

Human Values and Human Resource Utilization

In light of the Group's Corporate Principle focusing on human values, the Daiwa Securities Group is continuing its efforts to create a workplace that provides equal opportunities for everyone, and hence, better help female employees realize their full potential.

Issues and targets for fiscal 2005	Review job descriptions and improve workplace environments to ease employment of the disabled.	Results and progress for fiscal 2005	Achieved an average disabled persons employment rate of 1.85% across the nine principal group companies (as of March 31, 2006). Two employees at Daiwa Securities Group Inc. obtained the Employment Counselor for People with Disabilities certification.
	Enhance training programs.		Implemented several training programs: management, skills improvement, CSR, information security, and compliance.
	Develop workplace environments where women can fully demonstrate their abilities.		Enacted a plan to provide its female employees the support needed to maximize their abilities.

Approach to human resources management and important issues

Human resources contribute to a company's competitiveness. The Daiwa Securities Group is building a personnel management system that reflects the Group's Corporate Principle of human values. In fiscal 2005, the Group implemented key initiatives welcoming disabled employees, improving employee training, and creating a workplace environment that is supportive of women employees.

Basic employee statistics (Daiwa Securities Group Inc.)

	FY2004	FY2005
Average annual salary*	¥8.68 million	¥10.22 million
Average age	37.1 years old	37.8 years old
Average number of years of service	10.7 years	11.0 years

* The average annual salary includes bonuses and other forms of additional remuneration.

Initiatives for recruitment

The Daiwa Securities Group has established recruitment guidelines that stipulate equal opportunity and fair treatment. The guidelines are clearly posted in the hiring section on the Group's website, and the staff responsible for recruitment are expected to fully apply these principles. The Group's policy for handling job applicants' personal information is also posted on the website.

New graduate hiring increase

The Group's hiring target for new graduates in fiscal 2007 has been greatly expanded, to a total of 1,400 people. In addition to large-scale recruitment seminars, the Group is also scheduling smaller scaled discussion groups to attract talent by responding to their concerns. Recruitment drives are being held both independently and jointly with other companies nationwide. The Group is also

holding sessions for hiring people who want to find jobs in their hometowns or in another city.

Active recruitment of women

In response to the initiatives taken to support women employees in the workplace, as well as the push to hire female candidates of high caliber, the number of female employees hired by the Daiwa Securities Group has been increasing each year. In fact, a key reason for the Group's jump in popularity among jobseekers is its various programs to support female employees.

Employment of persons with disabilities

The group-wide employment rate for disabled persons is 1.85% as of March 31, 2006, higher than the government's guideline of 1.80%. However, since this represents a 0.04% drop from fiscal 2004, the Group is planning to take various measures to stabilize the employment of disabled persons. As part of these efforts, two employees have obtained the certification of Employment Counselor for People with Disabilities.

Number of new graduates employed in Daiwa Securities Group as a whole

		(persons)			
		April 2003	April 2004	April 2005	April 2006
Career-track employees ad regional career-track employees*1	Male	326	203	251	401
	Female	274	147	235	326
General employees*2	Male	0	0	0	0
	Female	54	28	81	101
Financial advisors*3	Male	12	11	34	33
	Female	6	16	40	17
Total		672	405	641	878

*1. Regional career-track employees make up a class of career-track employees which was first established at Daiwa Securities Co. Ltd. in 1998. These employees stay in one region and are not subject to transfers that require a change of residence. Full-scale hiring of new graduates into this class began in April 2002.

*2. General employees make up a class that was created in April 2003 by combining the old general employee class with the old area general employee class.

*3. Financial advisors are employees who work in sales at Daiwa Securities Co. Ltd., under one-year contracts.

Employment rate for persons with disabilities (average across the nine principle group companies, as of the end of each fiscal year)

Fiscal year	%
FY2003	1.90
FY2004	1.89
FY2005	1.85

Human resources and skills development

Selective management training

The Daiwa Securities Group is enriching its highly selective leadership and management training program to groom the next generation of business leaders. So far, 150 employees have graduated from the Daiwa Management Academy for developing

general managers, and 415 have completed the Daiwa Leadership Program for the training of deputy general managers. The number of graduates from both these programs is steadily increasing.

