



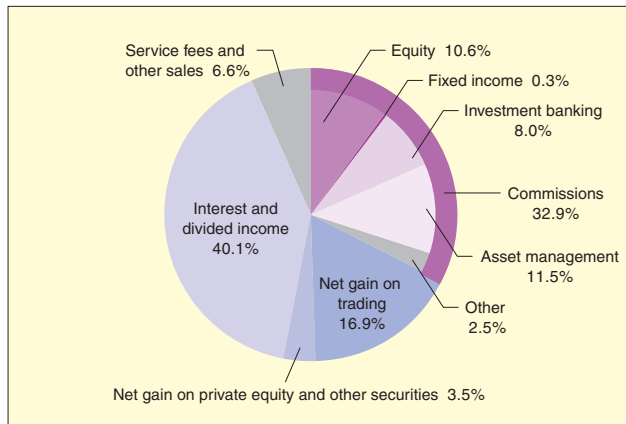
# Distribution of Economic Value to Stakeholders

This section describes revenue structure, the distribution of economic value to each of stakeholders, and the intangible assets of the Daiwa Securities Group.

## Revenues in the Economic Report

For the purpose of this Economic Report, revenues are calculated as the sum of operating revenues, non-operating income, and extraordinary gains. This total is taken as representative of all revenues received by the Group in one year. In fiscal 2006, this amount was 931,845 million yen, 98.4% of which is from operating revenues.

Revenue structure in the Economic Report (fiscal 2006)



► **WEB** Overview of revenue in the Economic Report

## Distribution of economic value to stakeholders

Economic value for the purpose of this Economic Report is calculated as revenues as previously defined, minus interest expense (less interest paid), the cost of sales, selling, general and administrative expenses (less personnel costs, taxes, and expenditure for corporate citizenship activities), non-operating expenses (less interest paid), and extraordinary losses. In fiscal 2006, this amount was 405,677 million yen.

### ◎ Executives and employees

The distribution of economic value to executives and employees is calculated as personnel expenses (including reserves for salaries and bonuses, as well as welfare program costs and social

insurance contributions). A fair compensation system has been built that is highly acceptable to all, in order to improve employee motivation and maximize the value provided to all stakeholders. In fiscal 2006, the Group distributed 163.4 billion yen to its executives and employees; this was 40% of its economic value.

### ◎ Society

Regardless of business cycle fluctuations, the Group aims to provide stable funding for its corporate citizenship activities which represents its economic contribution to society. See page 42 for a breakdown of these expenditures.

### ◎ Shareholders

The Group decides its dividend policy with an eye to maintaining a stable dividend amount, and with a goal of providing a dividend payout ratio of 30%.

In fiscal 2006, the Group paid an interim dividend of 12 yen per share, and a year-end dividend of 16 yen per share, for a total annual dividend of 28 yen per share. This amounted to a total of 39 billion yen in dividend payouts.

### ◎ Creditors

The Group paid 47.0 billion yen in interest to creditors.

### ◎ Government

According to the Daiwa Securities Group's financial accounting, the tax amount paid is the sum of current income taxes, deferred income taxes, and other taxes and duties including consumption tax. In fiscal 2006, the total tax amount paid was 77.9 billion yen.

### ◎ Minority shareholders

Profit is returned to the minority shareholders of the Daiwa Securities Group companies. The principal minority shareholders are Sumitomo Mitsui Financial Group with a 40% share in Daiwa Securities SMBC Co. Ltd., and the shareholders of NIF SMBC Ventures, a JASDAQ-listed company in which Daiwa Securities Group Inc. holds a majority stake (46.2%). The minority interest for fiscal 2006 was 23.7 billion yen.

## Trends in the distribution of economic value to stakeholders

(¥ million)

Stakeholders	FY2002	FY2003	FY2004	FY2005	FY2006
Executives and employees	123,904	137,511	143,469	172,923	163,379
Society	320	332	708	604	909
Shareholders	7,969	13,307	17,297	45,031	39,072
Creditors	15,783	15,292	22,428	18,478	47,024
Government	20,025	26,423	46,921	86,137	77,895
Minority shareholders	2,810	13,480	19,770	40,339	23,746
Internal reserve	(14,291)	28,782	34,650	93,055	53,652
Total economic value	156,520	235,127	285,243	456,567	405,677

► **WEB** Calculation method of the distribution of economic value to stakeholders

## Intangible assets of the Daiwa Securities Group

This section describes the intangible assets of the Daiwa Securities Group that we believe have a particularly high value. Although it is very difficult to measure the value of these intangible assets in monetary terms, please see the relevant pages for management strategies and measures for increasing their value.

### (1) Employee vitality, job satisfaction, and loyalty

The key management policy of the Daiwa Securities Group is to make this a group worth working for and enable our employees to feel loyalty for the Group. We believe that a company whose employees can thrive and take on new challenges at work will have high productivity, and a company with many highly loyal employees will be highly competitive.

**Reference** Message from the President (Page 1–2) / Human Values and Human Resource Utilization (Page 37–40)

### (2) Vitality of female employees

We are committed to creating a workplace environment where women can fully demonstrate their abilities. It is a loss to the company when talented women quit due to marriage or childbirth,

and finding and training a replacement is both expensive and time consuming. We believe that the Group's Female Employee Support Plan and the results of initiatives to build an environment to facilitate the use of this plan is a major intangible asset.

**Reference** Message from the President (Page 1–2) / Human Values and Human Resource Utilization (Page 37–40)

### (3) Thorough compliance

We treat all actions aimed at winning the confidence of our customers, society, and other stakeholders as compliance. We have identified a universal awareness of compliance as vital not only for reducing legal and regulation risks, but also for differentiating ourselves from our competitors.

**Reference** Message from the President (Page 1–2) / Commitment to the Development of a Sound Securities Market (Page 13–16) / Compliance (Page 31–32)

### (4) Management policies focused on future revenues

Our management strategy is focused on future revenues; it is not concerned solely with immediate revenues. We carry out concrete measures based on our management policies in a wide range of fields, including our hiring policy and human-resource evaluation system, as well as product sales strategy and customer-satisfaction initiatives.

**Reference** Message from the President (Page 1–2) / Commitment to the Development of a Sound Securities Market (Page 13–16) / Initiatives to Achieve Customer Satisfaction (Page 35–36) / Human Values and Human Resource Utilization (Page 37–40)

### (5) Responsiveness to social issues

We believe that marrying our management strategy to actions that make society more sustainable will be a great advantage for our future corporate management. Additionally, the ability to swiftly respond to the needs of society, and the ability to ensure that all employees are aware of and understand our management policy, are major assets of the Daiwa Securities Group.

**Reference** Message from the President (Page 1–2) / Adding a Social Perspective to Investment (Page 9–12) / Commitment to the Development of a Sound Securities Market (Page 13–16) / Contribution to Global Environment (Page 17–19) / Human Values and Human Resource Utilization (Page 37–40)

## Distribution of economic value to stakeholders (fiscal 2006)

(¥ million)

