



Daiwa Securities Group

# Sustainability Report 2007

# 2007

Building  
Sustainable  
Society

## What we can do

What kind of society awaits these 51 babies when they become adults 20 years from now?

The precious faces of these infants—all children of Daiwa Securities Group employees—are an expression of our hopes for the future. At the Daiwa Securities Group, we are determined to take responsibility as individuals and to play our role as a company to create a sustainable society—a contented people living in harmony with an unspoiled Earth.

# Building a company worth working for



**Shigeharu Suzuki**

President and CEO  
Daiwa Securities Group Inc.

鈴木茂徳

### ■ Society supports companies whose employees work scrupulously.

I believe that the times have come to demand a great change in the relationship between company and employee. For example, corporate profits are higher than they have ever been—even higher than during Japan's economic bubble—yet employee income is not. I cannot help thinking that there is something wrong with this situation. Returning profits to its shareholders is the foundation of the corporation, but I believe that the corporation must also ensure that a portion of its profits are returned to its employees.

I believe that the corporation has two main types of value to society. The first is its contribution to society by paying taxes for profit created through its businesses. The other is creating jobs. Corporations have a great responsibility: the responsibility to build social infrastructure through the creation of jobs. As a consequence, I am strongly opposed to the idea of improving performance through personnel and wage cutbacks in the name of "restructuring."

CSR is a measure of society's confidence in the company. When a company's management and employees work scrupulously, the support and confidence of society follow as surely as day follows night. I manage Daiwa Securities Group confident in this belief.

### ■ Employees who are treated well also serve their customers and shareholders well.

A corporation's customers and shareholders are vital stakeholders, but I focus particular attention on our employees as stakeholders. Our employees are the ones who actually add value to our products and services. They are the source of the hard work that provides a return on our shareholders' investment. One often hears the phrase "customer first," but can employees who are not treated well by their company truly serve their customers well? Conversely, employees who feel valued by their company will always serve their customers to the best of their ability. In other words, the value that a company places in its

employees is transmitted naturally to its customers and shareholders.

My goal for our company is to gain a large number of highly loyal employees. In order to accomplish this, it must motivate its employees. For this reason, there are three key points about our employees that I always stress. We must enable our employees to: (1) have confidence in the company and their superiors; (2) have confidence and pride that their work is benefiting society; and (3) feel solidarity with their colleagues at work. The company that accomplishes all three of these is a truly great company.

### ■ Daiwa Securities Group is committed to retaining female employees.

The women in our group have made fantastic accomplishments. When a woman quits from our company, the first thing I do is always to find out why she is quitting. As is common in Japan, the reason is often marriage or childbirth, and it saddens me each time I hear that a woman is quitting for one of these reasons.

I want our female employees to lead fulfilling lives, making full use of the expertise they have accumulated in their work. We do everything possible to enable women to continue working after marriage, childbirth, and other life events, including creating a wide range of programs. Employee feedback, however, has shown me that our programs are still not fully utilized, due to worry about the opinions of coworkers and the like.

I tell the executives on a daily basis that no matter how great a system is, if it is not functioning, then it might as well not exist; and this is true not only of human resources, but any system. Simply creating a program is not enough; in order to convince the greatest number of employees to take advantage of it, I instruct the company to follow up thoroughly, in order to change the awareness of bosses, coworkers, and others, and make it a functioning program. I am committed to building a company that retains its female employees, and an environment that motivates all our employees.

### ■ The job of CSR is to eliminate the gap between what people say and what they feel.

The value of the securities we handle fluctuates. As a consequence, the customers who purchase them may reap great profits, but they may lose money as well. No customer is happy to lose money, and it is human nature to want to complain



to the employee who sold them the securities. But our employees' confidence will be unshakable regardless of the circumstances, as long as they perform their work scrupulously, maintaining pride in the fact that their jobs in the securities industry contribute greatly to the public good. We ensure that every employee is aware of our policy against racking up fees by recommending trades to our customers without due consideration.

The most effective way for a company to stay in business is to serve society. Because if this, it is not enough for a company to simply comply with laws and regulations; it must also obey the mores of society. This is what is demanded today of corporations and their employees.

It is vital to create a company where highly loyal employees work with confidence; where there is no gap between what people say and what they feel, between appearance and reality. I believe that it is exactly CSR that can accomplish this.

### ■ We contribute to economic growth and the global environment.

I believe that companies must make a serious commitment to tackling global environmental issues. I watched Al Gore's movie "An Inconvenient Truth" warning of the global environmental crisis, and read the book as well. These made me realize anew the urgency and importance of this task. In July 2007, the entire Group fully adopted the "cool biz" dress code. Our main business is securities, and in this business as well, we are actively committed to the environment, including managing and selling our Eco Fund, and strive to contribute to economic growth and the global environment.

# Overview of the Sustainability Report 2007

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## 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.

## Editorial Policy

We have published this report every year since 2002 with the aim of disclosing, clearly and in good faith, information relating to the Daiwa Securities Group's activities towards social sustainability and corporate social responsibility (CSR) initiatives. We also see the process of preparing this report as an important opportunity for us to affirm the outcome of our efforts and identify issues for further attention.

The *2006 Sustainability Reporting Guidelines*, an international set of requirements for sustainability reporting published by the Global Reporting Initiative (GRI)\*, was used as reference when putting this report together. Raising CSR-awareness among employees and promoting dialogue with various stakeholders were two particular objectives in the preparation of this publication.

Material Issues of Daiwa Securities Group (pages 7–8) identifies the material CSR issues of Daiwa Securities Group, explains why they are important, and describes the impact of each of these issues on society.

This report also emphasizes the management policy of Daiwa Securities Group of building a company worth working for, and our initiatives for putting this policy into practice.

\* Global Reporting Initiative (GRI): An organization founded in 1997 to draw up and disseminate international guidelines for sustainability reporting. Participants include a variety of stakeholders, such as businesses, nongovernmental organizations (NGOs), consultants, accounting groups, and trade associations from different parts of the world.

## ■ The Web edition of Sustainability Report 2007

Sustainability Report 2007 is available in booklet and Web editions. The Web edition contains information about a wider range of initiatives than the booklet edition, as well as supplementary information not contained here.

▶ **WEB** This symbol indicates that related information can be found in the Web edition.

The URL of the Web edition of Sustainability Report 2007 is shown below.

☑ <http://www.daiwa-grp.jp/ir/english/corporate/report/>

## ■ 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\*2, PRI\*3 and CDP\*4, 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/NGOs.

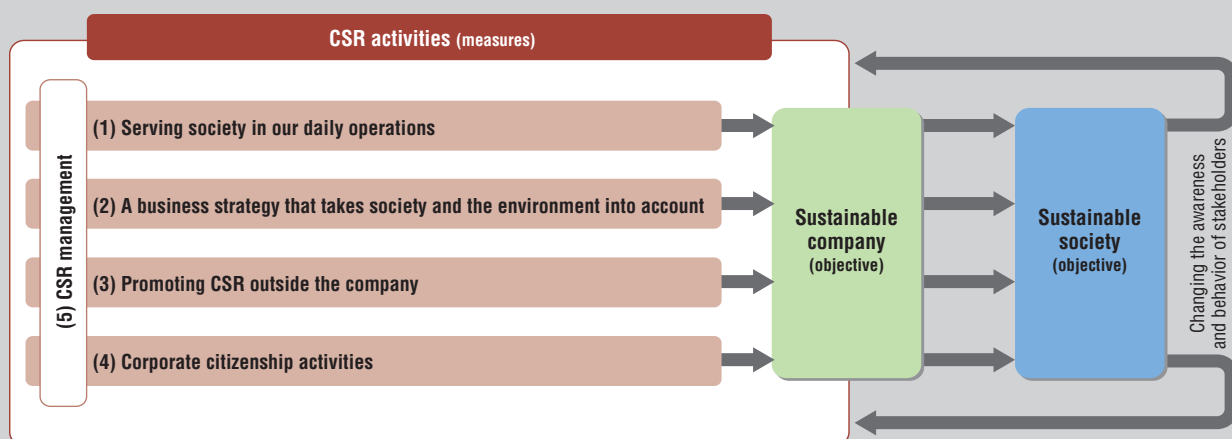
### (5) CSR management

The Daiwa Securities Group is aware of the social and environmental impact of its own business operations. Along with strengthening corporate governance, 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 page 17 for more details.

\*2, \*3, \*4 UNEP FI, PRI and CDP: See page 7 for more details.

Daiwa Securities Group: Five approaches to realize a sustainable society



# Overview of the Daiwa Securities Group

## Principle management indicators (consolidated)

	FY2002	FY2003	FY2004	FY2005	FY2006
Operating revenues (¥ million)	387,658	453,813	519,337	845,659	917,307
Net operating revenues (¥ million)	270,809	352,434	390,432	579,358	526,764
Ordinary income (¥ million)	29,200	96,130	120,433	260,651	195,415
Net income (loss) (¥ million)	(6,322)	42,637	52,665	139,948	92,724
Net assets (¥ million)	541,718	604,170	648,332	792,281	1,223,225
Total assets (¥ million)	9,502,825	10,765,665	12,378,961	14,898,890	14,411,265
Return on equity (ROE) (%)	—	7.4	8.4	19.4	10.8
Net income (loss) per share (¥)	(4.75)	31.66	39.03	103.90	67.90
Net assets per share (¥)	407.84	453.60	486.70	598.27	665.98
Annual dividends per share (¥)	6.00	10.00	13.00	34.00	28.00

### Corporate profile (As of March 31, 2007)

#### Company name

Daiwa Securities Group Inc.

#### Headquarters

6-4, Otemachi 2-chome, Chiyoda-ku,  
Tokyo 100-8101, Japan

#### Telephone

+81-3-3243-2100

#### Established

December 27, 1943 (Founded 1902)

#### President and CEO

Shigeharu Suzuki

#### Capital

¥178.3 billion

#### Number of employees (consolidated)

13,264

#### Number of consolidated subsidiaries

46

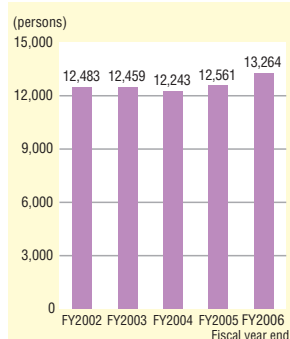
#### Number of equity-method affiliates

4

#### Shares issued and outstanding

1,404,664,000

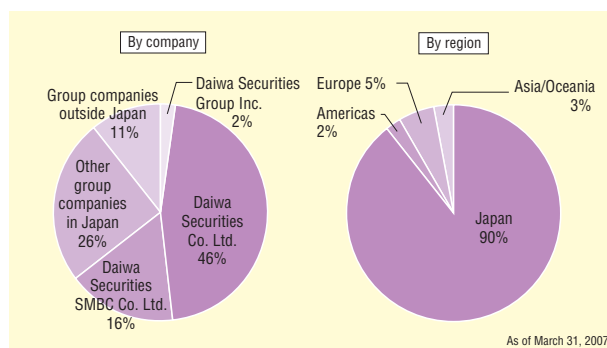
### Number of employees (consolidated basis)\*



\* The number of employees includes the number of Financial Advisors (FA).

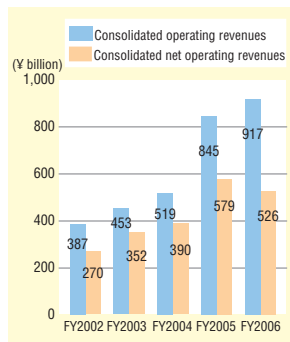
### Employee composition

Number of employees 13,264

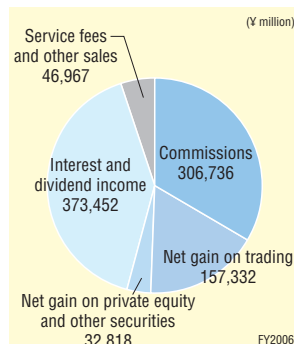


As of March 31, 2007

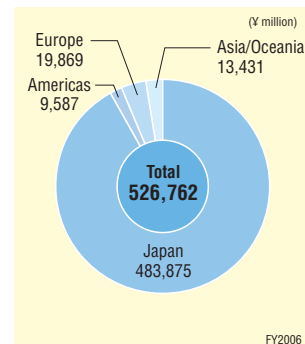
### Operating revenues and net operating revenues



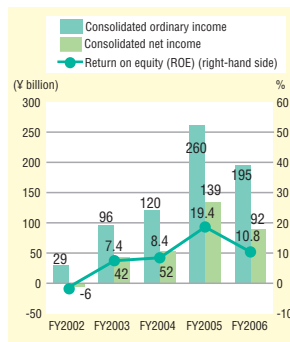
### Breakdown of operating revenues



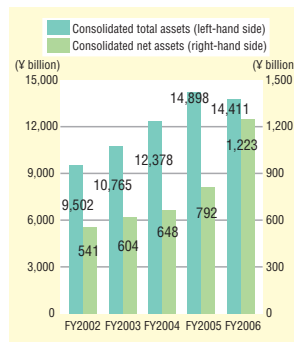
### Breakdown of net operating revenues by region



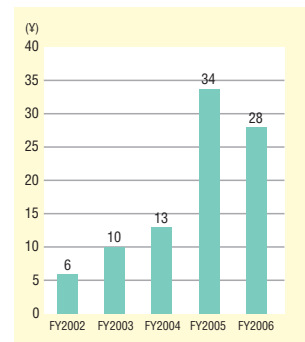
### Ordinary income, net income, and ROE



### Total assets and net assets



### Annual dividends per share



## ■ Daiwa Securities Group's Business Description

The Daiwa Securities Group is comprised of Daiwa Securities Group Inc., the holding company which controls the group companies, the two main securities companies, Daiwa Securities Co. Ltd. and Daiwa Securities SMBC Co. Ltd.

### 1. Retail securities business

Through its national network of 117 branches, the Call Center, and the Internet, Daiwa Securities Co., Ltd. offers two retail services: Daiwa Consulting and Daiwa Direct. These services offer a wide range of financial products and services, and support customer asset management, mainly targeting individual customers.

### 2. Wholesale securities business

The Daiwa Securities SMBC's business line consists broadly of (1) brokerage and trading of equities, bonds, and derivatives and (2) investment banking services to institutional investors, corporate clients and financial institutions, in and outside Japan. Our investment banking services support a wide range of businesses, from business expansion to finance and capital strategies, through services relating to financing for corporate clients and financial institutions.

### 3. Asset management business

The Group provides development and management of stock, bond, and private investment trusts, as well as other investment management services.

