

Daiwa Securities Group's Social Mission

Money plays an important role in the creation of a sustainable society. Therefore, the Daiwa Securities Group's mission is to incorporate a social perspective into the finance industry, and help channel money towards the resolution of society's problems.

■ Corporate social responsibility is key for the realization of a sustainable society

Today's society is faced with various problems that threaten sustainability, such as global warming and the destruction of the natural environment. These are major issues that cannot be resolved unless public institutions, companies, and citizens all take responsibility for their own actions.

Through their roles in the economy, companies now have a major impact on society as a whole, and are therefore key players in the realization of a sustainable society. Financial institutions in particular

need to have a clear social mission in the way they approach their core business.

This mission is to fulfill a public and fundamental role in society, bringing together those who need financing and those who want to invest. This objective sets us on the path towards a sustainable society through the effective collection and re-distribution of money.

■ Incorporating a social perspective into investment and finance

Currently, there are various trends in the efforts to encourage a social viewpoint in the finance industry. The United Nations Environment Programme Finance Initiative (UNEP FI), which involves a partnership between the UN Environment Programme and various financial institutions worldwide, is striving to implement finance activities that take the environment and the concept of sustainability into account. The initiative, whose goal is to raise awareness of efforts towards achieving sustainability, has been in operation since 1992.

In April 2006, UNEP FI and UN Global Compact unveiled the Principles for Responsible Investment (PRI), guidelines to promote the incorporation of environmental, social, and corporate governance

(ESG) considerations into the decision-making processes of institutional investors. Major financial institutions from around the world have signed and agreed to these principles.

Daiwa Securities Group Inc. joined the UNEP FI in November 2004, and Daiwa Asset Management Co. Ltd., the Group's asset management division, became a signatory to the Principles for Responsible Investment in May 2006. Daiwa Securities Group Inc. also became a signatory to the Carbon Disclosure Project (CDP)*1 in March 2004.

*1 Carbon Disclosure Project: With the support of institutional investors concerned about climate change, the Carbon Disclosure Project asks global companies to disclose information relating to their initiatives and approaches to environmental problems.

Daiwa Securities Group Corporate Principles (established March 1998)

Customer trust

We stand on the trust of our customers. Prudently putting customer interests first and achieving a high standard of professional competence, we intend to become Japan's most appealing securities group at home and abroad.

Human values

People are the source of our competence. We highly value creative initiative by the individual, we cherish the challenging spirit, and appreciate the capability and contributions of the individual.

Total compliance

We can be proud and prosper only when we achieve total compliance and gain the trust of our customers, our market and of our world society. We will maintain high standards of professional ethics and a fair code of conduct, thereby contributing to the development of our society.

Sound profit

Our fundamental objective is to enhance shareholder value through sound business operations. We will offer valuable services to our customers and earn adequate rewards for distribution to our shareholders.

Principles for Responsible Investment

The Principles for Responsible Investment (PRI) are investment guidelines for institutional investors concerned about environmental, social, and corporate governance (ESG) issues. They promote a CSR approach to asset management, lay out a plan for adopting the practices of socially responsible investment (SRI) in long-term investments, and emphasize the necessity of long-term evaluations by asset managers. The PRI are outlined below.

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

Principles for Responsible Investment: <http://www.unpri.org/principles/>

Five approaches to realize a sustainable society

(1) Serving society in our daily operations

The work carried out by securities companies provides a very public benefit. This industry is key in supporting Japan's transition from a savings economy to that of an investing one. It acts as an intermediary, bringing together entities in need of financing and investors looking to invest.

The Daiwa Securities Group must execute its operations, not only in accordance with the local laws and regulations, but also to meet the expectations of society in its day-to-day conduct, and strive to promote the sound functioning of the securities markets.

(2) A business strategy that takes society and the environment into account

The Group is striving to incorporate a social perspective into the way it conducts its core financial business, practicing the kind of CSR that should be expected from a financial institution. Specifically, the Group is providing investment opportunities for general investors to participate in tackling environmental and social issues, in the form of SRI funds and CO2L Bonds (Cool Bonds)*1.

