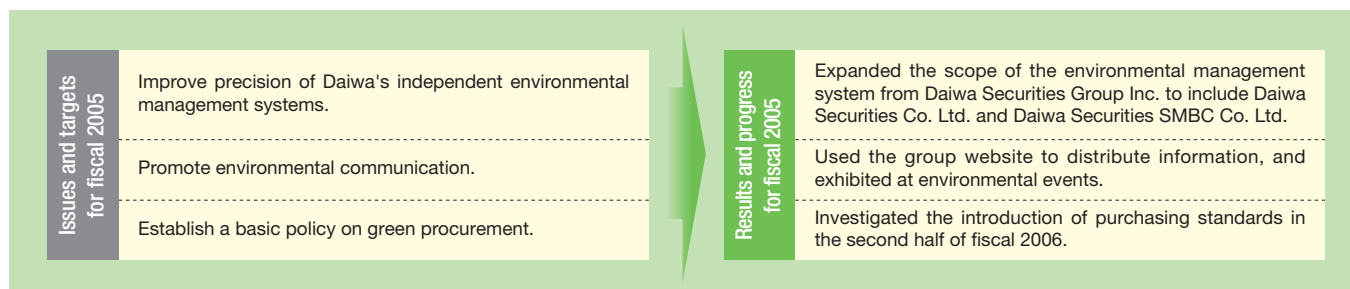


Environmental Initiatives

The Daiwa Securities Group recognizes that the impact of its day-to-day business activities on the global environment is not inconsequential. It is therefore working to build an environmental management system, as well as increase environmental awareness among its employees.



The Daiwa Securities Group's perspective on environmental problems

Environmental initiatives at the Daiwa Securities Group can be categorized into three types. The first approach is efforts to reduce the environmental impact of the Group's day-to-day business activities. The second is participation in activities which appeal to society. For example, the Group undertakes voluntary action standards recommended by international organizations. The third realm of action is so-called eco-business or environmental business, involving initiatives that help alleviate environmental problems through the Group's business operations.

(1) Steps taken to reduce the Group's environmental impact

The Daiwa Securities Group is aware of its obligations within society and is committed to do its part to resolve environmental issues. As such, the company is consciously working to reduce the environmental impact of its business. Along with recycling efforts, paper usage reduction through the computerization of information, and controlling the consumption of electricity, gasoline, and water, the Group is also investigating procurement standards including green purchasing and the use of environmental friendly paper such as Forest Stewardship Council certified paper. The Group informs employees of volunteer environmental projects and encourages them to initiate their own projects. These small and individual efforts add up to produce a great impact on society overall. Along the same vein, the

Daiwa Securities Group is also participating in Team Minus 6%, a national campaign to fight global warming by the Japanese Ministry of the Environment.

(2) Appealing to society

The Daiwa Securities Group emphasizes appeals to society to help resolve environmental issues. This includes active participation in voluntary action standards, and efforts through international organs to address social and environmental problems.

Daiwa Securities Group Inc. became a signatory company to the Carbon Disclosure Project (CDP)*1 in March 2004. It also joined the United Nations Environment Programme Finance Initiative (UNEP FI)**2 in November 2004. Then in May 2006, Daiwa Asset Management Co. Ltd. signed the newly announced Principles for Responsible Investment (PRI)**3.



Signing UNEP FI (November 2004)

*1 See page 7 for more details
 **2 See page 7 for more details
 **3 See page 7 for more details

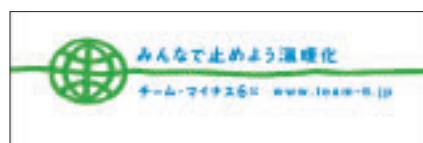
(3) Initiatives as part of the Group's business operations

The marketing of socially responsible investment (SRI) funds is one of the environmental initiatives being advanced by the Daiwa Securities Group in its core area of business. The Daiwa Eco Fund is representative of the SRI approach which

entails investing in companies that fulfill their social obligations and in this particular case, the focus is on environmental responsibilities. Through the formation and sale of SRI funds, the Group is channeling a wide range of public funds into companies that take CSR and environmental concerns seriously. At the same time, the Group is encouraging companies to put more effort into CSR and environmental initiatives in order to attract more investment funds.

The Daiwa Securities Group is now looking into transactions for greenhouse gas (GHG) emissions rights, as part of potential environment-related business. The Group is investing in development projects to control GHG emissions, such as wind-generated power in developing countries, and investing 7.5 million dollars in the World Bank's Community Development Carbon Fund. The GHG emissions rights obtained through this investment provide various business opportunities in investment banking such as product development, trading, and finance.

The current economic and societal structure relies too heavily on fossil fuels. This energy option has reached its limit and there are calls for new approaches such as energy saving and new energy sources. The Daiwa Securities Group recognizes its own social responsibility as a key participant in financial and capital markets; it must find companies with these kinds of advanced technologies, and assist them through corporate financing. The Group plans to create new markets in the area of environmental technology.