### 4. Investment business

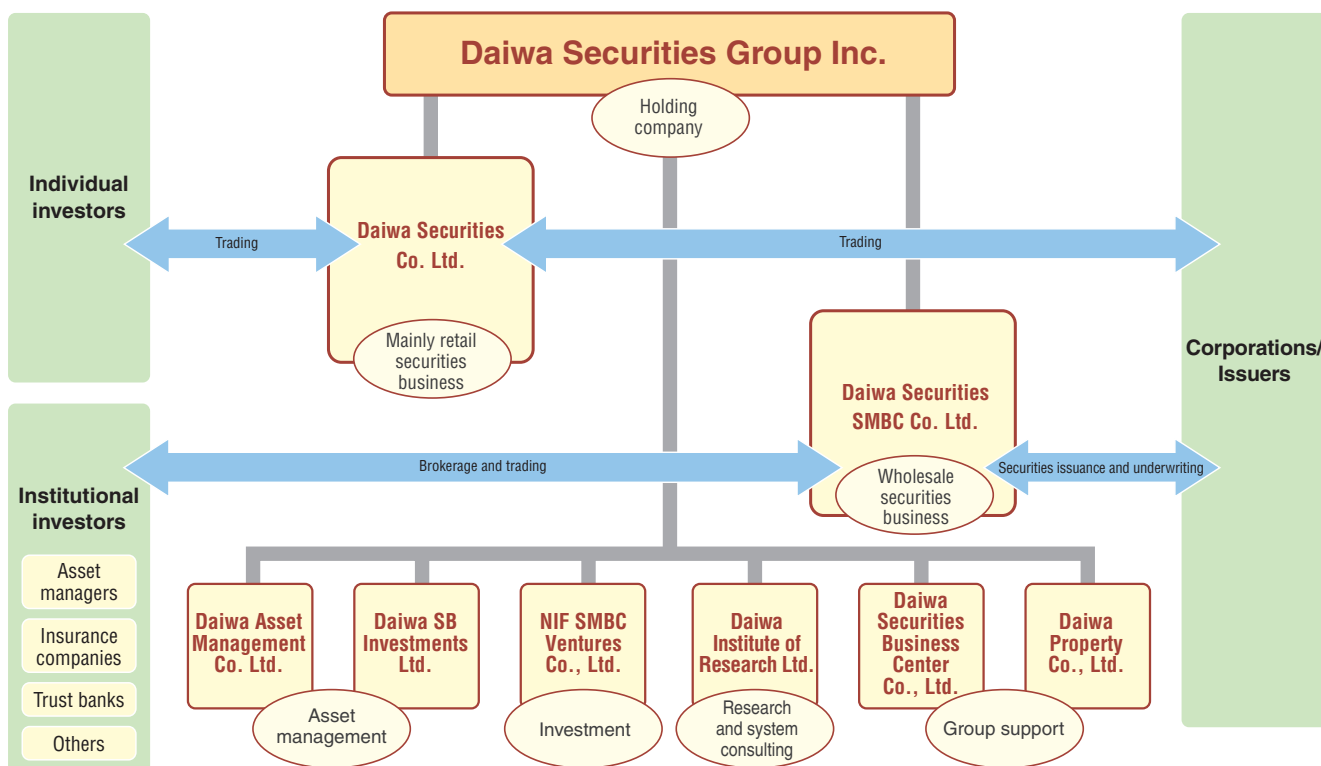
Using its own funds, the Daiwa Securities Group invests in private equity, monetary receivables, real estate, venture capital opportunities, and business regeneration. It also forms and manages investment funds.

### 5. Research, systems, and consulting business

The Group is engaged in various forms of consulting and research reporting in fields such as management, finance, and information technology. This information is provided to institutional investors, corporate clients, financial institutions, and public institutions in and outside Japan.

### 6. Group support

Services are supplied to member companies within the Daiwa Securities Group in areas such as administrative outsourcing relating to securities, as well as consulting for real estate and building management.





# Material Issues of the Daiwa Securities Group

## In the goal of achieving a sustainable society

Modern society faces a wide range of issues that threaten its sustainability. These include global-scale environmental issues that threaten the survival of the human species, most well known among them being global warming; the increasing disparity of prosperity between the northern and southern hemispheres; and in Japan, the aging society and low childbirth. It will not be possible to overcome these issues without the responsible action of every sector of society, including the public sector, the private sector, and communities.

Companies with the power to influence society as a whole are key players, greatly affecting whether it will be possible to achieve a sustainable society. The financial institutions that handle society's money have a particularly important duty to society through their main business: finance. This duty includes maintaining and developing fair, active financial markets, as well as a commitment to finance from a social perspective, and the creation of monetary flows that will help achieve a sustainable society. We believe that our Group has a large role to play in this effort.

## Material issues of the Daiwa Securities Group

The purpose of this report is to focus on topics, indicators and issues that we believe will greatly influence the decisions of the stakeholders of the Daiwa Securities Group. For this reason, we

studied the economic, environmental and social impact of the various activities of the Daiwa Securities Group, and identified material issues that should be reported.

### 1. Adding a Social Perspective to Investment (pages 9–12)

Signing to the United Nations Environment Programme Finance Initiative (UNEP FI)\*<sup>1</sup>, Principles of Responsible Investment (PRI)\*<sup>2</sup>, and the Carbon Disclosure Project (CDP)\*<sup>3</sup>, the Daiwa Securities Group will fulfill our social roles as a financial institution. In our efforts to achieve a sustainable society, it is vital that we incorporate initiatives to invest from a social perspective into our securities business.

### 2. Commitment to the Development of a Sound Securities Market (pages 13–16)

In order to fulfill our responsibility as a company in the securities industry to maintain and develop a sound and reliable securities market, we recognize that we must have thorough compliance that lives up to the confidence of society and does not stop at mere statutory compliance.

### 3. Contribution to Global Environment (pages 17–19)

Recognizing global environmental issues as challenges that must be met by all companies and individuals, we thus strive to reduce the environmental impact of our businesses, while remaining fully committed to collaborating in and promoting efforts to resolve environmental issues.

### 4. Publishing Information for a Sustainable Society (pages 20–24)

We continue to take advantage of our characteristics as a company that handles information, including giving back the knowledge and expertise we have cultivated in the securities industry through financial and economic education, collaboration with academia, and providing the latest information on sustainability.

We also focus on initiatives to build a company worth working for, as one of the key management policies of the Daiwa Securities Group. More information on this topic can be found in the Message from the President (pages 1–2) and Human Values and Human Resource Utilization (pages 37–40).

\*1 UNEP FI: A partnership between the United Nations Environment Programme and financial institutions from around the world.

\*2 PRI: A guideline indicating environmental, social, and governance (ESG) considerations for investment to institutional investors.

\*3 CDP: With the support of institutional investors concerned about climate change, the Carbon Disclosure Project asks investors and corporate executives to disclose information relating to their initiatives and approaches to environmental problems.

▶ **WEB** UNEP FI, PRI and CDP

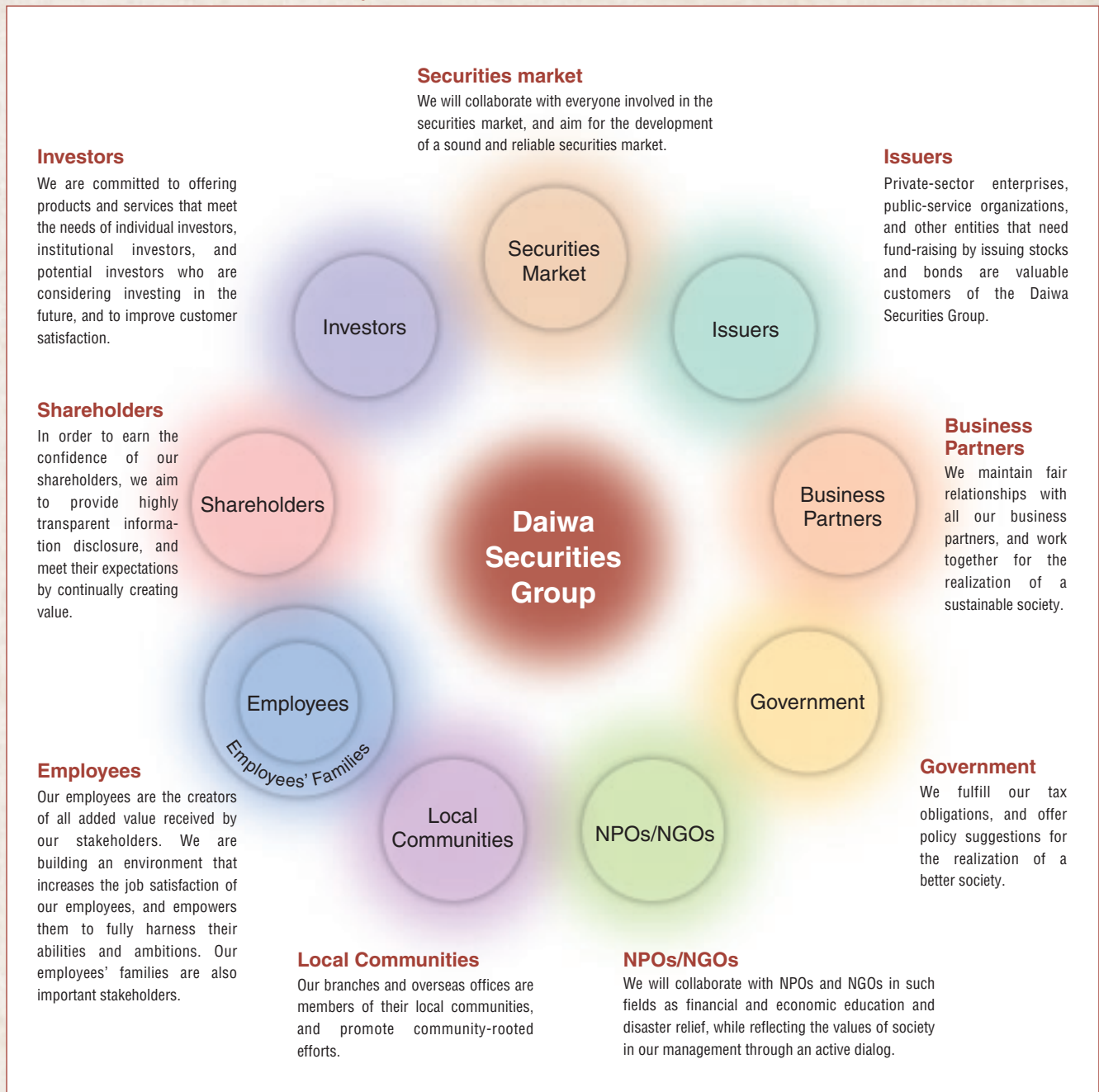


## The material issue identification process

In order to identify key issues, we first analyzed the feedback we have received from our stakeholders in the form of employee surveys, customer satisfaction surveys, our Sustainability Report questionnaires, shareholder surveys, stakeholder comments and dialogs, and the views of opinion leaders from outside the Daiwa Securities Group. To this feedback we added considerations for international trends in CSR, the GRI Guideline, and other societal

demands, and identified issues that the Daiwa Securities Group should consider in its CSR activities. At the same time, we verified the importance of issues recognized within the Group and externally, giving consideration to such factors as the frequency of occurrence and the impact on society. Through this process, four material issues were recognized as highly important to the Daiwa Securities Group.

### Stakeholders in the Daiwa Securities Group





# Adding a Social Perspective to Investment

Our goal is to incorporate the perspectives of the environment and society into investment decisions, but what is the awareness of investors and our sales force? What can the employees of the Daiwa Securities Group do? Employees directly involved in these matters discuss the situation. (Discussion held May 31, 2007)

**One of the employee's material roles is to communicate the importance of a social perspective in investment.**

**Society in general still has a low awareness of environmental and social aspects.**

**Aoi:** The Daiwa Securities Group's Daiwa Eco Fund investment trust is the largest in Japan. Although more and more of our customers are becoming interested in these types of products, most have no interest whatsoever. I feel that people generally have a low awareness of environmental and social issues when choosing investments.

**Kawakami:** We have more opportunities to talk with customers about companies that have improved performance through an active commitment to the environment, than opportunities to use the environment as an entry point for discussion. For example, if an auto maker launches a new hybrid car, I think that investors will only pay attention to the auto maker, and decide to invest in it, after they have some concrete evidence, such as improved performance or fund value.

**Yanagisawa:** I think this is also the same overall situation with institutional investors in Japan. The typical reaction is, "We understand the importance of SRI\*", but we don't know what to do." Although some people manage SRI funds, they are a very small minority. The average fund manager might realize the importance, but doesn't know how to translate this into action by investors.

**Hanaoka:** I sometimes have opportunities to speak with customers, and just about the only thing they are interested in is whether share prices will rise or fall. If you don't tie in the environment to share prices, it's almost impossible to get them to listen.

\* Socially responsible investment (SRI) is an approach to investing in companies, considering not only the company's financial performance, but also evaluating its efforts to deal with environmental issues, social programs, and ethical practices.

**Convince investors that environmental and social responsiveness improves a company's performance.**

**Kawakami:** When customers are choosing a stock, they are extremely receptive to themes. Our customers consist mainly of people investing for the long term, and people investing for the short term. I feel that people looking at a company's growth potential over the long and medium term are very receptive to themes like the environment and society.

**Hanaoka:** We are currently focusing on getting people to rediscover the attraction of Japanese stocks, but the key to this rediscovery is the environment. Growth in China and other emergent economies harms the environment and creates energy problems. Customers are very receptive when I explain that the ability to be environmentally friendly is a big business opportunity for a company. This is because Japan has the world's highest level of environmental technology.





**Shinji Kawakami**  
General Manager  
Equity Department  
Daiwa Securities Co. Ltd.



**Sachiko Hanaoka**  
General Manager  
Investment Strategy & Research Department  
Daiwa Securities Co. Ltd.



**Shiko Yanagisawa**  
General Manager  
Global Head of Equity Sales  
Institutional Sales Department (I)  
Daiwa Securities SMBC Co. Ltd.



**Katsumi Aoi**  
Branch Manager  
Area Manager of Shinjuku  
Shinjuku Branch  
Daiwa Securities Co. Ltd.

**Yanagisawa:** Although I can't say this applies to all institutional investors, because each one, both inside and outside Japan, has its own ideas, but institutional investors also show a lot of interest when I explain to them that Japan has many companies with some of the world's top environmental technologies. They invest because they judge that they can profit from it.

**Hanaoka:** Companies that are environmentally friendly also often have scrupulous systems for internal management in addition to the environment, so I think that it is well worth investing in them. The company's scrupulous response to CSR earns it trust. I think one criterion for choosing stocks is the company's attitude.

**Spreading the concept of incorporating a social perspective into investment is a business opportunity for a securities company.**

**Aoi:** Given the fact that financial education in Japan still doesn't have enough penetration, I think that communicating the importance of investment from a social perspective is an important job for us. I think that improving financial education for young people and explaining the concept of SRI is one of the ways that we can contribute to society.

**Kawakami:** I feel that the philosophy of our company's top management has reached the employees. I believe that there is a heightened awareness among employees that what they can do individually is increase the recognition of SRI funds, eco funds, and the like, or get investors to turn their attention to companies promoting the environment and CSR, and I believe that this is our responsibility to society.

**Yanagisawa:** The environment has changed; today, we are able

to get institutional investors' interest when we talk about SRI. Our junior sales staff are planning and holding seminars for institutional investors on environmental issues on their own initiative, and they provide information on such topics as emissions trading and environmental measures by the government.

**Hanaoka:** We will actively publish investment information relating to environmental technologies and initiatives. I think that our Group's focus on the CSR of our companies is also important for getting people to understand us. I believe that if people understand us, then when it comes time to choose a securities company, they will choose us.

**Aoi:** I believe that the branches are the ones who put the CSR of Daiwa Securities into practice. Each of the 117 branches of Daiwa Securities Co. Ltd. nationwide collaborates with local public institutions, municipalities, local elementary and junior high schools, and others to promote CSR, including creating opportunities to think about environmental issues and CSR. I believe that this raises the awareness of each employee, and leads to concrete action.

**Kawakami:** Daiwa Securities Co. Ltd. has a President's Awards program, which recognizes employees. Starting this fiscal year, we created a Volunteer Award as part of this program. The Volunteer Award is given as a special prize recognizing people who have made significant achievements through volunteer activities. I think that this is one answer to employees' question of what they can do for society to help fulfill the corporate social responsibility of Daiwa Securities Co. Ltd. I think another of our biggest missions is to raise the awareness of as many investors as possible.



# Adding a Social Perspective to Investment

## Daiwa Securities Group's SRI funds

An SRI fund\* is a financial product for investment with a social perspective. As of end-March 2007, the balance of assets of SRI funds sold by the Daiwa Securities Group was approximately 75.3 billion yen, accounting for more than about 20% of all SRI funds in Japan (total value of about 370 billion yen). This is the largest share of the SRI fund market in Japan. Two key SRI funds of the

\* SRI fund: An investment trust managed based on the concept of socially responsible investment (SRI).

