

Environmental Initiatives

The Daiwa Securities Group recognizes that the global environmental impact of its business activities is not inconsequential. It is working to build an environmental management system and increase the environmental awareness of its employees.

Issues and targets for fiscal 2004 and beyond
Strengthen environmental communication with the goal of raising group employees' environmental awareness.
Study effectiveness of implementing ISO 14001, taking into account characteristics of each business area.
Achieve greenhouse gas reduction target (1.9% less than FY2001, CO ₂ equivalent) at Daiwa Eitai Building.

Results and progress for fiscal 2004
Published "Dr. Sustaina's Environmental Course," a serial on environmental communication, in in-house magazine, Fuji, with aim of increasing group employees' environmental awareness (three installments appeared in FY2004).
In view of our business area, decided not to implement ISO 14001 group-wide at present. Established Environmental Management Committee in May 2005 to increase precision of our independent environmental management system.
Achieved reduction target with an 11.3% reduction compared to fiscal 2001.

Our perspective on environmental problems

Although the Daiwa Securities Group's business activities have a relatively small impact on the global environment compared to the manufacturing industry, their absolute impact is not inconsequential. We view the continuous reduction of environmental impact as a corporate responsibility, regardless of industry or business category. We are continuing to make efforts to reduce our environmental impact.

In fiscal 2001, we set about collecting environmental impact data. In fiscal 2004, we started preparations to build our own environmental management system.

Liaison committee established to help build an independent environmental management system

Daiwa Securities Group Inc. conducted a study between February and March 2005 to bring the debate over the pending question of whether to acquire ISO 14001 certification to a conclusion. As a result, it was decided to forego cer-

tification, and rather, to build an independent environmental management system.

Accordingly, in May 2005 Daiwa Securities Group Inc. established the Environmental Management Committee, chaired by the executive responsible for CSR, and it is now preparing to install an independent environmental management system.

Reducing CO₂ emissions

In fiscal 2004, the Daiwa Securities Group reduced its CO₂ emissions by 2,109 tons (5.4%) from fiscal 2003 to 37,009 tons.*¹ In Japan, CO₂ emissions per employee*² were brought down 0.17 tons to 2.92 tons. Moreover, in fiscal 2003, the Daiwa Securities Co. Ltd. Headquarters Building and the Eitai Daiya Building achieved the numerical targets for reduction of CO₂ emissions specified in the Global Warming Action Program that we submitted to the Tokyo Metropolitan Government in fiscal 2002. In fiscal 2004, the Daiwa Eitai Building reduced emissions by 11.3% from fiscal 2001, achieving the 1.9% reduction target.

*1 Calculated CO₂ equivalent of fuel, electricity, gas, water, and sewerage usage of the Daiwa Securities Group at its 18 major office buildings and the branch offices of Daiwa Securities Co. Ltd., across Japan, using the Ministry of the Environment's greenhouse gas emissions conversion formula.

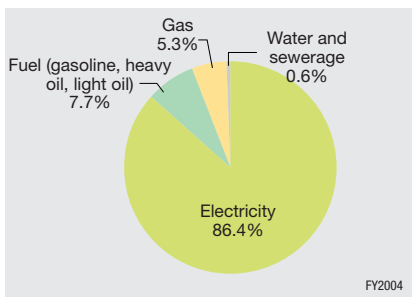
*2 For a total of 12,655 employees, including regular employees, financial advisors, and temporary employees in Japan. For details see "Human Values and Human Resource Utilization" on page 39.

Reducing electricity and water usage

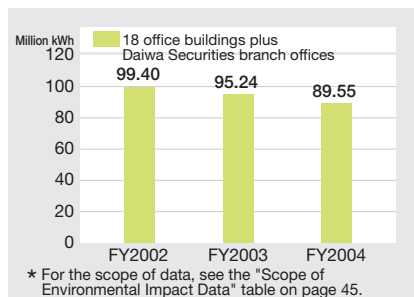
In fiscal 2004, we reduced our electricity usage by 5.69 million kWh (5.9%) from that in fiscal 2003 to 89.55 million kWh. One of the primary factors in drastically reducing electricity usage was to install inverters on the 57 computer room air conditioners in the Daiwa Eitai Building; these facilities had consumed a lot of electricity compared to our other business sites.

