

Performance, Issues, and Targets

The following are the results of various initiatives taken by the Daiwa Securities Group in fiscal 2005 towards building a sustainable society. The targets for fiscal 2006 are also presented here.

		Issues and targets for fiscal 2005	Progress
Corporate governance		Introduce the stock options (at an exercise price of ¥1) for executive compensation, replacing the system to acquire stock.	◎
		Continue to study ways of linking executive compensation with stock price.	○
		Strengthen the systems auditing at principal group companies.	○
		Perform categorized audits, such as on compliance with the Personal Information Protection Law.	◎
CSR management		Conduct training in compliance, corporate ethics, and CSR at all Daiwa Securities Co. Ltd. branches, to be completed by the end of fiscal 2007.	◎
		Promote group employees' understanding of CSR.	○
Compliance	Entire Group	Strengthen cooperation between the legal compliance department in Daiwa Securities Group Inc. and its counterparts in each group company.	△
		Raise level of internal understanding of Corporate Ethics Hotline and periodically survey awareness.	◎
		Examine establishment of Voluntary Action Standards.	△
	Daiwa Securities	Enforce management practices incorporating the perspectives of legal compliance and customer protection.	◎
		Further improve the compliance framework and eliminate violations of rules.	○
		Reinforce management of complaints and claims.	◎
		Comply with new Personal Information Protection Law.	○
	Daiwa Securities SMBC	Upgrade Compliance Division.	○
		Expand the online training program so that each office can find needed subjects.	○
		Inspect the extent to which measures have been established to address risks identified in previous internal audits.	◎
Expand intra-departmental inspection lists to include personal information protection and new areas of business resulting from regulatory reform.		◎	
Information disclosure		Encourage active disclosure of information to attract new individual shareholders.	△
Customer satisfaction		Actively pursue post-sales follow up.	○
		Enhance the convenience of offices through utilization of IT.	◎
		Create office atmospheres that are welcoming to a broad clientele.	○
Communication with shareholders		Hold shareholder forums and other events.	◎
Human values and human resource utilization		Review job descriptions and improve workplace environments to ease employment of the disabled.	△
		Enhance training programs.	○
		Develop workplace environments where women can fully demonstrate their abilities.	◎
Corporate citizenship		Enhance volunteer programs so that as many group employees as possible can participate.	△
Working for the environment		Improve precision of Daiwa's independent environmental management systems.	△
		Promote environmental communication.	○
		Establish a basic policy on green procurement.	×

Page(s) in report	Issues and targets for fiscal 2006
21-22	Document internal standards relating to financial reporting and establish evaluation methods for the entire group.
	Prepare systems for each group company in compliance with upcoming changes in Japanese commercial law.
	Improve group management structures by investigating performance evaluation methods and promoting business continuity plans (BCP).
23-24	Focus more on economics and finance education.
	Promote the widespread practice of socially responsible investment (SRI).
25	Arrange activities to raise awareness of the Corporate Ethics Hotline among group companies.
	Strengthen measures against anti-social influences.
26-27	Practice proposal sales in order to support the asset formation that clients truly want.
	Streamline the way consultations are conducted between customers and senior branch officers.
	Improve quality of performance in order to eliminate complaints and claims.
	Keep rigorous guard against anti-social influences and unfair trading practices.
28	Implement training that includes current issues, and enrich e-learning content.
	Take steps to prevent any leakage of personal data during the implementation of measures.
	Build an inspection system to watch for conflicts of interest.
	Create a framework to comply with the Comprehensive Supervisory Guidelines for Securities Companies established by the Financial Services Agency.
29-30	Set up a trading management system according to the new rules of the Japan Securities Dealers Association.
	Encourage a better understanding of disclosure-related regulations within the Group.
33-34	Expand IR programs to suit more types of investors.
	Actively pursue post-sales follow up.
35-36	Create office atmospheres that are appealing to a broad clientele.
	Implement education programs to improve manners and knowledge of younger sales staff.
37-40	Improve investor relations activities for individual investors.
43-46	Strengthen initiatives for job creation.
	Enhance education and training programs to increase the number of qualified analysts and certified financial planners (CFPs).
	Continue workplace initiatives in support of female employees.
47-49	Strengthen initiatives that address social issues.
	Promote volunteer programs that enable the participation of larger numbers of employees.
	Expand the environmental management systems to consolidated subsidiaries in Japan.
47-49	Reduce environmental impact through the computerization of documents and the reduction of office paper usage.
	Establish guidelines on procurement.

■ Fiscal 2005 ■ performance and ■ fiscal 2006 objectives

◎Fiscal 2005 performance

In fiscal 2005, in addition to ongoing initiatives, the Daiwa Securities Group focused on further strengthening its compliance framework and creating a workplace environment that better supports its female employees.

Female employees have greater and greater opportunities in the Group. The Group will continue promoting the support of women in the workplace and encourage female employees to utilize the programs available to them.

In the area of compliance, the Daiwa Securities Group strengthened workplace training in compliance awareness and conducted checks of the effectiveness of management and monitoring.

◎Fiscal 2006 targets

In fiscal 2006, the Daiwa Securities Group set targets based on the initial year of the action plan designed to achieve the new Medium-term Management Plan "Passion for the Best" 2008 announced in May 2006. The fiscal 2006 targets for each division correspond to this medium-term management strategy. The pursuit of these targets is intended to help maximize corporate value for all stakeholders.

Progress

- ◎ : Implemented and good results achieved
- : Implemented and fair results achieved
- △ : Implemented, further work necessary
- × : Not yet implemented