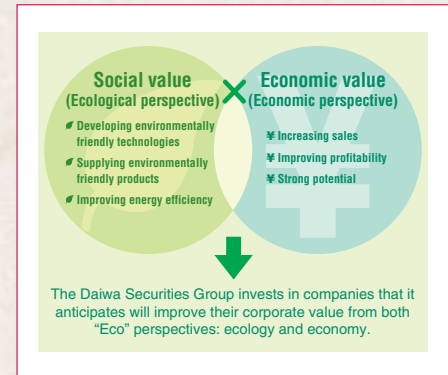
### Investment performance by period (end-June 2007)

Period	Daiwa SRI Fund	Daiwa Eco Fund	TOPIX
3 months	+5.07 %	+5.14 %	+3.58 %
1 year	+11.38 %	+11.65 %	+11.84 %
Since fund establishment*	+63.32 %	-	+60.45 %
	-	+7.54 %	+10.54 %

\* Daiwa SRI Fund was established in May 2004, and Daiwa Eco Fund was established in March 2006.

Daiwa Securities Group are the Daiwa SRI Fund, which focuses on a commitment to CSR, and the Daiwa Eco Fund, which focuses on a commitment to the environment and return on equity.

### The approach of the Daiwa Eco Fund



## Achieving a sustainable society with the Daiwa Eco Fund

Yuka Suzuki, who is in charge of communication with investors and sales representatives, interviewed Katsuya Kikuchi, a fund manager for the Daiwa Eco Fund, and Tadashi Kitahara, an analyst who performs corporate analysis and surveys industry trends, about how the Daiwa Eco Fund—currently a focus of the Daiwa Securities Group—helps to achieve a sustainable society. (Interview held May 28, 2007)

### Evaluating how environmental technologies tie into performance

**Suzuki:** The Daiwa Eco Fund invests in companies whose commitment to the environment will be reflected in future performance. What points do you focus on in particular when choosing stocks to include in the fund?

**Kikuchi:** The first thing is sales of environmentally friendly products. Also, when a company reduces its usage of energy and raw materials in its corporate activities, it leads to lower costs or greater profitability.



Yuka Suzuki  
Social Responsibility Investment Coordinator  
Investment Planning Department  
Daiwa Asset Management Co., Ltd.

**Suzuki:** Can you give an example of a company whose commitment to the environment has resulted in improved performance?

**Kikuchi:** One example is a manufacturer of gauges that measure materials that impact the environment. The EU has recently enacted a series of regulations on chemicals, including RoHS\*1 and REACH\*2. Companies that manufacture or import products in the EU must investigate whether those products contain harmful substances, and for this reason, companies that produce fluorescence X-ray systems are seeing real increases in sales. Recycling of precious metals from mobile handsets and other electronic devices, and sales of energy-efficient office equipment are also increasing.

### Fund managers go out to collect information themselves

**Suzuki:** What kind of information do you use to actually evaluate companies' environmental initiatives?

**Kikuchi:** I choose stocks to include in the fund based on corporate assessment data from specialized institutions, and also use information from other analysts in the company, and the

results of my own studies. I also sometimes visit companies together with analysts. There, I interview people in charge of environmental technologies and CSR directly. This gives me access to information that is not available through questionnaires or corporate publications and press releases.



**Tadashi Kitahara**  
General Manager  
Equity Research Department  
Daiwa Asset Management Co. Ltd.

**Suzuki:** What points to you pay particular attention to on your visits?

**Kikuchi:** I would say it's whether an awareness of CSR has reached all employees. In companies where this awareness has penetration, employees work actively, and on their own initiative, to develop and sell environmentally friendly products, and reduce environmental impact at the factory. Specifically, I ask about such things as the R&D process for environmentally friendly products, the environmental education curriculum, and the mechanism for providing feedback on the results of environmental efforts.

**Suzuki:** How do you use the information gained through this perspective to make investment decisions?

**Kikuchi:** While such factors as environmental education and a commitment to environmental activities may be difficult to tie into short-term sales or profits, I believe that they can reduce the risk of investment. When companies have practical environmental initiatives, it shows that they have excellent crisis-management capabilities and that management policy has thorough penetration. When I visit a company, I want to get a sense of whether its initiatives are effective, and whether the organization has a commitment to environmental and social issues in its DNA. Such a company is "sustainable," and in particular, I can deem that it is an appropriate medium to long-term investment.

**Friendliness to the environment is a necessary factor for measuring corporate value**

**Suzuki:** Viewing the actions of companies from an analyst's perspective, do you feel that companies' commitments to the environment have changed?

**Kitahara:** I think they have changed a great deal. A significant number of companies have already incorporated a commitment to the environment into the management strategies, and over 80% of corporations have created specific targets or action plans for

reducing their environmental impact. Quite a few companies also include environmental information in their annual reports.

**Suzuki:** So on the question of how companies' attitudes have changed, would you say that the perspective of responsiveness to environmental issues has come to be incorporated into investment in general, rather than just eco funds?

**Kitahara:** Out of the three factors of environment, society, and governance, the need to include governance as a factor in the measurement of corporate value is fully recognized. In the same way, the ability to respond to environmental issues is coming to be an essential element. But it's difficult to evaluate commitments to the environment and social issues quantitatively. I think we need a way to view companies from a different angle than conventional company analysis.

**Funds that support companies committed to the environment**

**Suzuki:** Companies with a large impact on the environment are striving to minimize this impact, in order to achieve a sustainable society. According to the results of a survey<sup>\*3</sup>, nearly 90% of investors in Japan support the idea that they should consider a company's social responsibility when deciding where to invest their hard-earned money. I believe that it is an important duty of Daiwa Asset Management Co. Ltd. to publish information that moves the hearts of as many investors and fund salespersons as possible.



**Katsuya Kikuchi**  
Senior Fund Manager  
Japanese Equity Management Department  
Daiwa Asset Management Co. Ltd.

**Kikuchi:** I believe that through investment in the Daiwa Eco Fund, we have expanded the group supporting companies that are strongly committed to the environment to include individual investors as well. I will also continue to stress that a commitment to the environment increases a company's value.

<sup>\*1</sup> The RoHS Directive stands for the Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment. It was enacted by the EU in July 2006.

<sup>\*2</sup> REACH stands for Registration, Evaluation, Authorization and Restriction of Chemicals. It was enacted by the EU in June 2007. The program centralizes the registration, evaluation, and authorization of chemicals, and requires entities handling chemicals to perform safety assessments and other measures.

<sup>\*3</sup> Japanese Ministry of Environment, "Socially responsible investment comparison report among Japan, the United States and United Kingdom." [http://www.env.go.jp/policy/kinyu/rep\\_h1506/index.html](http://www.env.go.jp/policy/kinyu/rep_h1506/index.html) (In Japanese only)



# Commitment to the Development of a Sound Securities Market

Maintaining and developing a sound securities market is a key responsibility of the Daiwa Securities Group. In order to accomplish this, we must live up to the confidence placed in us by our customers and society by practicing compliance at a higher level than just complying with the laws and regulations.

**Action with awareness of compliance by each of our employees will earn the confidence of our customers and society.**

**Because the industry is growing, creating a fair market is an especially important duty.**

— **What do you think of compliance at Daiwa Securities?**



**Masaki Shimazu**  
Senior Managing Director  
Chief Compliance Officer  
Member of the Board  
Daiwa Securities Co., Ltd.

**Shimazu:** Compliance doesn't just mean complying with the letter of the law. Daiwa Securities Group's sense of compliance means all the actions to build a true relationship of trust with customers and society. It includes all the actions to be taken in order to establish a sound and reliable securities market, including an appropriate sales attitude that takes customer needs into

account, a check system to eliminate securities incidents and the like, and the elimination of antisocial forces.

As a company that deals with financial products, we must have a strong sense of ethics. After a long period of low interest rates, the flow from savings into investment is accelerating, and the ratio of direct financing is increasing. Precisely because this is a huge business opportunity, we also have a huge responsibility.

— **But don't salespeople tend to focus on profits?**

**Shimazu:** What would happen if our salespeople acted like the only thing that mattered was selling financial products? While performance might increase over the short term, selling products to customers who do not have a good sense of risk and return without informing them of the risks, and repeatedly performing

unnecessary trades, would cause our customers to lose faith in the act of investing itself, as well as their confidence in us. We don't give high ratings to employees who only create transient profits. We promote a system that rates employees on how well they propose investments that are suited to their customers, and how well they build a true relationship of trust, and this system is becoming universal throughout our organization.

— **What do you think the relationship is between the Daiwa Securities Group's sense of compliance, and legal compliance?**

**Shimazu:** Compliance fundamentally means living up to the trust of society. It does not simply mean "not breaking the law." It means every employee doing their jobs with the reasons why laws and rules were created firmly in mind. I believe that this will build a relationship of trust with our customers, and improve our sales capabilities.

**Continually revising systems will achieve universal compliance.**

— **What are you doing to firmly establish the concept of compliance among our front-line staff?**

**Shimazu:** We continually provide compliance training to everyone from junior employees up to management. We particularly emphasize to superiors that educating, checking, and protecting subordinates is a key attitude that enables our internal-control system to function. Our personnel evaluations also emphasize sales approach that is suited to their customers and compliance. We will also centralize the chain of command for our Sales Division and Compliance Division, and show a clear course of action.

**Kagawa:** Creating, managing, and continually revising internal rules is also part of compliance practices. Rules need to be

changed when new products are created, and when the market environment changes. We also focus on making our rules as simple and easy to understand as possible, because that makes them more effective.

— What kind of compliance system have you built at the organizational level?

**Kagawa:** We need a system to continually check whether our operations are being carried out appropriately. The Compliance Department in our headquarters has compliance officers who are responsible for the sales branches in each area and group. Each sales branch also has an internal administration supervisor. This role is separate from the branch manager, who is responsible for sales. The internal administration supervisors report to our Compliance Division each month.

Additionally, the Legal and Planning Section in the Compliance Department accepts consultations on laws and regulations from our sales branches, and the Examination Section accepts consultations on compliance operations. The Trade Surveillance Department responds to inquiries regarding share and other trades.

**Maeda:** In order to practice a customer-oriented sales approach, we have a system that requires sales staff to apply for authorization before switching products. Under this system, a salesperson must obtain



Takanobu Kagawa  
General Manager  
Compliance Department  
Daiwa Securities Co. Ltd.

the authorization of the branch manager before recommending to the customer to sell a holding product, such as an investment trust, and purchase a new one. This prevents recommendations to inappropriately switch products, and also helps grow our assets by increasing the retention period of our investment trusts.



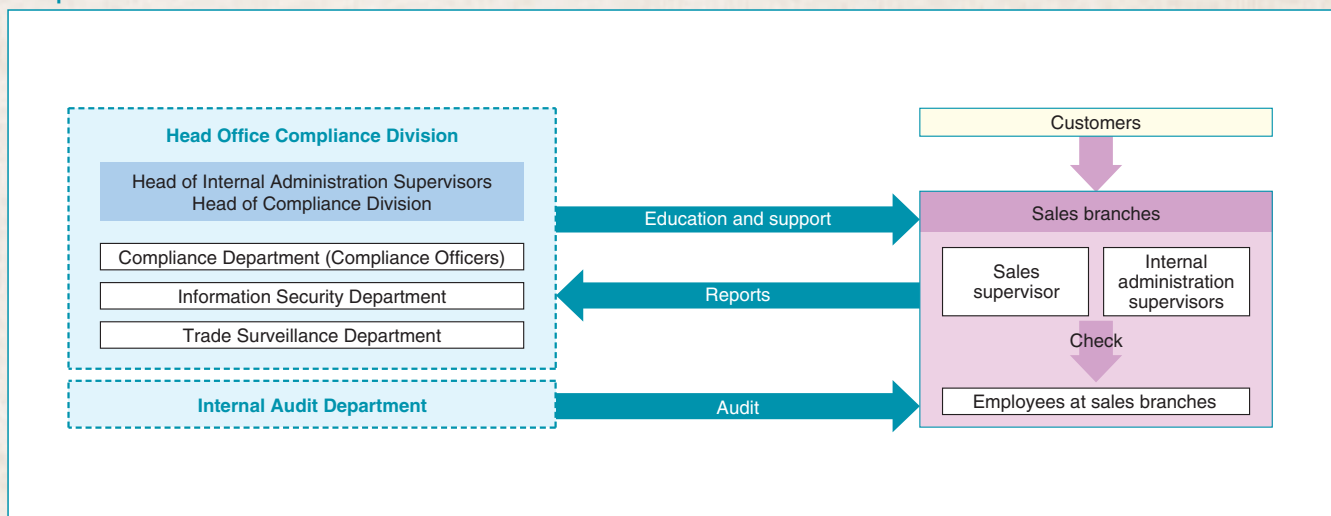
Atsushi Maeda  
General Manager  
Compliance Department  
Daiwa Securities Co. Ltd.

We also perform sampling to check whether our trades match our customers' needs, and implement a system for consultations between superiors and customers.

— How do you judge the results of your initiatives?

**Kagawa:** One of the indicators we focus on is the number of telephone calls that our Customer Support Center receives from customers, and the details of the calls—inquiries, complaints, and so on (see page 15). Over 70% of all calls are inquiries, and the remaining slightly less than 30% are complaints. The proportion of complaints is declining, and I believe that this indicates that our initiatives are showing results. We also analyze the complaints, and this helps us find areas in need of improvement.

Compliance structure





# Commitment to the Development of a Sound Securities Market

**We take our administrative sanction very seriously. We will use it to create better mechanisms.**

### — What caused our Himeji branch to undergo administrative sanction (see page 16) in fiscal 2006?

**Shimazu:** It was caused by insufficient awareness within the branch of one of the most important duties of a securities company: to maintain the reliability of the securities market. The administrative sanction was for insider trading by a customer that we should have been able to prevent, but didn't. In subsequent training, we are emphasizing the importance of recognizing this duty we have to society.

### — What was the reaction by employees like?

**Maeda:** Within two months of the incident, our directors visited every sales branch and personally conducted training, in order to thoroughly communicate the background of the incident, and that employees must exercise caution. This training was given to everyone, from managers, to salespeople, to drivers. People were



sent from nearby branches to staff the phones during training.

After the training, the employees were given questionnaires. The responses in the questionnaires showed us that the training gave many employees a renewed awareness of the need to remain conscious of compliance in all actions.

**Shimazu:** Based on this incident, we studied ways to enhance our internal control system, including personal identification and preventing illicit trading, from the perspective of the duties of branch managers and ensuring that our salespeople execute their duties appropriately, and we formulated measures to improve operations.

We take this incident very seriously, and we are committed to regaining trust by enhancing our structural regime in order to prevent illegal activities, and ensuring thorough knowledge and understanding of compliance and internal controls.

**Outstanding compliance is a major business advantage.**

### — What are your future goals?

**Shimazu:** Outstanding compliance is a major business advantage. It makes us more valuable as consultants.

By having each individual understand his or her mission, and recognize and execute his or her duties based on this understanding, I believe that it is possible to differentiate the Daiwa Securities Group from our competitors on the strength of our compliance. Our goal is to make Daiwa Securities Co. Ltd. the finance industry's compliance leader.

## Calls received by our Customer Support Center

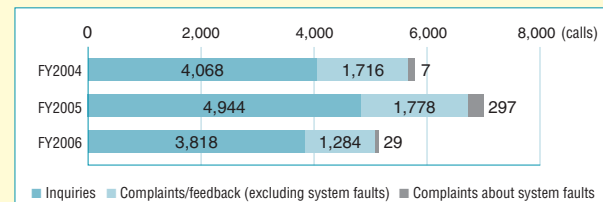
We focus on the analysis of calls received by our Customer Support Center as an indicator of the results of our compliance initiatives.

