we should have a spirit of caring for the customer all the time, not just after the sale.

Group C

We would like to create more opportunities to discuss brand management in the workplace. We in the middle levels would like to get together and create an action plan for brand establishment.

Group D

Traits we want to associate with the Daiwa brand are kindness, strength, speed, progressiveness and so on. It's critical that we match products and services to customer needs and raise the level of customer satisfaction. We feel that at present the abilities of Daiwa Securities are not yet adequately appreciated.

Group E

We have to create a system where we can share not only our successes but more importantly our failures, and we need a management style that values employee autonomy. By being able to show the customer what he needs, we should be able to achieve "products and services that exceeds customer expectations."

Summary comments by Professor Ito and President (now Chairman) Hara

After the small group presentations, Professor Ito remarked, "It's taken three years, but I think we're now seeing the buds of a Daiwa brand. Branding is a forward-looking activity that you take for your own benefit. When a company's brand value rises, each individual employee's brand value rises as well." To this President Hara added, "The people taking this training today are the generation that is at the core of the Daiwa Securities Group. I want you to be sure that Daiwa's business style is firmly rooted in how to satisfy customers. Our combined power is certainly on the rise. As each of us talks to people inside and outside the Group and shows confidence when we do so, we build the brand. You are Daiwa's greatest strength."



The Daiwa Securities Group holds CSR Seminars.

Since November 2003 the Group has held CSR Seminars to reconsider the Daiwa Securities Group from the viewpoint of social responsibility. At these sessions, we work with one of our most important groups of stakeholders—our employees—to envision the ideal Daiwa CSR.

- No. 1: 18 participants, November 26, 2003
- No. 2: 40 participants, February 3, 2004
- No. 3: 21 participants, February 4, 2004
- No. 4: 20 participants, March 4, 2004
- No. 5: 24 participants, April 15, 2004



Information disclosure and transmission via CSR Website



<http://www.daiwa.jp/branding/>

No. 1: Reading the Sustainability Report

Persons informally offered employment at the Group to start in April 2004 were invited to tell us their opinions after reading *Sustainability Report 2003* and to give their ideas on a vision of CSR. In group discussions, they gave lively opinions from their unique perspective as informal hires. They expressed their hopes for SRI, fostering pro-social business and giving economic and financial training to nurture a wide range of investors, among other topics closely connected to the Group's core business. Their views will be of great value to the Group over the long term.

No. 2: Future economic and financial education for young people

This session brought together employees with a deep interest in economic and financial education for young people. The guest speaker was Yoshihiro Nakamoto, COO of the non-profit Junior Achievement Japan, who discussed efforts to bring economic education to young people. Nakamoto stressed that the objective of Junior Achievement is to nurture children's ability to make decisions for themselves, a statement that drew many questions from the participants.

Nos. 3 – 5: The "What Can We Do?" Club of Daiwa Securities Group

Each of the three sessions featured two guest speakers, including NGO or non-profit representatives and other experts. These gave presentations on the environment and social affairs, after which participants split into groups and held roundtable seminars. The themes explored were conducive to a deep examination of CSR and addressed the real value of the forest, the economic mechanisms of hunger and poverty, and the reasons why globalization has come under such criticism. These themes made the participants aware of the connection between the economy on the one hand and the environment and social problems on the other, providing a stimulus for asking what we as a securities company can do for global-scale problems.

Guest speakers

Naoki Adachi and Ichiro Kobayashi, The CSR Institute, Inc.
 Takehiko Uemura, Coordinator, Japan Self-Reliance Project/Coordinator for East Asia, World Civil Society Forum

The CSR Website opened in January 2003 within the Daiwa Securities Group Inc. main website. Following the key concept "CSR and brand management," the site introduces readers to our SRI initiatives, economic and financial education, philanthropic activities and the Sustainability Report, among others.

Special editions include articles on CSR. The first special edition, entitled "Chairman Hara discusses his vision," included CSR specialist Toshihiko Goto as a guest. He and Daiwa Securities Group Inc. Chairman Hara talked about a vision of "socially responsible management through corporate branding."

The second special edition, "What is CSR?" introduced readers to recent trends in CSR and explained the CSR concept in simple terms.

The third special edition, actually a series of editions beginning in August 2004, took up the theme, "A dialogue on CSR." In it, Mariko Kawaguchi, Senior Analyst at Daiwa Institute of Research Ltd., explored many aspects of CSR in a succession of dialogues with persons from NGOs, non-profits and enterprise. The first feature in this series concerned the relation between CSR and human rights.

SRI is a way in which the Daiwa Securities Group takes initiatives within its core business. The site includes content from the Daiwa SRI Investors Seminar of June 2004 and interviews with staff members working with the Group's SRI funds.

The Daiwa Securities Group is using this site to offer more information on its social and environmental activities and to deepen communication with stakeholders.



Dr. Iwao Taka

Professor, International School of Economics and Business Administration, Reitaku University

I had the opportunity to give a third-party opinion two years ago in the *Sustainability Report* of the Daiwa Securities Group. Now, after having read the report for 2004, I come away with the impression that the Group's corporate social responsibility (CSR) initiatives have made steady progress over these last two years. Chairman Hara has long talked about the Group's passion for CSR, but now I feel that this attitude has spread and taken root throughout the Group.

Another way we might define CSR is "the ways a business contributes to the building of a sustainable society," and I think that SRI as promoted by the Daiwa Securities Group is a perfect example of that. In particular I think that the Daiwa SRI Fund described on pages 08 – 09 of this report is an experiment in supporting "sincere Japanese companies" in a clear way that has never been tried before and by so doing it is transforming Japanese society into a sustainable community. I truly admire the fact that the Daiwa Securities Group recognizes the social need for such financial products and is therefore putting them together and selling them.