● **Skills development training**

The Consulting Skills Training has been enhanced to develop more proficient human resources. The Daiwa Securities Group introduced its Special Program for Improving the Skills of Junior Sales Staff, a course designed to train newly hired young salespeople. To build up the level of investment consulting skills, the fiscal 2005 training program was carried out for seven days on a selective basis, and a total of 409 employees completed the program.

● **Other training programs**

The Daiwa Securities Group continues to improve its various training programs, including CSR training sessions and volunteering in joint training for new hires. Further, training related to information security in compliance with the Personal Information Protection Law is also offered.



Training for instructors responsible for junior sales staff.

● **Successful applicants for internal intra-Group job postings**

Period	Jobs offered	(Persons)	
		Applicants	Successful applicants
7th, FY2004 summer	Compliance, product development, M&A, research, analysts, venture capitalists, fund managers	65	13
8th, FY2005 spring	Compliance, product development, investment advisors, M&A, principal finance specialists, analysts,	87	24
9th, FY2005 fall	Corporate sales, product development, overseas postings	40	9
10th, FY2006 spring	SMA consultants, individual and corporate sales, overseas study, M&A, product development, analysts, dealers	38	10

● **Internal (intra-Group) job postings and new career path examinations**

The Daiwa Securities Group's internal recruiting system has been in place since fiscal 2000. This facilitates personnel transfer across the Group's companies, allowing employees the opportunity to explore different career options and realize their capabilities to the fullest. In the fall of 2005, nine out of 40 applicants were successful, while 10 of 38 made it in the spring of 2006. There have been a total of 572 applicants since 2000, with a total of 114 successful transfers.

The Group offers examinations for those in general positions or regional career-track jobs to move into a new career path.

● **Introduction of qualification criteria for promotion**

In June 2005, the Group expanded its existing program for obtaining qualifications, and introduced the attainment of specified

qualifications as a criterion for personnel promotion. There are set "qualification points" to obtain for the promotion to each managerial post or grade. The Group is therefore encouraging the acquisition of knowledge and credentials befitting an organization of professionals.

● **Persons earning credentials (across the nine principal group companies)**

Total as of	(persons) March 31, 2006
Credentials	Credentialed persons
Chartered Member, Security Analyst Association of Japan	1,576
Chartered Financial Analyst (USA credential)	49
Financial Planner (AFP)	2,489
Financial Planner (CFP)	195
Licensed Tax Accountant	22
Variable insurance sales credentials	5,551
System Analyst	26
Overseas MBA program graduate, etc.	205

● **Employees at Daiwa Securities Group as a whole**

		(persons)								
		As of March 31, 2004			As of March 31, 2005			As of March 31, 2006		
		Employees	Financial advisors	Temporary employees*1	Employees	Financial advisors	Temporary employees*1	Employees	Financial advisors	Temporary employees*1
Japan	Male	6,920	166	-	6,879	258	-	6,971	357	-
	(career-track*2)	6,197	-	-	6,127	-	-	6,280	-	-
	(manager)	3,180	-	-	3,278	-	-	3,465	-	-
	Female	3,463	728	-	3,220	690	-	3,300	698	-
	(career-track*2)	1,377	-	-	1,258	-	-	1,411	-	-
	(manager)	55	-	-	75	-	-	97	-	-
Japan total		10,383	894	1,275	10,099	948	1,627	10,271	1,055	1,752
Overseas		1,182	-	31	1,196	-	48	1,235	-	46
Total		11,565	894	1,306	11,295	948	1,675	11,506	1,055	1,798

*1. Temporary employees are part-time hires; the figure shown here is the average number of such employees over the year. This class of employees is mostly made up of women.
*2. Includes regional career-track employees and specialist positions.

■ **Evaluation system**

To achieve a fairer and hence more widely accepted framework for personnel evaluations, the Group carries out a "two-way evaluation system" between superiors and subordinates, as well as a "multi-directional evaluation system" which allow employees to be evaluated by those not necessarily in the same department, but with whom they work closely. Compliance objectives are also included in personnel evaluations and are used for determining personnel reassignments and promotions.