In fiscal 2006, our Customer Support Center received 5,131 calls. Of these, 3,818 were inquiries, and 1,313 were complaints. We believe that the reduction in the number of inquiries is a reflection of the decrease in trading due to the sluggish securities market.

The numbers of calls and complaints received by the Customer Support Center fluctuates due to variable factors, including increases or decreases in the numbers of trades, market trends and investment performance of financial products, system faults, and the like. For this reason, it is inappropriate to base evaluations on a simple comparison of numbers alone. However, we believe

that the decreasing trend in the ratio of complaints to total calls reflects successful results of our customer support initiatives.

Number of calls received by our Customer Support Center



Fiscal year	Ratio of complaints and feedback to total calls*
2004	29.6%
2005	25.3%
2006	25.0%

\* Excluding complaints about system faults



**Administrative sanction on Daiwa Securities Co. Ltd. by Financial Services Agency**

In October 2005, an executive of a chemical manufacturer asked the assistant manager of the Himeji branch to open an account in the name of one of the manufacturer’s business partners, and placed a purchasing order for 1,500 shares of the manufacturer’s stock. Based on the way in which the account was opened and other factors, the branch assistant manager was suspicious that the executive of the chemical manufacturer was using this account under the business partner’s name. These actions were subject to sanction because “...accepted the customer’s security-trade order despite knowing the risk of insider trading.”

The FSA also determined that the Himeji branch manager

“...recognizes that not enough was done to prevent unfair trading relating to corporate information,” and further that the assistant manager “...accepted the customer’s security-trade order without confirming customer identity in accordance with the Customer Identification Law,” and that these actions were subject to sanction.

Daiwa Securities Co. Ltd. takes this administrative sanction very seriously, and we deeply regret the inconvenience we have caused our shareholders and everyone involved. In accordance with an order by the FSA to halt operations, we halted operations by our Himeji branch for two days: December 19 and 20, 2006.

**Our response to business improvement order and correction order**

We created a business improvement plan designed to prevent such violations from occurring again, and submitted a Business Improvement Report to the FSA on January 4, 2007. Below are described the business improvement order and correction order consequent to the administrative sanction, and our main responses to these orders.

We are committed to improving our internal management and checking system, and enhancing our regime to prevent violations from occurring, as well as ensuring thorough awareness of compliance in order for each employee to think carefully about the reasons behind laws and rules, act in accordance with commonly accepted norms, and build a relationship of trust with our customers and society.

Business improvement order and correction order	Main responses to the orders
Drastically revise the internal-control systems at the Himeji branch.	<ul style="list-style-type: none"> <li>● <b>Created an Internal Control Improvement Committee at the Himeji branch</b> We have created an Internal Control Improvement Committee at the Himeji branch. Every Monday, the branch manager and other persons in positions of responsibility meet, identifying issues for that week, and confirming the implementation status of issues from the previous week.</li> <li>● <b>Conducted training at Himeji branch</b> During the halt of operations at the Himeji branch, all branch employees underwent compliance training.</li> </ul>
Clearly identify the accountability for the facts causing the administrative sanction	<ul style="list-style-type: none"> <li>● <b>Clearly identified accountability</b> In order to clearly assign accountability to officers and employees, the compensation of seven directors was reduced from 5 to 10% for three months, and five employees involved in the incident received official reprimands or warnings.</li> </ul>
Validate the internal control systems of our branches, and formulate and implement measures to prevent re-occurrence.	<ul style="list-style-type: none"> <li>● <b>Revisions to internal regulations and systems</b> We forbid employees in the Investment Banking Department involved with insider information from taking trade orders under any circumstances.</li> <li>● <b>Compartmentalization of information</b> We compartmentalized information by physically separating the working environment of the Investment Banking personnel from that of the Brokerage personnel.</li> <li>● <b>Independence of Trade Auditing Department</b> We made the Trade Auditing Department, which was part of the Compliance Department, independent, giving it a key role in checks against insider trading, and enhancing its trading control operations by increasing the department’s personnel from 8 to 14 people.</li> <li>● <b>Introduction of call recording system</b> We will introduce a system capable of recording all telephone conversations with customers at all branches by September 2007. This will enable concrete recording-based monitoring.</li> </ul>
Ensure through awareness of legal compliance by all officers and employees by means of training and other programs.	<ul style="list-style-type: none"> <li>● <b>Conducted compliance training at all sales branches</b> In order to learn well from this incident and ensure thorough knowledge and understanding of compliance, our directors visited all 117 branches nationwide within two months of the incident, providing compliance training to all employees.</li> </ul>



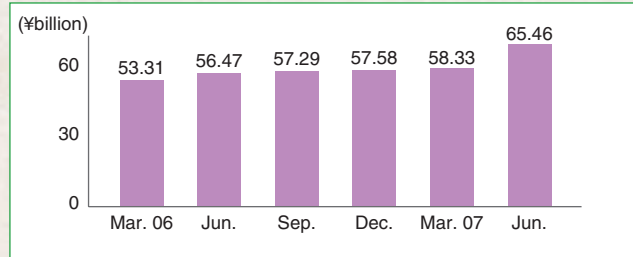
# Contribution to Global Environment

The Daiwa Securities Group continues to implement a wide range of initiatives aimed at helping to resolve global warming and other environmental issues.

## Daiwa Eco Fund

The Daiwa Eco Fund is a stock investment trust that selects investment stocks based on evaluations of corporations' environmental technologies and commitment to the environment, and of the economic value of their stock. The Daiwa Eco Fund is one of the key products managed and sold by the Daiwa Securities Group. Our goal in promoting the Daiwa Eco Fund is to support companies that are committed to the environment, and raise individual investors' awareness of environmental issues.

Net Balance of the Daiwa Eco Fund (¥ billion)

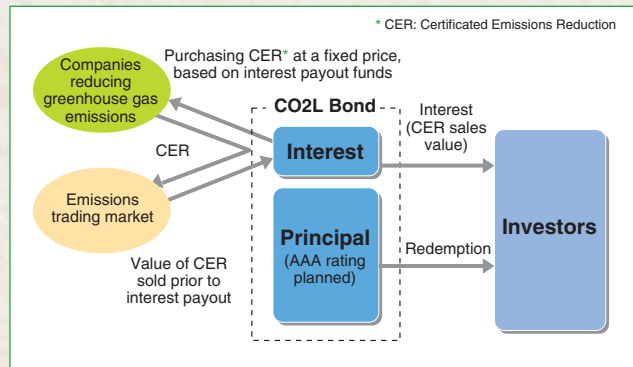


## Initiatives in the emissions trading business

Nine greenhouse-gas reduction projects financed by Daiwa Securities SMBC Principal Investments Co. Ltd. under the World Bank's Community Development Carbon Fund have been approved by the Japanese government and the UN. In February 2006, the company developed and began sales of a euro-dollar bond named CO2L Bond ("Cool Bonds")\*, the world's first bond in which coupons are linked to the prices of Certified Emission Reductions (CERs). The company will continuously contribute to expanding the emissions-trading market, and consider the development of financial products and other means that enable investors with an awareness of the global-warming issue to join efforts to promote the reduction of CO<sub>2</sub> emissions through finance.

\* See the following URL for details about CO2L Bonds. (In Japanese only)  
<http://www.daiwasmbpci.co.jp/news/060216/060216.html>

### Cool Bond mechanis



A bond that incorporates a mechanism for paying the prices set by the Kyoto Protocol for selling CERs to investors as coupon payments.

## Initiatives for electronic statement promotion

In February 2005, we began the Electronic Statement Promotion Project. This project has succeeded in greatly reducing the volume of paper we use.

### Electronic statements for customers

Daiwa Securities Co. Ltd. is moving toward sending its customers electronic versions of a number of statements and reports it has mailed until now, including account statements, transaction reports, and other notices. The number of e-members—customers who have signed up to receive electronic reports and statements and to utilize online trading—has grown from 270,000 to 430,000 during fiscal

2006. The types of documents that can be sent in electronic form have also increased. In fiscal 2006, we reduced the volume of customer statements by 15.42 million pages. This is equivalent to about 15% of all forms used by Daiwa Securities Co. Ltd. We are aiming to further reduce our paper output in fiscal 2007, by increasing the number of e-members and moving to electronic statements for our investment trusts.

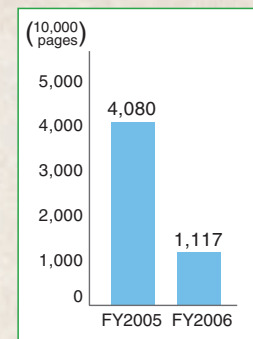
### Electronic statements for internal use

The internal forms used by Daiwa Securities Co. Ltd. have increased due to the diversification of our products, but we have greatly reduced

the volume of hard copies made by switching over to electronic statements at all sales branches. In fiscal 2005, Daiwa Securities Co. Ltd. printed out approximately 40.8 million pages of internal statements; in fiscal 2006, it printed out 11.17 million pages—a huge 73% year-on-year decrease. In fiscal 2006, we ordered 245 tons of paper for statements, a 48% year-on-year decrease. This works out to a reduction from 68.1 kg of paper per Daiwa Securities employee to 35.4 kg. In order to achieve this massive reduction in hard copies, it was necessary to reform the operational flow used by the administrative departments of our sales branches, which until now had used paper slips. The key to achieving this was creating tools that

streamlined administrative processes via electronic statements, as well as sharing the awareness of the need to reduce paper hardcopies through dialogs between people involved in this process on the operations level. We will continue in our efforts to reduce our environmental impact, looking into ways to move the documents we distribute to affiliates and others to electronic form.

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



## Environmental seminar for customers

In May 2007, we held “Daiwa Environmental Forum 2007: What Is Happening to the Earth Now?”—an environmental seminar aimed at raising the awareness of environmental issues by Daiwa Securities customers in Tokyo Metropolitan area. The first part of the seminar was a lecture by Junko Edahiro, Chief Executive of Japan for Sustainability, titled “Making the Earth Healthy and Us Happy.” The second was a lecture by Mariko Kawaguchi, Senior CSR Analyst at Daiwa Institute of Research Ltd., titled “Preventing Global Warming: What Your Money Can Do.” The seminar was broadcast via satellite for the general public.

304 people attended the forum. The audience listened intently to Edahiro’s message that global warming is a chance for reform; it is

vital to have a vision of the kind of Japan and Planet Earth you want, and act to achieve it.



Environmental seminar for customers

## In-house screening of “An Inconvenient Truth”

In December 2006, we held an in-house screening of “An Inconvenient Truth,” a movie about the issue of global warming by former US vice president Al Gore, in order to raise the awareness of group employees about issues of climate change. Many officers and employees of the Daiwa Securities Group attended the screening. We received a large number of comments by those who saw the movie,

including that the numbers and video made it easy to understand that we are in a dangerous situation, and that the video was well worth viewing; and that we should make a commitment to environmental businesses leveraging our special characteristics as a securities company, including emissions trading.

## Presentation at Global Business Summit for the Environment (B4E)

In April 2007, Global Business Summit for the Environment (B4E) was held in Singapore. The summit, hosted jointly by the United Nations Environment Programme and UN Global Compact, invited the Daiwa Securities Group as a panelist. As a representative of the Group, Masaru Arai, Principal Executive Officer at Daiwa Asset Management Co. Ltd., attended the panel discussion to discuss trends in SRI, environmental-business initiatives, and other topics. B4E brought together people from a wide range of industries around the world to discuss environmentally friendly businesses. We were the only Japanese company to attend the summit.



Masaru Arai, Director and Principal Executive Officer at Daiwa Asset Management Co. Ltd. (second from left)



## Contribution to Global Environment

### Dialog with Stakeholder: CSR and the Environment

What should people involved with finance know about the environment? Mariko Kawaguchi, senior CSR analyst of Daiwa Institute of Research asked this question of Junko Edahiro, chief executive of environmental communication NPO Japan for Sustainability and Japanese translator of “An Inconvenient Truth.”



Junko Edahiro, chief executive, Japan for Sustainability (right) and Mariko Kawaguchi, senior CSR analyst of Daiwa Institute of Research (left)

**People in the finance industry without an interest in environmental issues should gain a perception of the issues through first-hand experience.**

**Kawaguchi:** Many people working at financial institutions think that environmental issues have nothing to do with them. They tend to look at the world solely in monetary terms. Although the principle of responsible investment has begun to gain traction of late, I believe that there is a strong tendency in this field for people to think that the environment is a problem for the manufacturing, mining, and transport industries, and that it has nothing to do with them.

**Edahiro:** A financial conference was held in Switzerland, where they discussed quite seriously the need to influence companies with more measures of sustainability. Although the people attending the conference were very passionate about this topic, however, it doesn't mean that this is the fundamental approach of their companies as a whole. I think that all we can conclude is that people with your way of thinking are gradually starting to appear.

**Kawaguchi:** I actually got together employees of Daiwa Securities Group to see a screening of “An Inconvenient Truth.” That movie was pretty shocking, and convincing as well. Seeing that movie convinced them that just because they're at a financial institution, they can't say that it's not their problem—that they couldn't hide from the problem.

**Edahiro:** It sounds like that was a good opportunity. The most important thing is to perceive it as your own problem through first-hand experience. I think that expanding these opportunities so that they can be seen by employees as well as institutional investors and other clients would be a wonderful CSR activity.

**If the earth were a single market, there is no doubt that it would collapse.**

**Edahiro:** Global warming is the result of the dynamics of a system in which a wide variety of factors are interacting. One of the features of this system is the interaction of stock and flow. With a bank account, the deposits and withdrawals are the flow, while the balance is the stock, right? If we say that the concentration of carbon dioxide in the atmosphere is the stock, then our annual emissions are the inflow, and the carbon dioxide absorbed by forests and other sinks is the outflow. Currently, the inflow is twice as large as the outflow, and more than half is accumulated as stock. This is what is causing global warming.

**Kawaguchi:** People in the finance industry would probably understand this better if you called them the profit and loss statement and the balance sheet. Almost all the good stock, like forests, marine resources, and mining resources are declining, while bad stock—CO<sub>2</sub>—keeps on increasing. This means that if the entire earth were a single market, there is no doubt that we would be facing economic collapse, right?

**Edahiro:** Yes, that's right.

**Money grabs our attention because we can see it. I have high expectations for the power of the finance industry.**

**Edahiro:** People in the finance industry handle money. Money grabs our attention because we can see it. Thinking that something doesn't exist because you can't see it is just like a child. Although we can see share prices as numbers, there is no framework to tell us what happens each time resources, forests, or carbon dioxide go up by a given amount. That make it like money without substance; you get the feeling that you are just playing with numbers.

**Kawaguchi:** That's because it's hard to see environmental stock and flow with numbers, right?

**Edahiro:** If we could find a numerical representation that showed the minute-by-minute changes in the environment, like with share prices, it would be easy to understand, because I think that people in the finance industry really react to numbers. In any case, finance has a great deal of power to change the world, so I have high hopes for it.

See pages 45 and 46 for details about initiatives to reduce environmental impact within the Daiwa Securities Group.



# Publishing Information for a Sustainable Society

Daiwa Securities Group publishes information with the goal of achieving a sustainable society. We believe that expanding our collaboration with society and supporting reform, including sustainability education, economic and financial literacy, support for international initiatives, and policy suggestions, are one of our most important missions.

## Support for international initiatives

Daiwa Securities Group actively supports international activities with the goal of achieving a sustainable society. In May 2006, Daiwa Asset Management Co. Ltd. became a signatory to the Principles for Responsible Investment (PRI)\*1, and announced a policy for putting these principles into practice. Additionally, in May 2007, Daiwa Securities Group Inc. became a signatory to UNEP FI\*2's Declaration on Climate Change by the Financial Services

Sector\*3. Daiwa Securities Group Inc. also became a signatory to the Carbon Disclosure Project (CDP)\*4 in March 2004, and joined the United Nations Environment Programme Finance Initiative (UNEP FI) in November 2004.