The Daiwa Securities Group and the environmental impact of its operations

(1) Energy and water consumption

(Table 1, Graphs 1 & 2)

The form of energy most heavily used by the Group is electricity. Energy saving measures such as "lights out curfews" at the headquarters and branches and raising the office air-conditioner temperature setting in summer reduced the Group's electricity consumption in fiscal 2005 to 86.32 million kWh, a 3.6% improvement over the previous year.

By eliminating dining halls at the headquarters and branches, the Group was able to significantly reduce the amount of natural gas, heavy oil, light oil, and water consumed. The Group's use of gasoline is also declining, thanks to the move to highly fuel-efficient light motor vehicles for sales staff.

(2) CO₂ emissions (Table 2)

When the Group's energy consumption is calculated in terms of CO₂ emissions, the Group was responsible for producing 51,921 tons of carbon dioxide in fiscal 2005. However, by reducing electricity consumption, which has the greatest impact on CO₂ output, the Group was able to lower its emissions by 4.7% compared to the previous fiscal year.

(3) Waste generation and recycling (Table 3)

In fiscal 2005, the Daiwa Securities Group produced 1,470 tons of paper waste, which was a fall of 82.5 tons, or 5.3%, from fiscal 2004. The Group's paper recycling rate was 82%.

Waste generation and recycling over time (Table 3)

		(Unit: tons)		
		FY2003	FY2004	FY2005
Paper waste	Amount generated	1,495.5	1,552.8	1,470.3
	Amount recycled	1,297.4	1,328.8	1,212.3
	Amount discarded	198.1	224.0	258.0
	Recycling rate	87%	86%	82%
Non-paper waste	Amount generated	316.5	417.5	391.8
	Amount recycled	79.0	112.9	104.4
	Amount discarded	237.5	304.6	287.4
	Recycling rate	25%	27%	27%

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

Energy consumption (Table 1)

	FY2003	FY2004	FY2005
Electricity (kWh)	95,239,027	89,546,672	86,320,394
Natural gas (cubic meters)	885,700	904,255	727,485
Heavy oil (l)	45,179	61,739	30,146
Light oil (l)	12,732	11,048	1,267
Gasoline (l)	1,213,171	1,151,487	1,036,609

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

CO₂ emissions (Table 2)

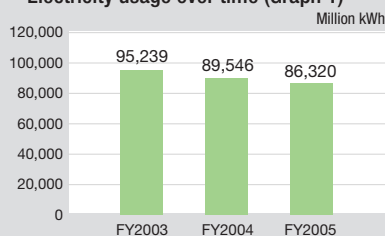
	FY2003	FY2004	FY2005
Electricity	52,857,660	49,698,403	47,907,819
Natural gas	1,841,955	1,880,543	1,512,921
Heavy oil	134,703	184,078	89,882
Light oil	33,349	28,937	3,319
Gasoline	2,816,571	2,673,362	2,406,654
Total	57,684,238	54,465,324	51,920,594

(Unit: Kg-CO₂)

* The emissions conversion factors used in the CO₂ output calculations are based on the ministerial ordinance related to the calculation of greenhouse gas emissions arising from the business activities of specified emitters (March 2006, Ministry of Economy, Trade and Industry and Ministry of the Environment, Ordinance No. 3), for all fiscal years. The emissions data from the previous year has been revised according to these new conversion factors.

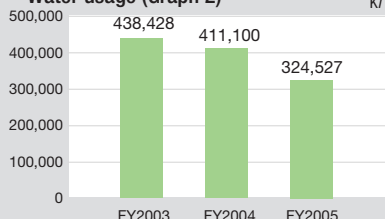
* For the scope of data, see the "Scope of Environmental Impact Data" table.

Electricity usage over time (Graph 1)



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

Water usage (Graph 2)



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

Scope of environmental impact data (fiscal 2005)

Building	Tables 1 & 2 Graph 1	Graph 2	Table 3
Daiwa Securities Headquarters Building	○	○	○
Daiwa Securities Kabutocho Building	○	○	○
Marunouchi Trust Tower North Building	○	○	○
Eitai Daiya Building	○	○	○
Sato Daiya Building	○	○	○
Daiwa Securities Osaka Branch Building	○	○	○
Daiwa Securities Nagoya Branch	○	○	○
Daiwa Asset Management Headquarters	○	○	○
Daiwa Institute of Research Headquarters Building	○	○	○
DIR Annex	○	○	○
Daiwa Eitai Building	○	○	○
DIR Kiyosumi Park Building	○	○	○
Daiwa Osaka Center Building	○	○	○
Toyochō Center Building	○	○	○
Daiwa Securities branch offices*	○	○	○
Daiwa SB Investments Headquarters	○	○	○
NIF SMBC Ventures Headquarters	○	○	○
Daiwa Training Center	○	○	○
Daiwa Sanko Buildings (main and annex)	○	○	○

* 112 branch offices, excluding headquarters, Osaka and Nagoya Branch buildings.