(3) Promoting CSR outside the company

Through the UNEP FI, PRI and CDP, the Daiwa Securities Group is lending support to various stakeholders, including the financial industry, to encourage CSR activities.

(4) Corporate citizenship activities

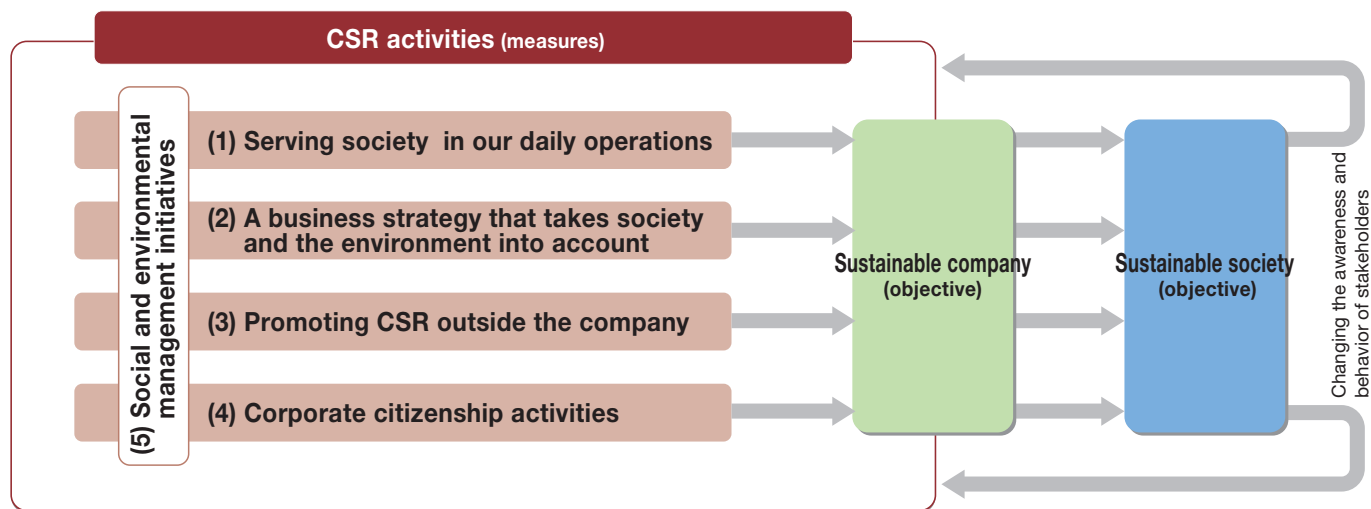
In order to develop the next generation of economics and financial professionals, the Daiwa Securities Group aims to encourage education in these fields as part of its Medium-term Management Plan. The Group will continue to provide long-term support through financial mechanisms relating to its core business, by offering assistance to the local and international communities via foundations and NPOs.

(5) Social and environmental management initiatives

The Daiwa Securities Group is aware of the social and environmental impact of its own business operations. Along with achieving full compliance, attaining customer satisfaction, and improving the workplace environment, the Group is striving to raise environmental awareness among its employees and build an environmental management system. As a result, the Group is reducing its use of paper, the part of its daily operations which has the biggest direct impact on the environment.

*1 CO2L Bonds (Cool Bonds): See pages 9 and 10 for more details.

Daiwa Securities Group: Five approaches to realize a sustainable society



Future issues

No matter how much financial institutions talk about incorporating a social perspective into the way the finance industry works, without the participation of customers, this goal cannot be achieved. To gain widespread public support of this goal, the key is to increase the market's evaluation of companies with outstanding social initiatives,

and to enhance the performance of investments that maintain a social perspective, such as SRI funds. A future issue for the Daiwa Securities Group to consider will be how to demonstrate to investors the effectiveness of SRI.