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Creating a healthy workplace environment

In order to establish a healthy and positive workplace for employees, the Daiwa Securities Group is continuing its efforts to improve awareness about the misuse of power and gender harassment through the group intranet and training videos. The Group has set up the Human Rights Awareness Promotion Committee, chaired by the Daiwa Security Group Inc. director in charge of personnel management, and holds training every year for all employees.

Healthcare measures for employees

In May 2005, Daiwa Securities Group Inc. instituted a mandatory 10 p.m. "lights out curfew" for its headquarters building, in a bid to reduce overtime hours and achieve better time management. In December 2005, the "lights out curfew" was moved forward to 9:30 p.m., to obtain even better operations efficiency. In addition to having a full-time physician at headquarters, a psychiatrist and clinical psychologist also provide in-house counseling once a week to employees when needed.

Working hours and paid vacation usage rate (Daiwa Securities Group Inc., Daiwa Securities Co. Ltd., and Daiwa Securities SMBC Co. Ltd.)

	FY2003	FY2004	FY2005
Annual regular working hours (Hours)	1860.0	1837.5	1845.0
Average monthly overtime hours* (Hours)	25.6	29.3	27.0
Paid vacation usage rate	33.0%	33.2%	34.3%

* Figures represent the employees at the three companies who are members of the Daiwa Securities Group Employees' Union.

Employee welfare system

As part of efforts to build a flexible and understanding workplace, as well as to encourage work methods to incorporate the welfare of the employee, the Daiwa Securities Group expanded its childcare and family-care leave and subsidy program in October 2005. The Group initially offered its employees two years of childcare leave, exceeding the legally mandatory one and a half years. The

Group has now extended this period to three years. Further, it introduced a childcare cost assistance scheme to help cover expenses (to a specified limit) incurred by employees who send their children under the age of three to nurseries.

With regards to family care, employees are eligible for up to 365 days of leave, far beyond the legal requirement. In the event of an employee whose spouse is in need of daily care due to an illness or disability, a grant is available to cover home-helper expenses for up to sixty days. Although these programs are in place, they are hardly utilized, so the Group will endeavor to make them more widely known among its staff.

Employee welfare system usage (Daiwa Securities Group Inc., Daiwa Securities Co. Ltd., and Daiwa Securities SMBC Co. Ltd.)

		(persons)		
		FY2003	FY2004	FY2005
Number of employees taking childcare leave*	Female	81	115	138
	Male	0	0	0
Number of employees taking family-care leave	Female	0	0	2
	Male	0	0	0

* Employees eligible for childcare leave include non-regular employees (contract workers, part-timers, etc.).

Communication with employees

The Daiwa Securities Group recognizes the importance of direct feedback from employees. Therefore, it has instituted employee interviews by the Personnel Department and a semi-annual self-assessment questionnaire. The Group is striving for open communication with its employees by assigning counseling personnel and establishing alternative means of conveying employees' opinions to the company. Furthermore, the Group is in constant contact with the members of the Daiwa Securities Group Employees' Union through annual labor negotiations and a twice-a-year union-member questionnaire. These efforts have gone a long way to promoting better relations between employees and management.

Number of Employees' Union members (seven principal group companies,* as of the end of each fiscal year)

(persons)				
	FY2002	FY2003	FY2004	FY2005
Number of Employees' Union members	6,388	6,220	5,786	5,747

* Daiwa Asset Management Co. Ltd., which has its own employees' union, and Daiwa Property Co., Ltd. which has no employee union, are excluded from the Group's principal companies.

Relocation project questionnaire

The Daiwa Securities Group is planning to move its headquarters to the Grand Tokyo North Tower (currently under construction in Chiyoda-ku, Tokyo) in November 2007. Consequently, the headquarters relocation project has been launched, and an employee questionnaire concerning desirable workplace features was distributed. Many opinions were received regarding features that would help relieve employee fatigue, including windows and informal meeting spaces to make the office environment more pleasant. The Group will continue its investigations as it prepares for the move.

Opinions from the relocation project questionnaire

Which of the following is important to you in our new workplace (multiple responses)?