▶ **WEB** Principles for Responsible Investment (PRI)\*1, United Nations Environment Programme Finance Initiative (UNEP FI)\*2, Declaration on Climate Change by the Financial Services Sector\*3, and Carbon Disclosure Project (CDP)\*4.

## Sustainability education

### ◎ CSR website / Sustainability and asset management

The Daiwa Securities Group reports its CSR activities and publishes information for the achievement of a sustainable society on the Daiwa Securities Group Inc. website. The website contains a wide range of general CSR/SRI information from primers to the latest reports by expert researchers at Daiwa Institute of Research, which is useful for persons with an interest in sustainability. Daiwa Asset Management Co. Ltd. also has a dedicated site for sustainability and asset management, publishing a wide range of information for investors.



Daiwa Securities Group Inc. CSR website (In Japanese only) <http://www.daiwa-grp.jp/branding/>



Daiwa Asset Management Co. Ltd. Sustainability website (In Japanese only) <http://www.daiwa-am.co.jp/sustainability/index.html>

### ◎ Social Finance Course at Keio University

Daiwa Securities Group teaches courses in CSR and SRI at the request of universities. Since April 2007, the staff of the Daiwa Securities Group CSR Promotion Department has been teaching a new Social Finance course at the Keio University Graduate School of Media and Governance. The half-year course is designed as an initiative to develop the abilities of young people who will be responsible for sustainability in the future. The course covers the workings of finance considering society and environment, including trends in UNEP FI, SRI funds, micro-finance, and support for social entrepreneurs, combined with real-world information.

### Social Finance course syllabus

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|---|---|
| <ul style="list-style-type: none"> <li>(1) Guidance           <ul style="list-style-type: none"> <li>• Overview of social finance</li> </ul> </li> <li>(2) The enterprise and social finance           <ul style="list-style-type: none"> <li>• CSR theory</li> <li>• Financial institutions and non-finance industries</li> </ul> </li> <li>(3) The social finance framework (1)           <ul style="list-style-type: none"> <li>• Initiatives and players (UNEP FI, CDP, etc.)</li> </ul> </li> <li>(4) The social finance framework (2)           <ul style="list-style-type: none"> <li>• Social finance conventions and principles (Equator Principles, PRI, etc.)</li> <li>• SRI indices (DJSI, FTSE, etc.)</li> </ul> </li> <li>(5) The social finance framework (3)           <ul style="list-style-type: none"> <li>• Social finance and human security/human development</li> <li>• Bottom of the pyramid (BOP) business</li> </ul> </li> <li>(6) NPOs and social finance           <ul style="list-style-type: none"> <li>• NPO banks</li> <li>• Local financial institutions</li> </ul> </li> <li>(7) Governmental/international institutions and social finance           <ul style="list-style-type: none"> <li>• ODA</li> <li>• IMF/World bank</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>(8) Social finance as investment           <ul style="list-style-type: none"> <li>• SRI investment trusts/bonds</li> <li>• Local support/recovery funds</li> </ul> </li> <li>(9) Social finance as finance business           <ul style="list-style-type: none"> <li>• Support for social entrepreneurs and environment</li> <li>• Micro-financing</li> </ul> </li> <li>(10) Social finance as donation           <ul style="list-style-type: none"> <li>• Partnership with NPOs</li> <li>• Support for social entrepreneurs</li> </ul> </li> <li>(11) Alternative currencies and social finance           <ul style="list-style-type: none"> <li>• Local currencies (eco money)</li> <li>• Corporate currencies (points/mileage)</li> </ul> </li> <li>(12) Procurement (purchase of products and services) and social finance           <ul style="list-style-type: none"> <li>• Green procurement/CSR procurement</li> <li>• Fair trade</li> </ul> </li> <li>(13) Wrap-up           <ul style="list-style-type: none"> <li>• The future of social finance</li> </ul> </li> </ul> |
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# Publishing Information for a Sustainable Society

## Presenting information at the World Economic Forum (WEF)

At the World Economic Forum (WEF) held in Switzerland in January 2007, Akira Kiyota, Deputy Chairman of the Board of Daiwa Securities Group Inc., sat on a panel discussion, where he presented the Group's CSR initiatives, and discussed issues with a large number of corporate leaders. The Daiwa Securities Group was named by the WEF as one of the world's top 100 sustainable companies.



Akira Kiyota, Deputy Chairman of the Board (right), attends the WEF

## Policy recommendations

From fiscal 2004 to fiscal 2006, Yoshinari Hara, Chairman of the Board of Daiwa Securities Group Inc., chaired the Committee for the Promotion of CSR Management of the Japan Association of Corporate Executives (Keizai Doyukai), where he worked to promote and raise awareness of CSR in business. On May 30, a report titled "CSR Innovation: Creating New Value through CSR in Business Activities," which could be called a roundup of Hara's efforts over these three years.

CSR includes actions as a corporate citizen, such as charitable donations, as well as compliance in order to prevent

scandals. Rather than these elements of CSR, however, this report focused on business activities themselves. The report focused particularly on case studies of good practices by 92 Japanese companies in the areas of customers, employees, local communities, and the environment, from the perspectives of whether the products and services offered by the company are socially and environmentally friendly, and whether they took these four groups and all other stakeholders sufficiently into account.

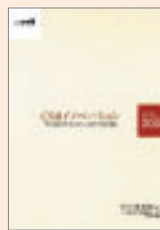
The report is available at the following URL (In Japanese only):

<http://www.doyukai.or.jp/policyproposals/articles/2007/070530a.html>

### ► From the Japan Association of Corporate Executives (Keizai Doyukai) Report

The title of the report is "CSR Innovation." This embodies two ideas I gained through my three years chairing the committee: innovation *through* CSR and innovation *in* CSR. Innovation *through* CSR means changing a company's business activities through CSR initiatives. This makes the company more competitive, and contributes to the growth and development of society. Innovation *in* CSR means that changes in historical context and values in turn change the way we think about CSR. Thus, a

company must constantly ask itself what are the key challenges it must tackle through CSR, and act upon them. Together, these ideas entail that in order to achieve CSR Innovation, a company must change its ways of thinking and strive for constant improvement.



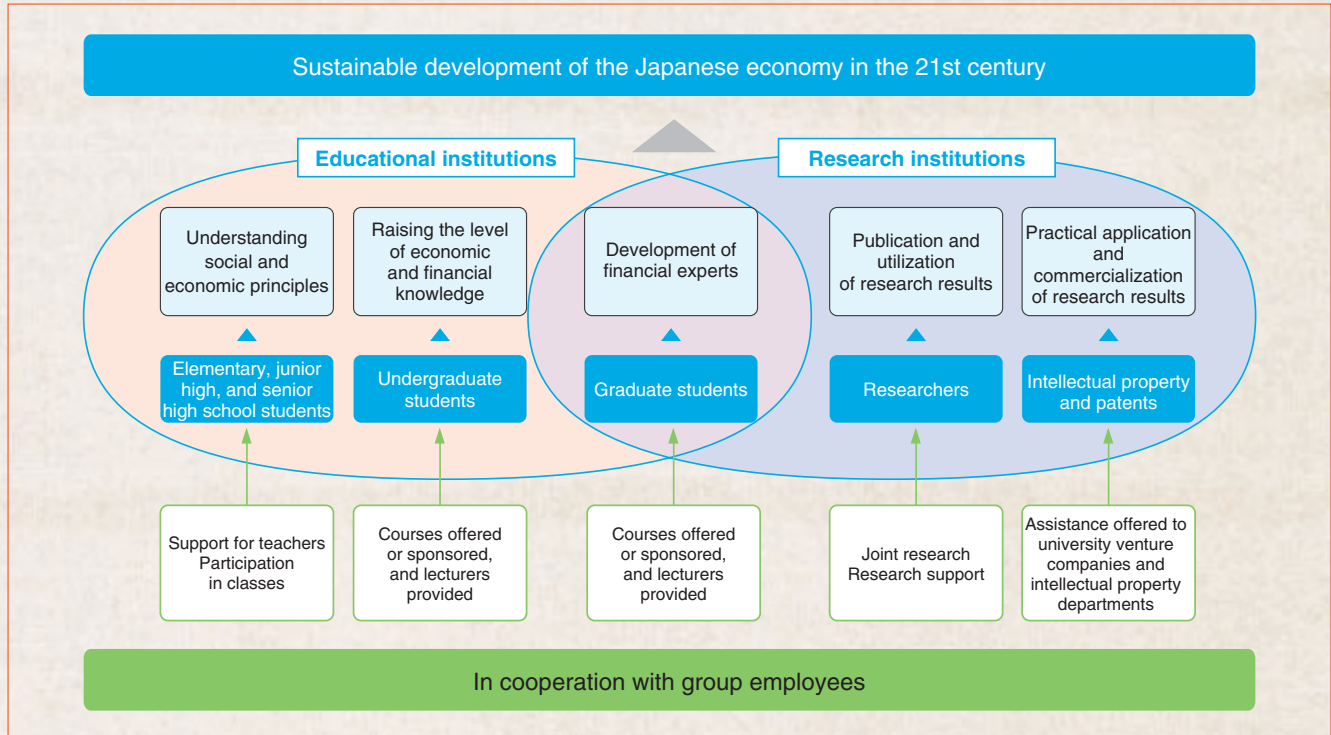
Yoshinari Hara  
Chairman of the Board  
Daiwa Securities Group Inc.

## Economic and financial literacy

Through its economic and financial literacy program, the Daiwa Securities Group aims to teach young people to make their own decisions and live independently. In order to achieve this goal, it is important to teach young people—not just college students but junior and senior high-school students as well—about the

economy and society, and what it means to get along with other people, and live and work in society. We believe that the sound development of young people is achieved through a thorough understanding of the principles and rules of living in society, rather than mere superficial knowledge of economic issues.

### Education in economics and finance



### WEB Main academic partnerships with universities in fiscal 2006

#### University endowment for Basic Course of Entrepreneurship and Business Planning

The Basic Course of Entrepreneurship and Business Planning is one of the courses endowed by the Daiwa Securities Group. The course, which teaches basic knowledge about entrepreneurship and business planning, is taught by part-time instructors who are employees of the Daiwa Securities Group with experience advising IPOs and venture investment. The course is quite popular for giving practical advice on the business plans created by the students from the perspective of industry professionals. Until fiscal 2006, this course was taught only at Waseda University, but starting in fiscal 2007, it will be taught at Meiji University, Chuo University, and Nihon University as well. This unique experiment in economic education by the Daiwa Securities Group to leverage its expertise has been praised by the public and academic circles, and the program is growing rapidly.



Basic Course of Entrepreneurship and Business Planning at Waseda University  
Students present their business plans at a retreat in Karuizawa

## Publishing Information for a Sustainable Society

### ◎ Student Company Program (SCP)—Economic and financial literacy for high school students

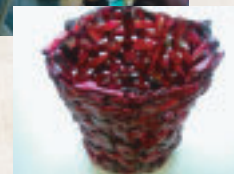
The Student Company Program (SCP) is a hands-on economic literacy offered by Junior Achievement Japan, an NPO dedicated to economic and financial literacy for young people. Through the program, high-school students learn about the economy and how corporations work by actually managing a company. The Daiwa Securities Group began collaborating in the SCP at Ritsumeikan High School in Kyoto in fiscal 2003. Two group employees participate in the program each week, advising the students as “external directors.”

Students participating in the SCP learn first-hand about the difficulties of managing an organization in the real world, sharing their knowledge and striving to overcome issues. The huge growth achieved by the students as people has also been covered by the media. More and more schools are introducing the SCP, providing a fresh stimulus to high-school education.

▶ **WEB** Junior Achievement Japan



Selling products



This knit basket is a product of Runners Co., Ltd., a student-run joint-stock company

### ◎ Finance Park—Economic and financial literacy for junior high school students

The Finance Park program offered by Junior Achievement Japan gives students first-hand experience in life design, teaching them how much living expenses cost, and how society and the economy work. Students are given certain parameters, such as yearly income and family makeup, and experience a simulation of real life in a “town” set up with company booths at the venue, and purchasing such items as cars and daily necessities.

The Daiwa Securities Group is a special sponsor of the Finance Park in Shinagawa, Tokyo, which in June 2005 became the first Finance Park to be introduced in Japan. Another Finance Park was launched in Kyoto in January 2007, and the program is currently being offered to all junior high schools in the city of Kyoto.



Daiwa Securities booth at Finance Park

### ◎ General economic and financial literacy

‘Financial Information TV by Daiwa’ is the only television channel in Japan that is dedicated to information about securities. It is available via Sky PerfecTV! and other carriers. In March 2007, the channel began a basic course on securities called “Fun with Securities @ Daiwa TV,” whose concept is making securities easy for both junior and high school students and their parents to understand.

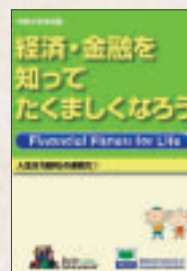
Daiwa Internet TV (<http://www.daiwatv.jp/>) (In Japanese only), the largest video website in the finance and securities fields, offers five-minute lessons on basic topics such as types of financial products and fundamental investment concepts.



‘Financial Information TV by Daiwa’  
<http://daiwa766.jp> (In Japanese only)

### ◎ Revised Japanese-language edition “Financial Fitness for Life” textbook for elementary and junior-high students

Since fiscal 2005, we have collaborated in the Japanese-language production of “*Financial Fitness for Life*,” an economic and financial literacy textbook for junior high-school students used widely in American classrooms. Daiwa Securities Group employees volunteered in the translation of the textbook. In fiscal 2006, the content of the textbook was revised using feedback from working teachers, in order to make the text more effective in Japanese classrooms.



The Japanese-language edition “*Financial Fitness for Life*”



## Daiwa-JFS Sustainability College

In October 2006, Daiwa Securities Group began a course called “Daiwa-JFS Sustainability College”—a course endowed through a partnership with Japan for Sustainability (JFS), and funded by proceeds from the sale and management of the Daiwa Eco Fund—in the group headquarters’ auditorium. The goal of the course is to improve the sustainability of society as a whole, by raising the awareness of Japan’s leaders of tomorrow and encouraging them to take concrete actions through an easy-to-understand description of the concept of sustainability. The course, which meets once a month 12 times each year, will be held for four years, with a different topic for each year. As of end-June 2007, the course has had about 140 student entries from 48 different high schools and universities, with about 30 to 80 learning passionately at each class.



Daiwa-JFS Sustainability College

### Yearly topic schedule

- **2006:** Capacity/resources and sustainability
- **2007:** Fairness (generational and regional) and sustainability
- **2008:** Diversity and sustainability
- **2009:** Human will, networking, and sustainability

### Classes to date (October 2006 to June 2007)

1. Various views on sustainability
2. Living with limited capacity and resources—considering the future of the earth from the viewpoints of food, agriculture and the environment
3. Movement toward sustainable energy—world update and Japan’s potential
4. Tokyo’s pioneering attempt—toward dramatic increase in the use of renewable energy
5. The resource loop and sustainable production & consumption
6. On the front lines of waste—from illegal dumping to exporting garbage as resources
7. Water as a global resource issue
8. The concentration of population in cities and urban issues
9. What is the most important environment?—learning from Edo lifestyles

### Comment from stakeholder

## Attending Daiwa-JFS Sustainability College

For me, the greatest attraction of this course was the ability to meet other people who are passionate about this topic. When I first started the course, I had a vague notion that I wanted to change society, but I had no idea where to get started. But by meeting action-oriented people through this course, I have been able to take the first step toward changing society. Specifically, I planned a youth summit with the topic of sustainability.

Through this experience, this course has given me the invaluable opportunity to have a glimpse of my present and future selves. Lately, I have begun to hold voluntary study sessions, where my friends and I debate various topics, then attend lectures after deepening our understanding.