Environmental Initiatives

Paper Project

Paper usage forms the single largest source of environmental damage by the Daiwa Securities Group. As a result, the Group initiated a Paper Project to reduce the use of paper. Investigations are carried out to assess the paper usage situation and how it can be further cut back.

In fiscal 2005's Paper Project, a target was set to reduce paper use by 5% over the previous year at Daiwa Securities Group Inc. By cutting back the number of copies printed of certain regular publications, the company was able to exceed its reduction target.

The Group also expanded the scale of this project from Daiwa Securities Group Inc. to all the principal group companies in Japan. The types of paper consumed by the Daiwa Securities Group in large quantities include copy paper at each of the group companies, and statement paper used at Daiwa Securities Co. Ltd. and Daiwa Securities SMBC Co. Ltd. In 2005, the Group bought approximately 933 tons of copy paper which was purchased in bulk for all group companies, as well as 1,557 tons of statement paper: 467 tons for Daiwa Securities Co. Ltd., and 157 tons for Daiwa Securities SMBC Co. Ltd.

Reduced paper use by switching to electronic statements

Daiwa Securities Co. Ltd. is encouraging the reduction of paper used for printing statements, a major use of paper, through the Electronic Statement Promotion Project. The project went into full operation in February 2005. In addition to reducing the amount of paper and hence environmental impact, electronic statements offer other advantages such as lower costs, better internal administration efficiency, tightened information security, and improved customer convenience.

(1) Electronic statements for customers: e-members

Daiwa Securities Co. Ltd. is inviting customers who receive reports electronically, and those using online trading, to sign up as e-members. This type of customer receives his account statements, transaction reports and other notices by email, thereby greatly reducing the amount of statement paper needed.

• Copy and statement paper purchase amount for Daiwa Securities Group (fiscal 2005)

	Company	Total weight (kg)
Copy paper	Daiwa Securities Group Inc.	18,998
	Daiwa Securities Co. Ltd.	451,125
	Daiwa Securities SMBC Co. Ltd.	148,855
	Daiwa Institute of Research Ltd.	160,548
	Daiwa Asset Management Co. Ltd.	28,434
	Daiwa Business Center Co., Ltd.	51,039
	Daiwa SB Investments Ltd.	33,272
	Daiwa Property Co., Ltd.	3,108
	Daiwa Sanko Co., Ltd.	3,770
	Daiwa Card Service Co., Ltd.	268
	NIF SMBC Ventures Co., Ltd.	12,624
	Other	21,135
	Total copy paper	933,176
Statement paper	Daiwa Securities Co. Ltd.	467,134
	Daiwa Securities SMBC Co. Ltd.	157,020
		Total statement paper
	Grand total	1,557,330

In fiscal 2005, the initiative's first year of operation, the Group reduced the number of statements sent to customers by about 5.83 million pieces of paper. As a result, the consumption of statement paper by Daiwa Securities Co. Ltd. fell by 6.2% in fiscal 2005, which is estimated to be a savings of 31 tons of paper.

(2) Electronic statements for internal use

Along with the diversification of financial products, the types of internal statements and the number of pages printed have risen rapidly. Daiwa Securities Co. Ltd. has switched over to electronic statements in all its sales departments and branches, and stopped printing out 6,000 types of statements as of May 2006. As a result, the number of internal statement pages printed in May 2006 was decreased by 62.1% compared to the amount printed in May 2005, while printouts in June were decreased by 70.4% compared to the previous year's figure. A huge reduction in paper usage was achieved; a savings of about 140 tons of statement paper is expected for Daiwa Securities Co. Ltd. in fiscal 2006.

• Number of internal statement pages printed at Daiwa Securities Co. Ltd.

	(pages)		
	April	May	June
2005	3,225,509	3,198,168	3,281,186
2006	3,449,499	1,210,571	971,530
Compared to previous year	106.9%	37.9%	29.6%

Future issues and fiscal 2006 targets

During fiscal 2006, Daiwa Securities Group Inc., Daiwa Securities Co. Ltd., and Daiwa Securities SMBC Co. Ltd., are broadening the scope of their environmental management system to include consolidated companies in Japan, in an effort to further reduce the Group's impact on the environment. Specifically, the Group will further cut down on statement paper usage through the adoption of electronic statements, while also reducing electricity consumption required for printing. The Group is taking further steps to improve employee environmental awareness in terms of energy conservation and copy paper usage reduction. Investigations are also being made into setting procurement standards for the use of environmentally friendly paper, such as recycled paper or Forest Stewardship Council certified paper, especially for copy and statement paper.