We reduced our water usage from the previous year by 27.36 million liters (6.2%) in fiscal 2004, to 411.07 million liters.

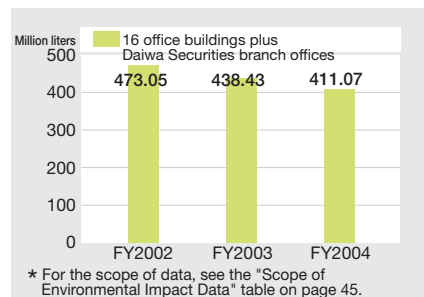
Breakdown of CO₂ emissions by energy type (graph 1)



Electricity usage over time (graph 2)



Water usage over time (graph 3)



Resource conservation, recycling, and waste reduction

In fiscal 2004, paper waste generated by the Daiwa Securities Group increased by 57.8 tons (4.6%) over fiscal 2003 to 1,308 tons. We maintained a recycling rate for paper waste of just under 90% overall.

Waste generation and recycling over time (table 1)

		(Unit: tons)		
		2002	2003	2004
Paper waste	Amount generated	1,564.2	1,250.6	1,308.4
	Amount recycled	1,357.0	1,105.2	1,160.6
	Amount discarded	207.3	145.4	147.8
	Recycling rate	87%	88%	89%
Non-paper waste	Amount generated	352.6	260.1	330.7
	Amount recycled	101.0	84.7	114.3
	Amount discarded	251.6	175.4	216.4
	Recycling rate	29%	33%	35%

*For the scope of data, see the "Scope of Environmental Impact Data" table below.

Scope of Environmental Impact Data

Building	Graphs 1 & 2	Graph 3	Table 1
Daiwa Securities Headquarters Building	○	○	○
Daiwa Securities Kayabacho Building	○	○	○
Marunouchi Trust Tower North Building	○	○	
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	○	○	○
DSC Headquarters	○	○	○
Daiwa Securities branch offices*	○	○	
Daiwa SB Investments Headquarters	○	○	
NIF Ventures Headquarters	○	○	○
Daiwa Training Center	○	○	
Daiwa Sanko Buildings (main and annex)	○	○	

*120 branch offices, excluding headquarters, Osaka and Nagoya Branch buildings (as of end of March 2005).

Green purchasing efforts

The Daiwa Securities Group promotes green purchasing of office supplies through Sanko Net, an intranet site operated by a group company, Daiwa Sanko Co., Ltd. The site lists products from the database of the Green Purchasing Network (which we joined in June 2003) that carry environmental marks.

Our green purchasing rate through this site for fiscal 2004 was 43% in terms of the number of items purchased and 29% on a monetary base.

Joining UNEP FI—committed to environmentally conscious finance

In November 2004, the Daiwa Securities Group joined the United Nations Environment Programme Finance Initiative (UNEP FI), signing the UNEP Statement by Financial Institutions on the Environment and Sustainable Development. By joining UNEP FI, we are now able to acquire information about overseas locations on the environment and sustainability. In cooperation with other signatory members, the Daiwa Securities Group will pursue ideal forms of cutting-edge finance that take the environment into consideration.



Signing UNEP Statement

Internal and external environmental communication

In November 2003, we began running "Dr. Sustaina's Environmental Course," a serial on environmental communication,

in our quarterly in-house magazine, *Fuji*, with aim of increasing group employees' environmental awareness.

This series explains global environmental problems in simple terms, focusing on linkages between the Daiwa Securities Group and the environment. In addition to our internal newsletter, "Dr. Sustaina's Environmental Course" is also published on the CSR site of the website of Daiwa Securities Group Inc.