Although this course is centered on a lecture format, I hope to make use of what I have learned here in my future activities.



**Risa Hatabu**  
The 3rd grade of Law School  
Department of Law  
Meiji University



# Performance, Issues, and Targets

This section reports the fiscal 2006 results, and fiscal 2007 targets, for the wide range of initiatives conducted by the Daiwa Securities Group for the achievement of a sustainable society.

		Issues and targets for fiscal 2006	Rating of initiatives	Pages in report
Adding a Social Perspective to Investment				9–12
Commitment to the Development of a Sound Securities Market				13–16
Contribution to Global Environment				17–19
Publishing Information for a Sustainable Society				20–24
Corporate Governance		Document internal standards relating to financial reporting and establish evaluation methods for the entire group.	G	27–28
		Prepare systems for each group company in compliance with upcoming changes in Japanese commercial law.	VG	
		Improve group management structures by investigating performance evaluation methods and promoting business continuity plans (BCP).	G	
CSR Management		Focus more on economic and financial education.	G	29–30
		Promote the widespread practice of SRI.	G	
Compliance	Entire Group	Arrange activities to raise awareness of the Corporate Ethics Hotline among group companies.	VG	31–32
		Strengthen measures against anti-social influences.	G	
	Daiwa Securities	Practice proposal sales in order to support the asset formation that clients truly want.	VG	
		Streamline the way consultations are conducted between customers and senior branch officers.	G	
		Improve quality of performance in order to eliminate complaints and claims.	G	
	Daiwa Securities SMBC	Keep rigorous guard against anti-social influences and unfair trading practices.	G	
		Implement training that includes current issues, and enrich e-learning content.	VG	
		Take steps to prevent any leakage of personal data during the implementation of measures.	VG	
		Build an inspection system to watch for conflicts of interest.	VG	
		Create a framework to comply with the Comprehensive Supervisory Guidelines for Securities Companies established by the Financial Services Agency.	VG	
		Set up a trading management system according to the new rules of the Japan Securities Dealers Association.	VG	
Information Disclosure		Expand IR programs to suit more types of investors.	VG	33–34
		Improve investor relations activities for individual investors.	G	
		Encourage a better understanding of disclosure-related regulations within the Group.	G	
Customer Satisfaction		Actively pursue post-sales follow up.	G	35–36
		Create office atmospheres that are appealing to a broad clientele.	G	
		Implement education programs to improve manners and knowledge of younger sales staff.	G	
Human Values and Human Resource Utilization		Strengthen initiatives for job creation.	VG	37–40
		Enhance education and training programs to increase the number of qualified analysts and certified financial planners (CFPs).	G	
		Continue workplace initiatives in support of female employees.	G	
Corporate Citizenship		Strengthen initiatives that address social issues.	G	41–44
		Promote volunteer programs that enable the participation of larger numbers of employees.	F	
The Environmental Impact of the Daiwa Securities Group		Expand the environmental management systems to consolidated subsidiaries in Japan.	F	45–46
		Reduce environmental impact through the computerization of documents and the reduction of office paper usage.	VG	
		Establish guidelines on procurement.	NI	

#### Issues and targets for fiscal 2007

Promote the widespread practice of SRI (continued).

Provide more information on socially responsible investment.

See "Compliance."

Consider the development of financial products that enable investors to help resolve environmental issues.

Expand environmental management systems to major overseas offices.

Reduce environmental impact by such means as appropriate adjustment of air conditioning and using electronic statements.

Achieve zero waste on move of headquarters building.

Enhance activities to raise awareness of sustainability.

Promote economic and financial literacy initiatives for junior and senior high-school students.

Perform documentation and validation in anticipation of fiscal 2008 (first year that internal control system goes into effect).

Create systems for new businesses.

Further promote BCP.

See "Adding a Social Perspective to Investment" and "Publishing Information for a Sustainable Society."

Raise awareness of corporate ethics and compliance at group companies (continued).

Strengthen measures against anti-social forces (continued).

Enhance systems compliant with such revised laws as the Financial Instruments and Exchange Law and Financial Products Sales Law.

Revise internal rules, including simplification and streamlining.

Enhance customer and sales-force management systems.

Enhance systems compliant with such revised laws as the Financial Instruments and Exchange Law and Financial Products Sales Law.

Manage information more strictly, and in particular establish systems to prevent the leakage of personal information.

Enhance compliance regimes relating to laws and regulations concerning foreign exchange.

Support greater sophistication in risk-management systems.

Enhance disclosure of non-financial information.

Further expand and enhance investor relations (IR) targeting individual investors.

Actively pursue post-sales follow up (continued).

Improve skills of junior salespeople.

Improve customer-interface skills of branch employees who interact with customers.

Further promote company-vitalization measures.

Enhance education and training programs to increase number of certified analysts and CFPs (continued).

Develop workplace environments where women can fully demonstrate their abilities (continued).

Contribute to social welfare through the utilization of grant programs and the like.

Promote volunteer programs to enable more employees to participate (continued).

See "Contribution to Global Environment."

## Fiscal 2006 performance and fiscal 2007 targets

### ◎ Fiscal 2006 performance

The results of initiatives in fiscal 2006, and plans for fiscal 2007, are listed as the issues and targets of each division. Each initiative is rated based on its results in achieving its vision and medium-term goals\*1.

### ◎ Fiscal 2007 targets

Targets for fiscal 2007 relating to the material issues identified in this report are categorized as "targets for material issues."

Additionally, the CSR targets of each division for fiscal 2007 are in accordance with the Group's Medium-term Management Plan\*2, and the practice of CSR targets leads to the maximization of the value of each stakeholder group.

\*1 In the following pages, "vision and medium-term goals" are indicated as the vision of each division to achieve through its initiative.

\*2 The Group's Medium-term Management Plan: A three-year plan from fiscal 2006 to fiscal 2008. See page 14 of the Daiwa Securities Group Inc. Financial Report for the period ended March 2007 for details. (In Japanese only)  
<http://www.daiwa-grp.jp/ir/financial/report.cfm>

### Rating of initiatives

VG : Very good results toward achieving vision and medium-term goals  
G : Good results toward achieving vision and medium-term goals  
F : Fair; further implementation and results needed  
NI : Not implemented



# Corporate Governance

The Group is united in its efforts to build a highly transparent and objective corporate governance system, in order to earn the confidence of all our stakeholders and continually improve our corporate value.

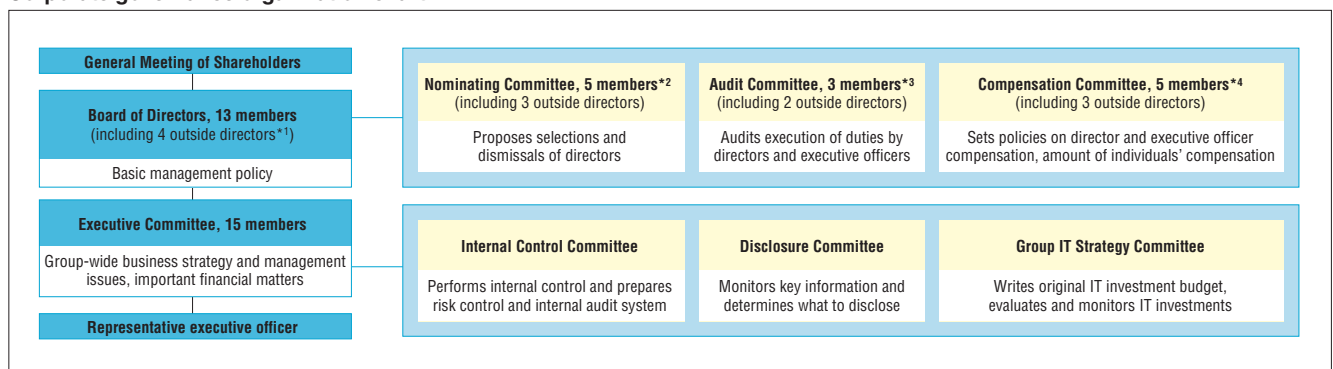
## Vision and medium-term goals for corporate governance

Against a backdrop of recent increasing market globalization and institutionalization, corporate governance has come to be considered vital for making investment decisions. Daiwa Securities Group believes that earning the confidence of all

stakeholders will enable it to continuously increase corporate value. The company actively incorporates outside viewpoints, building a transparent, dynamic, and efficient corporate-governance system that meets international standards. At the same time, we are leveraging the synergy of each group company to build a unified group-management system.

Issues and targets for fiscal 2006	Results and progress for fiscal 2006
Document internal standards relating to financial reporting and establish evaluation methods for the entire group.	<ul style="list-style-type: none"> <li>Created project team, selected business processes for key business sites and evaluation items, and began documentation company-wide.</li> </ul>
Prepare systems for each group company in compliance with upcoming changes in Japanese commercial law.	<ul style="list-style-type: none"> <li>Revised institutional design in accordance with the businesses of each group company, and revised regulations at each company in preparation for creation of internal-control system.</li> </ul>
Study performance evaluation methods.	<ul style="list-style-type: none"> <li>Studied method of evaluating performance of group companies that takes capital costs into account.</li> </ul>
Improve group management structures by promoting business continuity plans (BCP).	<ul style="list-style-type: none"> <li>Created crisis-management regulations and manuals at Daiwa Securities Group Inc. and major subsidiaries.</li> </ul>

## Corporate governance organization chart



\*1. Outside directors

Tetsuro Kawakami  
Counsel, Sumitomo Electric Industries, Ltd.

Ryuji Yasuda  
Professor, Hitotsubashi University  
Graduate School

Keisuke Kitajima  
Attorney

Koichi Uno  
Certified public accountant

\*2. Nominating Committee

internal Yoshinari Hara (Committee Chair)  
Chairman of the Board of Corporate Executive Officer  
Daiwa Securities Group Inc.

Shigeharu Suzuki  
Director and President (CEO)  
Daiwa Securities Group Inc.

external Tetsuro Kawakami  
Ryuji Yasuda  
Keisuke Kitajima

\*3. Audit Committee

internal Kenji Hayashibe (Committee Chair)  
Director  
Daiwa Securities Group Inc.

external Keisuke Kitajima  
Koichi Uno

\*4. Compensation Committee

internal Yoshinari Hara (Committee Chair)  
Shigeharu Suzuki

external Tetsuro Kawakami  
Ryuji Yasuda  
Koichi Uno

## Corporate governance system

Daiwa Securities Group Inc. has adopted a committee system, with the goals of greater agility in decision making, enhancing the supervisory functions of the Board of Directors, and making management more transparent. Our corporate governance system consists of the Board of Directors, which serves in a supervisory role; the Nominating, Audit, and Compensation Committees; the Executive Committee, which serves as the executive body, and the Internal Control, Disclosure and Group IT Strategy Committees, which are subcommittees of the Executive Committee.

Although our Chairman of the Board, who chairs the Board of Directors, is also an executive Officer, he does not have any specific duties as an Executive Officer.

▶ **WEB** Preventing conflicts of interest between group companies

### ◎ Supervisory function

The Board of Directors consists of 13 directors, including four outside directors. The Board of Directors determines key management policy and supervises executive duties. In order to perform this supervisory role from multiple viewpoints in accordance with the demands of society, the policy for selecting new board members states that candidates must have a strong sense of ethics and lead by example. Additionally, external directors are experts in such fields as law and executive management.

Our supervisory function is reinforced by the Audit Committee and the Office of the Audit Committee. The Audit Committee, which consists of a majority of outside directors\*, plays a central role in the supervision of executive duties. The Audit Committee is assisted by the Office of the Audit Committee, which has no executive duties, and has different systems for assignment and evaluation.

\* Outside directors as defined by Article 2-15 of the Company Law.

### ◎ Executive body

The Executive Committee, consisting of 15 executive officers, is located at Daiwa Securities Group Inc. The Executive Committee

discusses and makes decisions regarding key issues for executive management, including the business strategy of the Group as a whole and group-wide management issues. In order to ensure uniform management across the Group, some of the executive officers of Daiwa Securities Group Inc. also serve as key directors in group companies.

## Fiscal 2006 initiatives

### ◎ Group-wide rollout of internal control

We are strengthening our initiatives in anticipation of the internal-control and reporting system under the Financial Instruments and Exchange Law, which will go into effect in April 2008. We have created four working groups—company-wide control, general IT control, business processes, and verification—and in fiscal 2006 we documented the operational flow, risks, and control of a number of business processes as a pilot project. The various divisions of Daiwa Securities Group Inc. play a leading role in each working group. They determine the responsible divisions and persons within each group company, coordinating a group-wide effort. In fiscal 2007, the working groups are promoting documentation of company-wide control, general IT control, and business processes across the Group, and are evaluating and verifying internal control.

### ◎ Revision of systems for group companies consequent to enactment of new Company Law

In accordance with the enactment of the new Company Law in May 2006, we have revised our management system throughout the Group.

One of the features of the new law is a much broader range of choices regarding the company's institutional design. In response, we have made several revisions, including revisions to the articles of incorporation of each group company. In addition to assigning appropriate directors and corporate auditors, we implemented measures to enable general shareholders meetings to be conducted on paper. We have created systems to promote faster and more appropriate business operations.

▶ **WEB** Consideration of performance-evaluation methods

▶ **WEB** BCP initiatives

## >> Targets and main action plans for fiscal 2007

We will carry out group-wide documentation and verification during fiscal 2007, and build a system that fully enables compliance with the internal control and reporting system relating to financial reporting, which will first go into effect in fiscal 2008.

With regard to the business continuity plan we have been developing since fiscal 2006 as well, we will strengthen a system for contact between group companies, and complete the business continuity manual in July 2007. In addition, we plan to make broad

revisions after we move our headquarters building in December 2007.

As our businesses become increasingly diverse due to the rollout of new businesses within the Group, we will also design flexible institutions in accordance with the size and businesses of each company, ensuring a high degree of unity within the Group.

We will raise the level of information security within the Group by moving forward with the operation in conformity with Information Security Management System (ISMS).



# CSR Management

We promote CSR activities through communication with our stakeholders, actively publishing information related to CSR both inside and outside the company.

## Vision and medium-term goals for CSR management

The Daiwa Securities Group has a wide range of CSR initiatives, aimed at sustainable growth together with society. By carrying out

CSR activities, we also aim to meet the demands and expectations of all our stakeholders, and improve our employees' confidence in the company, their pride in their work, and their sense of solidarity.