I particularly praise this report for the following three points. First, the Daiwa Securities Group is taking medium- and long-term CSR initiatives, not just a one-time program. On pages 16 – 17, this report lists issues and targets from the past year and shows how much progress has been made on them. I would particularly point out that the Group has re-set targets for those issues where it did not sufficiently achieve its goals. At a time when many businesses are paying lip service to CSR, the initiatives of the Daiwa Securities Group are clearly different and more progressive.

Second, this report does not just give the positive information such as the contributions the Group is making to society; it also actively reveals compliance risks and other negative information. On page 22, for example, the report states straightforwardly that "Daiwa Securities is raising the ratio of internally detected cases" of problem conduct happening in the company. Many CSR reports try not to touch on problems like this, but this report admits latent problems, that the Group is detecting these problems in advance and nipping them in the bud and that it is

continuing to create systems and make improvements to do so. These things can be reported honestly because of the Daiwa Securities Group's persistent efforts to establish practical and effective governance systems and internal controls. We readers have to understand this point and commend the Group for it.

Third, this report states the contributions being made to each group of stakeholders, and it makes this easy to understand. The chart on page 29 showing the distribution of economic value to stakeholders is especially easy for readers to understand. Initiative details appear on the pages following this. For example, the introduction of the multi-directional evaluation system for employees (page 32) and the program to support post-retirement careers (page 33) are unique challenges the Group has undertaken.

There are improvements I would like to see made, however. First of all, the Group should try to convey the correct significance and possibilities of SRI to more citizens. To that end, perhaps the Group should more systematically give SRI training for people in the community and the persons selling products in the office. Second, I'd like to see the Group go further in promoting women to managerial positions. Certainly the number of such women is increasing, but as a percentage of the entire female work force, women in managerial positions are still relatively few as compared to men.

Listing these desired improvements does not by any means deny the value and progressive nature of the current *Sustainability Report*. This report boasts a degree of completeness rarely seen; I am merely stating my hope that the Group will not be satisfied with that and will instead push further. I hope that citizens and society will likewise think highly of the sincere and steady efforts of the Daiwa Securities Group.



Toshihiko Goto

Chair, Environmental Auditing Research
Group (EARG)
Member, Board of Directors,
Global Reporting Initiative (GRI)

I have come to see that the Daiwa Securities Group has basically a top-down system of CSR. In the sense that CSR is a policy of top management, the message will quickly spread that this is not just "omikoshi management," that pattern so often seen in Japanese business in which top management is aloof from on-the-ground issues. However, I had some concerns about the consistency of the Group's extremely varied CSR initiatives and whether they were being managed in a unified way, but in July of this year the Group set up a CSR Promotion Department, which I think will serve as the center for these functions. In top-down organizations where departments are divided vertically and operate with little contact with each other, there tends to be a disconnect between society's expectations and the organization's actions, but having different types of communication within and beyond the company can bridge the gap. The *GRI Content Index* found at the back of this report is useful not only for checking the items in the report but also the comprehensiveness of initiatives and activities to be given priority.

The Daiwa Securities Group has made compliance the foundation of its CSR initiatives and is addressing SRI as a strategic and challenging target. Compliance is given relatively great weight, but I think that as a matter of course compliance is the most important element of management in an industry that handles money. The Daiwa Securities Group has taken up the slogan "think for yourself, act for yourself," so I think it would be a wise idea to adopt voluntary action standards that apply across the Group and turn employees into participants. The Group is thinking beyond merely obeying the law, the usual concept of compliance. It would be even better if this led the top management to make definite commitments, including some quantitative statements about what it will do and how far it will go beyond merely obeying the law. The most desirable outcome of taking compliance initiatives would be an increase in customer satisfaction, so it would be interesting if the Group could think of some system for measuring the connection between the two.

In its promotion of SRI, the Daiwa Securities Group is not just screening funds for appropriateness; it is using such means as regional

index funds to invest in the communities. Awareness of CSR and SRI is still relatively low in the financial industry as a whole in Japan as compared to the US and Europe, but the initiatives of the Daiwa Securities Group are highly commendable. However, this report indicates the Group's perception that investing with an SRI perspective will be mainstream in the future, and if this is so, issues that the Group will have to face are how to incorporate SRI-like ideas into all functions and not just its SRI funds, and how to quantitatively measure the extent to which it has achieved its goals. In its core business, I would like to see the Group do such things as using the Clean Development Mechanism* on problems of the environment and poverty in industrializing countries through such means as carbon funds.

It was delightful to read about the Daiwa Securities Group's financial education initiatives, although this was included as part of its initiatives in its core business. That would be correct as long as the Group is referring to activities that are effective in terms of employee training and compliance, but its financial education initiative seems to be halfway between core business and philanthropic activities. Globally, the focus of CSR at this time is purely on core business initiatives, so in that sense this description may confuse readers.

As for the report itself, the 2003 report won high praise from parties outside the Group, and I feel this year's is even better. There is more numerical data, and I hope the Group will expand its use of such data in comparing targets and results and setting new targets. It is widely accepted that it is often difficult to quantify social goals, but I hope the Daiwa Securities Group will be a pioneer in developing creative ways to express these things quantitatively as far as possible.

Naturally, the Daiwa Securities Group ought to be monitoring all its goals on a Group-wide basis, but beyond that it also needs to look at its relationship with suppliers and subcontractors.

*Clean Development Mechanism: One of the Kyoto Mechanisms, or strategic means for the prevention of global warming, established under the Kyoto Protocol. Under the mechanism, industrialized countries conduct projects in industrializing countries to reduce emissions of greenhouse gases and the resulting emissions reductions are apportioned to the countries involved.