CSR website (Japanese only)

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

Future issues and targets for fiscal 2005

The Daiwa Securities Group has traditionally practiced a certain level of environmental management, collecting environmental impact data and setting environmental impact reduction targets. In May 2005, we established the Environmental Management Committee at Daiwa Securities Group Inc. to help build a more precise, independent environmental management system.

From fiscal 2005 forward, we have been working through this committee to establish the "plan-do-check-action" (PDCA) quality control cycle, draw up group-wide environmental impact reduction targets, sort out direct environmentally related risks, such as electricity, gas, and water usage, as well as indirect environmental risks related to our business, and promote environmental communication. Moreover, a remaining issue is the formulation of a basic policy on green purchasing. We will work this out during fiscal 2005.

Stakeholder comment

My expectations for the Daiwa Securities Group

I would like to see more environmental efforts through your main business areas. As for CO₂ reduction, for example, efforts that utilize your various assets, rather than few percent reductions at offices with smaller environmental impact compared to other industries, are preferable. Although CSR efforts are lagging behind in the finance industry, I hope that you will fulfill a role as an industry leader by articulating a vision that describes what you will focus on and what you aim to achieve, now that you have taken the first step of joining UNEP FI. Furthermore, in terms of SRI initiatives, I think it is important to introduce numerical evaluations to help support various CSR efforts and to develop financial education in order to promote financial thinking from the SRI-based perspective.



Masaki Kimura
Secretary General
A SEED JAPAN
(International Youth Environmental NGO)

Paper Project

We launched the Paper Project to assess the use of paper throughout the Daiwa Securities Group. Paper usage is considered the largest direct environmental impact generated by the financial industry.

Paper Project: Assessing paper usage

Engaged as it is in the financial industry, the Daiwa Securities Group tends to use less electricity, gas, and water than other types of business. However, that does not mean that the Group generates no environmental impact. We examined where our greatest environmental impact was, and the answer came into focus: paper.

Paper usage in offices has tended to increase in proportion with the growth of copy machines and printers in recent years. The Daiwa Securities Group uses a tremendous amount of paper to print various types of reports—including this one—prospectuses,^{*1} sheets and forms, and other records.

Many employees had a sense that they were using a huge amount of paper in their daily work, but the truth is that we used to have no real grasp of just how much paper was being used group-wide.

Seeing that the most appropriate action for us to take to reduce the Group's environmental impact would be to address paper usage, we launched the Pa-

^{*1} Prospectuses are documents that, when selling or making public offering of securities, must be furnished to investors to describe the details of the securities and conditions of that offer or sale.

per Project in March 2005 to estimate group-wide paper usage.

Examining paper usage at Daiwa Securities Group Inc.

As the first step of the Paper Project, the CSR Promotion Department monitored the amount of paper used at Daiwa Securities Group Inc. during the one-year period from April 1, 2004 to the end of March 2005 to gain an understanding of the situation. This study covered copy paper, business cards, and envelopes used at Daiwa Securities Group Inc. and publications printed outside the company at the request of departments of Daiwa Securities Group Inc.

The results of the study showed that Daiwa Securities Group Inc. used 103 tons of paper during fiscal 2004, or 401 kg of paper per employee (see the "Paper Usage at Daiwa Securities Group Inc." table on the next page). Assuming that it takes about 20 logs of 14-cm diameter and 8-meter length to produce one ton of paper, the total usage was equivalent to about 2,060 timber logs.

Current status of efforts

The concrete figures obtained as a result of the study helped us realize that our environmental impact is by no means small.

Daiwa Securities Group Inc. has a history of printing its Sustainability Report on Forest Stewardship Council (FSC)-certified paper, which is made of timber that is cut from properly managed forests, and using recycled paper in its other publications.