Issues and targets for fiscal 2006	Results and progress for fiscal 2006
Focus more on economic and financial education.	<ul style="list-style-type: none"> <li>Continued practical activities to give youth the ability to live in society; these efforts have grown steadily.</li> </ul>
Promote the widespread practice of SRI.	<ul style="list-style-type: none"> <li>Promoted sales of the Daiwa Eco Fund, and carried out a wide range of activities to promote and raise awareness about socially responsible investment (SRI) by publishing information via symposiums and other means.</li> </ul>

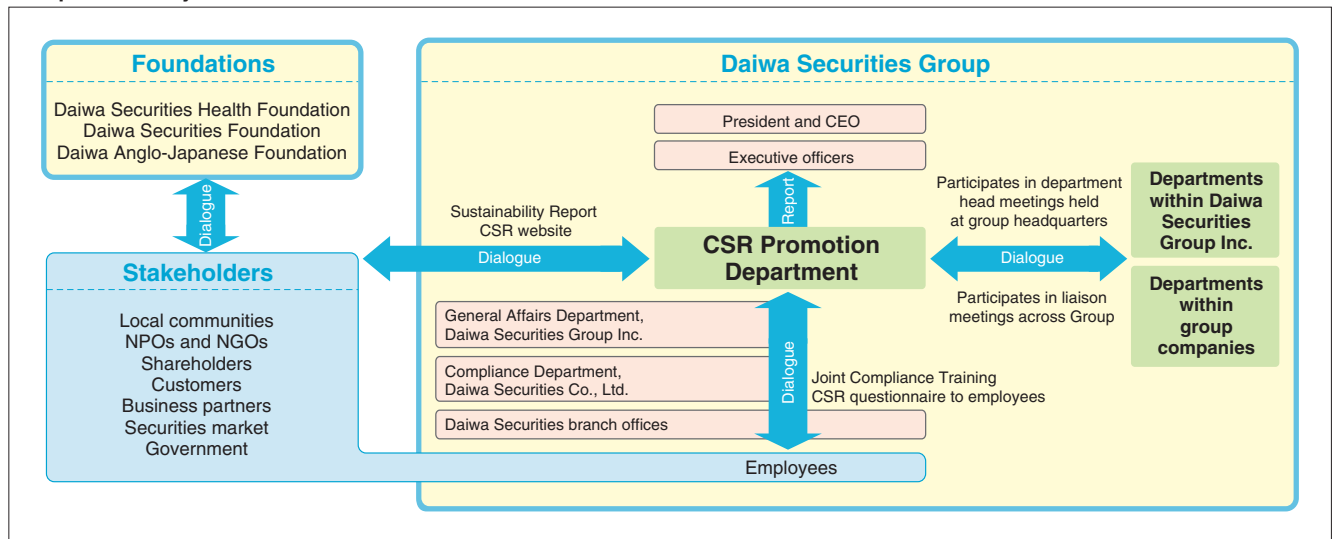
## CSR promotion system

We have established a CSR Promotion Department at Daiwa Securities Group Inc. The department participates regularly in department head meetings at group headquarters and in departmental liaison meetings held through the Group, where it

reports on the Group's CSR activities and raises CSR-related issues.

We are also building a CSR promotion system to work toward sustainability and share information at our 43 major overseas facilities (which include foreign subsidiaries, branches, and overseas offices).

### CSR promotion system



## Daiwa Securities Group's basic CSR strategy

(Taken from "Passion for the Best 2008," Daiwa Securities Group's new medium-term management plan.)

To carry out communication with stakeholders on a more comprehensive scale, the Group contributes to the development of a sound economy and society, as well as maintains its social status.

- **Education in economics and finance**

To work with educational institutions and NPOs to promote economics education, as well as support education and research based on the cooperation between business and universities.

- **Socially responsible investment (SRI)**

To promote the widespread practice of SRI.

- **Environmental protection**

To build an environmental management system, including the establishment of environmental policies, within the group companies, starting first with the principal group companies in Japan, then the consolidated subsidiaries in Japan, and later, the overseas subsidiaries.

## >> Targets and main action plans for fiscal 2007

We will further expand and enhance our CSR information-disclosure system, including our sustainability reports. We will coordinate our Group SRI strategy, and support the development and promotion of

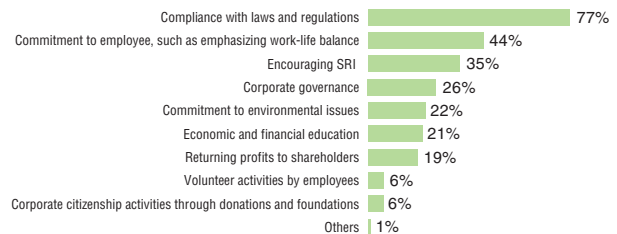
our SRI fund and others. We will focus our economic and financial education particularly on junior and senior high-school students, continuing our activities in collaboration with NPOs and others.

## Results of CSR employee survey

Daiwa Securities Group regularly conducts CSR surveys of all its employees, in order to track employee awareness of CSR. In fiscal 2007, we conducted a survey in May targeting all 15,206 employees (including temporary employees), and received 12,277 responses (80.74%). Some of the survey results are reported below. We treat these results very seriously, and are committed to having our employees carry out CSR activities autonomously.

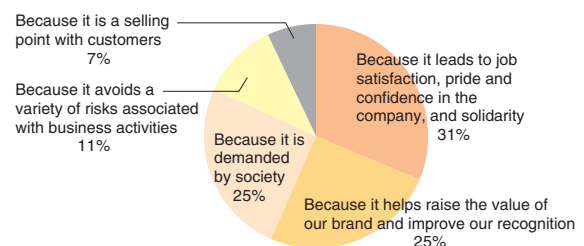
### What aspects of CSR at Daiwa Securities Group do you think are particularly important, apart from a commitment to your day-to-day duties?

The most common responses were (in order) "Compliance with laws and regulations" (77%), "Commitment to employees, such as company programs that emphasize work-life balance" (44%), and "Encouraging SRI" (35%).



### Why do you think Daiwa Securities Group promotes CSR?

The most common response was "Because it leads to job satisfaction, pride and confidence in the company, and solidarity" (31%), showing the level of penetration that our management policy has attained. Two other common responses were "Because it is demanded by society" and "Because it helps raise the value of our brand and improve our recognition," both at 25%.



### What would be an effective way for Daiwa Securities Group to tackle environmental issues?

The responses showed that employees have a high level of awareness of reducing the Daiwa Securities Group's environmental impact: 52% responded "Reducing the environmental impact of offices by saving paper, managing air conditioning, etc.," and 47% responded "Reducing the environmental impact of operations by using electronic

statements, investing in energy efficiency, etc." Meanwhile, efforts to appeal CSR awareness to society through our main businesses was lower than those of lowering the environmental impact of the Group: 28% responded "Private Investment in environmental business"; 25% responded "Developing and selling such financial products as environmentally aware investment trusts"; and 24% each responded "Expanding emissions-trading related business" and "Offering customers investment information relating to the environment."



# Compliance

We do not believe that compliance stops with the letter of the law; we believe that it includes all actions for winning the confidence of our customers and society. We are committed to enhancing both group-wide initiatives and independent initiatives by our group companies.

## Vision and medium-term goals for compliance

Given the public-interest aspect of the securities industry, all Daiwa Securities Group officers and employees must continually maintain a strong sense of ethics, and contribute to the sound

development of the securities market.

We will maintain a self-purifying system at the organizational level, where we are able to independently discover and correct risks and problems in our duties by having each employee be highly conscious of compliance.

	>> Issues and targets for fiscal 2006	>> Results and progress for fiscal 2006
Entire Group	<p>Arrange activities to raise awareness of the Corporate Ethics Hotline among group companies.</p> <p>Strengthen measures against anti-social influences.</p>	<ul style="list-style-type: none"> <li>Conducted corporate ethics training at three major group companies.</li> <li>Revamped the in-house website for the Corporate Ethics Hotline, and enhanced access features from each group company.</li> <li>Shared information on trends in whistle blowing cases and the like among general-affairs management from each group company, and encourage alertness to enhance self-purification functions.</li> <li>Enhanced information collection functions, accumulated data, and enhanced advise relating to new business partners and investments of group companies.</li> </ul>
Daiwa Securities	<p>Practice proposal sales in order to support the asset formation that clients truly want.</p> <p>Streamline the way consultations are conducted between customers and senior branch officers.</p> <p>Improve quality of performance in order to eliminate complaints and claims.</p> <p>Keep rigorous guard against anti-social influences and unfair trading practices.</p>	<ul style="list-style-type: none"> <li>Informed all officers and employees of the need to ascertain customer attributes such as investment experience via compliance training and satellite broadcasts.</li> <li>The Compliance Department manages the status of consultations between specific types of customers (such as elderly customers) and superiors (branch managers and section managers) on a monthly basis.</li> <li>Continued to raise awareness of sales personnel and maintain a system of close contact between sales branches and the Compliance Division, and reduced the number of complaints to the Customer Support Center.</li> <li>Visited 73 sales offices jointly with Daiwa Securities Group Inc., and conducted training aimed at improving corporate ethics and the quality of operations, and thoroughly eliminate antisocial forces. Increased our case study profile of preventing antisocial forces from opening accounts.</li> </ul>
Daiwa Securities SMBC	<p>Implement training that includes current issues, and enrich e-learning content.</p> <p>Take steps to prevent any leakage of personal data during the implementation of measures.</p> <p>Build an inspection system to watch for conflicts of interest.</p> <p>Create a framework to comply with the Comprehensive Supervisory Guidelines for Securities Companies established by the Financial Services Agency.</p> <p>Set up a trading management system according to the new rules of the Japan Securities Dealers Association.</p>	<ul style="list-style-type: none"> <li>Built a system for timely incident-prevent training based on securities incidents and actual examples from other companies, and created new e-learning content regarding the latest case studies.</li> <li>Enhanced training curriculum for temporary employees.</li> <li>Checked for the existence of personal data throughout the company. Conducted leak-prevention training in each department, and made our system for selecting and managing outside contractors stricter.</li> <li>Built a system to check all transactions for conflicts of interest across the company.</li> <li>Identified items that do not meet the levels required by the supervisory guideline, and devised improvement measures.</li> <li>Build new system with transaction screening functions in compliance with rules.</li> </ul>



## Compliance regime

Daiwa Securities Group Inc. plays a central role in compliance policy for the entire Group: it formulates the principles and vision for compliance for the Group as a whole; it collects information about compliance at each group company; and it creates a workplace environment and foments ethical viewpoints to enable thorough compliance. Meanwhile, each group company must comply with a different set of rules and regulations, due to differences in the types and details of their businesses. For this reason, the Compliance Department of each group company plays a leading role in setting detailed compliance regulations and response.

The compliance regime of the Group as a whole is maintained and promoted by having both Daiwa Securities Group Inc. and each group company fulfill its respective role, and enhancing the collaboration between the initiatives of each.

## Fiscal 2006 initiatives

### Structure and performance of the Corporate Ethics Hotline

We introduced a Corporate Ethics Hotline in January 2003, through which employees can report problems in the workplace directly to either a corporate-ethics officer from Daiwa Securities Group Inc., or an outside attorney.

When there is a report, we investigate the situation together with the head of internal administration supervisors and the compliance officers at group companies, while working to ensure that the whistleblower is protected. The hotline received 74 reports in fiscal 2006, up 50% from the 49 reports in fiscal 2005. We judge that this increase is due to a broader user base, thanks to the training concerning the hotline, and our commitment to

respond to reports as quickly as possible, which increased recognition of and confidence in the hotline. Most of the reports deal with the workplace environment, and we believe that improvements to the workplace environment have been a benefit of the hotline. We remain committed to increasing confidence in the program and program recognition in order make the hotline fully effective at preventing issues, and enhance the program to promote its appropriate use.

### Responses to reports made through the Corporate Ethics Hotline

Report	Response
Misuse of power and position, character disparagement, etc.	After an investigation of the situation, a warning was issued to the superiors and guidance was provided.
Sexual harassment	After an investigation of the situation, a warning was issued to the staff and guidance was provided.
Breaches of sales ethics and rules	After an investigation of the situation, special training and guidance was provided to the individuals concerned.
Impoliteness	A warning was issued at a general meeting concerning proper business practices and conduct.

### Training with topical content, and enhancements to e-learning content

In addition to compliance training carried out on a regular basis, whenever there is a major incident we also conduct training in departments concerned, in order to prevent the occurrence of similar incidents in the future. We also produce topical content for our e-learning program that reflects changes in rules for screening sales promotion materials, the latest securities case studies, administrative sanctions, and the like, and utilize this content in our training.

► **WEB** Building a system to check for conflicts of interest

## » Targets and main action plans for fiscal 2007

The Group is committed to creating an environment at each group company where its employees understand corporate ethics and compliance well, by conducting training in corporate ethics, employee surveys about the Corporate Ethics Hotline, and other measures. We also continually monitor each group company to ensure they have no ties to antisocial forces, and strengthen our response through such measures as continual enhancements to our database relating to the elimination of antisocial forces.

Another key challenge for fiscal 2007 is the creation of systems required to comply with such newly enacted laws as the

Financial Instruments and Exchange Law and the revised Law on Sales of Financial Products, including a customer management system and investment recommendation system. We will also continue to check for the existence of personal information and our system for selecting and managing outside contractors, in order to ensure that personal information is thoroughly managed. We will also enhance and expand our regime for compliance with laws and regulations relating to foreign exchange, including enhancing our system for checking for accounts subject to economic sanctions and money laundering.



# Information Disclosure

The Daiwa Securities Group actively communicates with all its stakeholders, disclosing financial, social, and environmental information fairly, appropriately, and in a timely manner.

## Vision and medium-term goals for information disclosure

As an enterprise engaged in the securities industry, Daiwa Securities Group is committed to disclosing information

appropriately and in a timely manner that can serve as a model for other listed companies, based on its Disclosure Policy.

We also strive to communicate fully with all our stakeholders, including shareholders and investors, providing a wide range of information, such as financial, social, and environmental information.

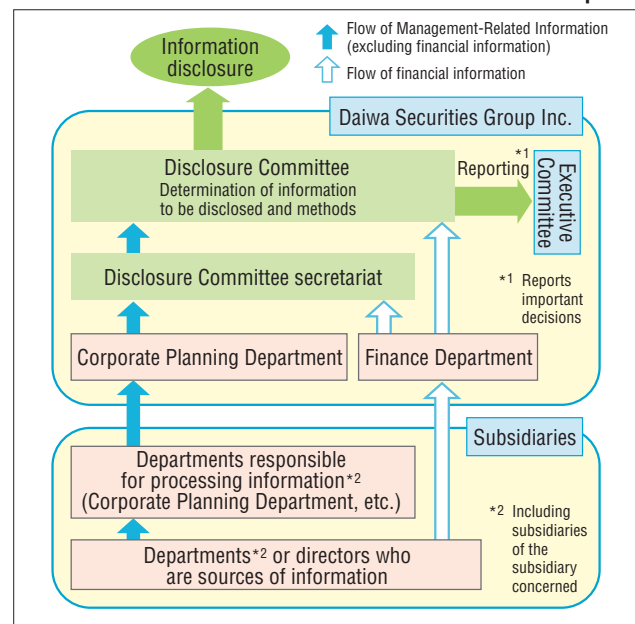
Issues and targets for fiscal 2006	Results and progress for fiscal 2006
Expand IR programs to suit more types of investors.	<ul style="list-style-type: none"> <li>Held IR informational meetings with institutional investors in Tokyo, New York, London, and Hong Kong.</li> <li>Increased number of individual meetings with institutional investors (including outside Japan) by expanding and enhancing our IR programs.</li> <li>Made IR visits to Australia and the Middle East.</li> </ul>
Improve investor relations activities for individual investors.	<ul style="list-style-type: none"> <li>Held informational meetings with individual investors in Tokyo and Osaka.</li> <li>Although the number of individual shareholders decreased, we increased the number of people applying for rewards compared to the previous year by expanding and enhancing our shareholder reward program.</li> <li>We created a new IR website for individual investors, and offered more easy-to-understand IR information.</li> </ul>
Encourage a better understanding of disclosure-related regulations within the Group.	<ul style="list-style-type: none"> <li>Placed management-related information contact table on in-house information network.</li> <li>Started creation of system to facilitate the communication of management-related information.</li> </ul>

## Information disclosure system

Daiwa Securities Group Inc. has created Disclosure Regulations in order to achieve its Disclosure Policy. Our Disclosure Committee is responsible for final decisions regarding information disclosure, in accordance with these regulations.

Each group company also creates rules for controlling the release of Management-Related Information. We have created a uniform information-disclosure system for the entire Group. Each group company collects information and reports it to Daiwa Securities Group Inc. without fail, including posting management-related information contact tables on our in-house network.