A pleasant office environment	14%
Easy access to public transport	13%
High level of earthquake resistance	11%
Nice restrooms	10%
Latest IT infrastructure	8%
High security	7%
Good interior design	6%
Environmental friendliness	5%
Good lunch options nearby	5%
Feelings of prestige	4%
Good exterior design	3%
Accessibility for persons with disabilities	3%
Others	11%

■ Creating a work environment that is supportive of women employees

● Utilizing the power of women in the company

The Daiwa Securities Group wants to provide more support to its female employees, not just from a CSR perspective, but also as part of its corporate strategy.

Of the 727 employees hired in April 2006 for career-track and regional career-track positions, women accounted for 326 persons or 44.8%. Furthermore, women are actively being promoted to management positions after joining the company. As of March 31, 2006, there were 97 female managers at group company offices in Japan, including 4 branch managers. This represents 2.7% of the total management positions in the Group, an increase over the end of the previous fiscal year.

● Female Employee Support Plan

In order to provide female employees the support needed to fulfill both work and family obligations, the Daiwa Securities Group introduced a Female Employee Support Plan in October 2005. The Group has been televising in-house satellite programs and distributing the Childcare Support Guidebook, to raise workplace awareness and encourage more women to take advantage of the plan.

These efforts have been recognized outside the Group. In June 2006, Daiwa Securities Group Inc., Daiwa Securities Co. Ltd., and Daiwa Securities SMBC Co. Ltd. received the Tokyo Labor Bureau Chief Award of Excellence in the Corporate Equal Opportunity Awards sponsored by the Ministry of Health, Labour and Welfare.



Childcare Support Guidebook.

● Female Employee Support Plan

Support plan	Program overview
Introduction of sales staff re-employment scheme (Professional Return Plan)	To provide re-employment opportunities to full-time employees who have resigned for reasons of marriage or childbirth
Extension of the period that employees can obtain childcare leave and time off for childcare needs during the workday	To extend the application period for childcare leave and hours from the current stipulation of "up to the day before the child reaches age two," to "up to the day before the child reaches age three."
Establishment of a new childcare cost assistance scheme	To assist with costs for nursery facilities for a child under the age of three
Improvement in employees' leave entitlement	To encourage employees to take annual paid leave by establishing marriage preparation leave and family days off (for employees to strengthen family ties)
Workplace return program	To promote the smooth re-entry into the workplace, by providing those on childcare leave with opportunities to interact with the company

● Daiwa Securities Group's female employee and manager rates in Japan

	March 31, 2004	March 31, 2005	March 31, 2006
Female employee rate	33.4%	31.9%	32.1%
Female manager rate	0.5%	0.7%	0.9%

● Usage of the Daiwa Elder System (Daiwa Securities Group Inc., Daiwa Securities Co. Ltd. and Daiwa Securities SMBC Co., Ltd. as the end of each fiscal year)

	(persons)		
	FY2003	FY2004	FY2005
Number employed through the Daiwa Elder System	68	84	80

■ Retirement lifestyle support

In April 2006, the revised Law concerning Stabilization of Employment of Older Persons went into effect. This amended law is the result of the predicted shortage of workers due to Japan's declining birthrate, as well as the increased desire of senior citizens to work following the reform of the pension system. In 2000, the Daiwa Securities Group introduced the Daiwa Elder System for the re-employment of employees who had retired under the mandatory retirement scheme. The Group later introduced the Daiwa Master System in April 2006 to allow mandatory retirees that have achieved a certain level the choice to stay until age 65. For employees 55 years of age or more, there is the new Home Base Declaration, which allows employees to be posted as close to their desired retirement home as possible. There is also the Voluntary Retirement system, and the Second Career Support Leave. The latter provides a two-month period of leave for the preparation of re-employment or independent activities.

Future issues and fiscal 2006 targets

In April 2007, the Daiwa Securities Group will step up initiatives to create employment opportunities such as targeting to recruit 1,400 new graduates, a major jump from the year before. As indicated in its Medium-term Management Plan, the Group is working towards the betterment of its education and training programs, such as analysts' qualifications and CFP, aiming to increase the number of employees with professional qualifications. The Group is continuing efforts towards workplace improvement that will provide even more assistance to women, by establishing systems that will improve their morale and maximize their potential.