In June 2005, we participated in the Study Group on Ecologically Ethical Paper Procurement, sponsored by five environmental organizations (Greenpeace Japan, FoE Japan, WWF Japan, Global Environmental Forum, and Japan Tropical Forest Action Network [JATAN]) with a view to further promoting the protection of paper resources. In the panel, we began to study with other participating corporations about the use and procurement of ecologically-responsible paper. Moreover, looking to protect forests in Japan, as is being done in developing countries, we used 10% thinned timber in the paper used to print this report, with a desire to promote healthy development of Japan's mountains and forests.



Amount of paper used by Daiwa Securities Group Inc.

Paper Project: Future issues

During the past year we gained an understanding of the paper usage at Daiwa Securities Group Inc. As we think about our paper usage going forward, the next step will be to gain an understanding of group-wide paper usage. We anticipate that paper usage at Daiwa Securities Co. Ltd. which is engaged in the securities business throughout Japan, will greatly exceed that of Daiwa Securities Group Inc.

In addition, Daiwa Securities Group Inc. has established a one-year paper reduction target for fiscal 2005 of 5% less than the previous fiscal year. We will also review the percentage of recycled paper contained in paper that we use as well as reconsider the raw materials used to make paper.



Thinned timber logo mark.

■ Paper usage at Daiwa Securities Group Inc. (FY2004)

Department	Description	Number of copies	Weight (kg) / copy	Total weight (kg)
Entire Daiwa Securities Group Inc. * Only items bought through central purchasing	Business cards	44,800	0.001	45
	Copy paper (A4)	1,490	10.2	15,198
	Copy paper (A3)	37	12.24	453
	Copy paper (B4)	71	15.6	1,108
	Copy paper (B5)	19	7.8	148
	Portfolio envelopes for securities (Kaku 2)	5,000	0.013	65
	Portfolio envelopes for securities (Kaku 3)	1,000	0.01	10
	Adhesive-type envelopes (Chou 3)	11,000	0.005	55
	Envelopes with flap (Kaku 1)	200	0.035	7
	Envelopes with flap (Kaku 2)	1,000	0.028	28
	OCS envelopes (Kaku 1)	1,000	0.0135	14
	Envelopes for valuables (Kaku 2)	1,000	0.013	13
	Daiwa <i>Senjukai</i> envelopes	9,000	0.013	117
	Legal Department	Convocation notice	95,000	0.054
Notification of resolution		113,000	0.005	565
Announcement of simultaneous satellite broadcast		94,000	0.003	282
Voting cards		93,100	0.003	279
Personnel Department	Introduction of the company for new career-track employees	20,000	0.33	6,600
	Introduction of the company for new regional career-track employees	10,000	0.134	1,340
	How to Read the <i>Sustainability Report</i>	85,000	0.046	3,910
	Other employment communications	—	—	1,717
Corporate Communications Department	Spring 2004 issue of <i>Fuji</i>	14,700	0.156	2,293
	Summer 2004 issue of <i>Fuji</i>	23,700	0.172	4,076
	Fall 2004 issue of <i>Fuji</i>	14,495	0.162	2,348
	2005 New Year's issue of <i>Fuji</i>	23,500	0.166	3,901
Investor Relations Department	<i>Annual Report 2004</i> (Japanese)	22,000	0.468	10,296
	<i>Annual Report 2004</i> (English)	6,000	0.477	2,862
	Daiwa Securities Group Business Report for Fiscal 2003	114,000	0.07	7,980
	Mid-term Business Report for Fiscal 2004 (68th Term)	111,000	0.039	4,329
	Performance for Fiscal 2003 and Vision of Future Growth	95,000	0.042	3,990
Finance Department	Securities reports	250	0.344	86
	Semiannual reports	120	0.192	23
CSR Promotion Department	<i>Sustainability Report 2004</i> (Japanese)	111,000	0.206	22,866
	<i>Sustainability Report 2004</i> (English)	2,000	0.192	384
	List of errata	92,000	0.00125	115
	<i>SCP News</i>	1,500	0.244	366
	Japanese trial version of <i>Financial Fitness for Life</i>	600	0.214	128
Total				103,128