Information disclosure flow at the Daiwa Securities Group



## Disclosure Policy

- We will observe fair and timely disclosure of important financial, social and environmental information ("Management-Related Information") regarding the Daiwa Securities Group so that our stakeholders (including shareholders, investors and the communities we operate in) may understand and maintain realistic expectations of the Daiwa Securities Group.
- We will comply with the Securities Exchange Law and other laws and ordinances related to securities transactions and the various rules of the stock exchanges where on which our stock is listed.
- We will endeavor to achieve fair disclosure both in terms of content and timing.
- We will utilize various communication channels including presentations, telephone conferences, the Internet and printed materials to disclose information in an easy to comprehend manner for investors.
- We will consciously act as a leader of the securities markets in terms of disclosure and set the standards for all other listed corporations.
- We have established the Daiwa Securities Group Inc. Disclosure Regulations, that define guidelines such as setting up a disclosure committee and the methods of disclosing management-related information to fulfill the spirit of this Policy.

## Disclosing information using a wide range of tools

We disclose information using a wide range of tools, based on our policy of disclosing financial, social, and environmental information. This commitment to information disclosure has been widely recognized. Daiwa Securities Group Sustainability Report 2006 won the Excellence Prize in the sustainability report category of the 10th Environmental Communication Awards of the Global Environmental Forum (GEF); it also won Excellence Prize in the sustainability report category of the 10th Green Reporting Awards of Toyo Keizai Inc.

## Communication with shareholders and investors

### ◎ Communication with individual investors

In June 2006, we launched an IR website for individual investors, in order to expand and enhance our disclosure of information to individual investors in accordance with our policy of emphasizing communication with individual investors. Through this site, we strive to publish easy-to-understand information on such topics as the details of our businesses and our strategies.

Additionally, in February 2007 we held seminars for individual investors in Tokyo and Osaka, where Daiwa Securities Group Inc. President and CEO Shigeharu Suzuki described our management policy and other matters to a total of about 1,020 individual investors.

### ◎ CSR seminars for individual investors

In April 2007, we held a CSR seminar for individual investors titled "New Trends in Investing: The Search for Sustainable Growth Companies." 410 people attended the seminar, showing individual

investors' high interest in CSR.

The seminar began with a keynote address by Mariko Kawaguchi, Senior CSR Analyst at Daiwa Institute of Research Ltd., titled "The Growing Focus on Corporate Social Responsibility." This was followed by a presentation titled "SRI Management Facts" by a fund manager at Daiwa Asset Management, and one titled "CSR Activities of Daiwa Securities Group Inc." by the staff of the CSR Promotion Department of Daiwa Securities Group Inc. The audience was quite passionate about the topic, with many questions during the Q&A sessions. More information about this seminar can be found at the following URL (In Japanese only).

[http://www.daiwair.co.jp/individual/csr\\_report/20070416/index.html](http://www.daiwair.co.jp/individual/csr_report/20070416/index.html)



CSR seminar for individual investors

### ▶ WEB Communication with institutional investors

### ◎ Initiatives at general meetings for shareholders

The general meeting for shareholders is an opportunity for direct communication with our shareholders. In order to encourage higher attendance, in 2006 we began holding these meetings on Saturdays. A total of 1,550 shareholders attended our 70th regular general meeting for shareholders (held on June 23, 2007). The meeting included a lively Q&A session, with questions by shareholders about employee education and risk management. The meeting was followed by light refreshments, which was followed by a lecture. The meeting was also broadcast live via satellite, and was watched by a total of 850 people in Osaka, Nagoya, Sapporo, and Fukuoka.

### ◎ Shareholder surveys

We continuously carry out shareholder surveys in order to gain direct feedback from our shareholders, and reference this in our management and IR activities. In 2006, we created a new IR website for individual investors and expanded our shareholder reward program based on feedback from shareholders in these surveys.

### ▶ WEB Shareholder survey result (fiscal 2006)

## ➤ Targets and main action plans for fiscal 2007

We will strive to expand and increase awareness of information disclosure in the Daiwa Securities Group, and increase our corporate value by improving our disclosure of such non-financial information as CSR, governance, and corporate culture.

# Customer Satisfaction

We at the Daiwa Securities Group consider improving customer satisfaction to be one of our key management challenges. Reflecting the feedback and views from customers, the Daiwa Securities Group is committed to offering services that exceed their expectations, and improving the quality of service we provide.

## Vision and medium-term goals for customer satisfaction

As the trend from saving in investing accelerates, the services demanded by our customers grow more diverse and ceaselessly changing. Our vision for the Daiwa Securities Group is to be a team of professionals that continues to offer new services that

accurately reflect these customer needs.

We also create an atmosphere at our branches that makes more customers glad that they came to Daiwa Securities. In order to accomplish this, we offer warm hospitality in addition to creating a relaxed ambiance, and providing information in depth and in an easy-to-understand manner.

➤ Issues and targets for fiscal 2006	➤ Results and progress for fiscal 2006
Actively pursue post-sales follow up.	<ul style="list-style-type: none"> <li>• Held emergency follow-up seminar to give an analysis of the current situation and future forecasts at a time of rapid market change.</li> <li>• Ensured thorough awareness and understanding of the importance of post-sales follow-up in sales training.</li> </ul>
Create office atmospheres that are appealing to a broad clientele.	<ul style="list-style-type: none"> <li>• Established a branch layout and presentation flow that make it easier for customers visiting branches to achieve the purposes of their visits.</li> <li>• Provided hospitality training to staff that interface with customers.</li> <li>• Installed Executive Rooms that utilize teleconferencing to enable expert staff at the headquarters to provide information and describe products to customers.</li> </ul>
Implement education programs to improve manners and knowledge of younger sales staff.	<ul style="list-style-type: none"> <li>• Created a site for younger sales staff, prepared training materials, and published reference materials for trainers.</li> </ul>

## Initiatives to improve customer satisfaction

### ◎ Actively following up customers after sales

Post-sales follow-up is always a focus of customers. We emphasize the importance of post-sales follow-up to our sales force and branch staff that interacts with customers, and raise their awareness of this issue.

In June 2006, there was a rapid change in exchange rates; then March 2007 saw rapid fluctuations in the stock market. At these times, we held Emergency Investment Seminars at our branches nationwide, rapidly providing a broad range of information relating to analyses of the current situation for products held by our customers and future forecasts. We also held Internet seminars in order to enable access by customers who live a long distance from our branches, and customers who work during the day.

### ◎ Creating a branch ambiance that engenders customer satisfaction

Our branches are currently being remodeled. In this remodeling, we are converting our counters to booths. This enables us to consult with our customers in a more relaxed atmosphere, and also better protects their privacy. Executive Rooms equipped with teleconferencing systems are installed to enable experts at our headquarters to provide information and describe products to customers, as well as provide advice on asset management directly.



Hospitality training

Hospitality training is also provided to all employees in the Investment Services Section who interact with customers, in order to improve their customer-service skills with an emphasis on attentiveness and consideration. We value warmth and hospitality, and are committed to making a visit to each branch a worry-free experience for all our customers, including the elderly and persons with handicaps.

### ◎ Educating junior sales staff

At Daiwa Securities, we focus on educating our junior salespeople, in order to give them correct knowledge and understanding of customer satisfaction from an early stage. In addition to group training as appropriate, a special site for junior sales representative is established, which helps achieve this goal in conjunction with our corporate television circuit and other tools.

## Fiscal 2006 customer satisfaction survey

Each year, a customer-satisfaction survey is carried out in order to track how our customers rate us. In fiscal 2006, we received responses from 1,897 customers. The results of the survey showed that providing information and advice after the purchase of a product (i.e. post-sales follow-up) continues to be an issue that we must focus on. We will therefore hold seminars and work to raise employee awareness, identifying post-sales follow-up as a key issue.

## Systems and initiatives to leverage customer feedback

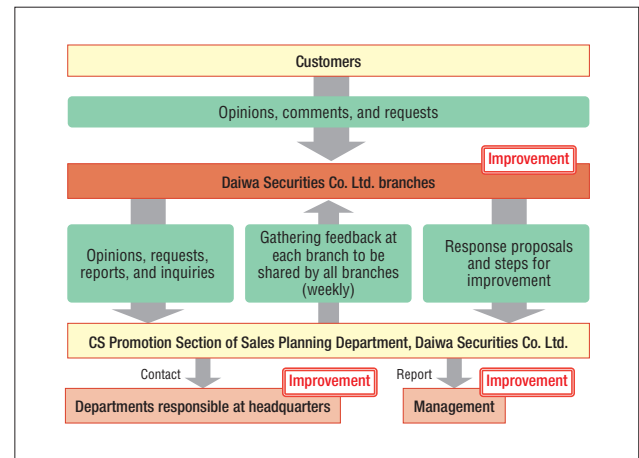
Our headquarters collects and summarizes feedback received from customers by each of our branches, and provides this feedback throughout the company each week, teaching customer-service skills and sharing knowledge.

Our “report on initiatives to utilize customer feedback” summarizes our initiatives to make improvements reflecting customer feedback.

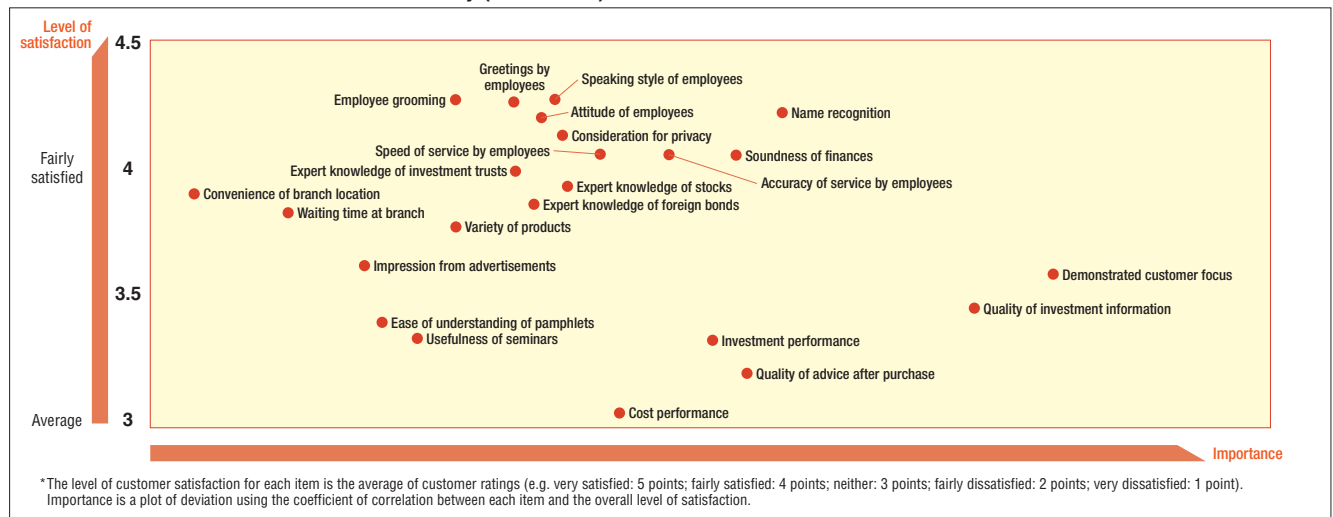
The report is available from the following URL (In Japanese only).

<http://www.daiwa.jp/company/documents/0706.pdf>

### How customer feedback is utilized



### Results from the customer satisfaction survey (fiscal 2006)



### >> Targets and main action plans for fiscal 2007

In fiscal 2007 and beyond, we will continue to actively follow up customers after sales. We will also improve the skills of our junior salespeople through various training programs including on-the-job training, and give our branches a sense of hospitality that makes our customers happy that they came to Daiwa Securities for a consultation.



# Human Values and Human Resource Utilization

The Daiwa Securities Group is committed to creating a workplace that its employees strongly feel is worth working for, and can take on new challenges in their work with high motivation.

## Vision and medium-term goals for a company worth working for

In July 2006 and March 2007, the Daiwa Securities Group set the target of being the top securities group in Japan, full of motivation and passion. We have created a company vitalization program to be a company that highly motivates its employees and creates greater job satisfaction. We implement a number of measures,

including expansion of female employees support plan, enhancements to mental healthcare, and a career path for temporary employees to become permanent employees, so that everyone working in our Group will (1) feel confident in the company; (2) have pride in their work, with an understanding of the role and significance of the business; and (3) share a sense of solidarity with the company and their coworkers.

» Issues and targets for fiscal 2006	» Results and progress for fiscal 2006
Strengthen initiatives for job creation.	<ul style="list-style-type: none"> <li>• Hired 1,423 fiscal 2007 graduates, a huge increase over previous years.</li> <li>• Converted temporary employees to permanent employees.</li> <li>• Actively hired persons with disabilities, and increased ratio of disabled employees.</li> </ul>
Enhance education and training programs to increase the number of qualified analysts and certified financial planners (CFPs).	<ul style="list-style-type: none"> <li>• Increased number of certified securities analysts and CFPs by providing last-minute reports and other information, and providing test-preparation classes.</li> </ul>
Continue workplace initiatives in support of female employees.	<ul style="list-style-type: none"> <li>• Received Tokyo Labor Bureau Chief Award of Excellence in the Corporate Equal Opportunity Awards in recognition of our support for the female employees.</li> <li>• Created a working environment that is supportive of women, including creating the Childcare Support Guidebook, and launching the Daiwa Family Net, which supports a good balance between work and family.</li> </ul>

## Hiring initiatives

Daiwa Securities Group believes that in order to increase employees who share the feeling of confidence and pride in the company and a sense of solidarity, we must offer them long-term employment. For this reason, we create a system of hiring and employment contracts that primarily focus on long-term employment.

In April 2007, we hired 1,423 new graduates. This was the largest number of new-graduate hires in the securities industry. We expanded communications in our hiring process through seminars, small meetings, and the like, in order to improve the mutual understanding between students and our company. This

effort also improved our score in rankings of companies that students most want to work for.

We have also created a new program that offers a career path for temporary employees to become full-time employees. In fiscal 2006, more than 100 temporary employees became full-time employees through this program. We will also continue to periodically elevate temporary employees to full-time status.

We also conducted broad, nationwide efforts to hire persons with disabilities, with a focus on the sales branches of Daiwa Securities Co. Ltd. As of end-March 2007, persons with disabilities accounted for 1.95% of our workforce, averaged across nine group companies. This is a 0.1% increase from fiscal 2006. In fiscal 2007, we will actively begin hiring new graduates with disabilities as well.

## Human-resources development and skill improvement

Daiwa Securities Group has a wide range of training and other programs aimed at improving skills, with the goal of making us the number-one professional team in the industry. We have a highly effective training program that tailors training to the audience and context, including training for specific positions and career stages (such as new hires), executive and management training, and selective training. We have an especially complete program for the first three years after hiring, identifying this as the period for acquiring a broad range of knowledge and skills.

We have also introduced set certification requirements for employee promotions and advancement. The system works by giving employees points for obtaining certifications appropriate for securities business, such as securities analyst and financial planner, and requiring a certain minimum number of points in order to be promoted to such positions as general manager. The system was announced in 2005, and will go into effect in June

### Number of new graduates hired in Daiwa Securities Group (consolidated bases)

(persons)

		April 2005	April 2006	April 2007
Career-track employees/ Regional career-track employees* <sup>1</sup>	Male	251	401	570
	Female	235	326	610
General employees	Male	0	0	0
	Female	81	101	243
Financial advisors* <sup>2</sup>	Male	34	33	0
	Female	40	17	0
Total		641	878	1,423

\*<sup>1</sup> Regional career-track employees make up a class of career-track employees who 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.

\*<sup>2</sup> Financial advisors are employees who work in sales at Daiwa Securities Co. Ltd., under one-year contracts.

### Employees at Daiwa Securities Group (consolidated bases)

(persons)

		As of March 31, 2005			As of March 31, 2006			As of March 31, 2007		
		Employees	Financial advisors	Temporary employees* <sup>1</sup>	Employees	Financial advisors	Temporary employees* <sup>1</sup>	Employees	Financial advisors	Temporary employees* <sup>1</sup>
Japan	Male (Career-track* <sup>2</sup> )	6,879	258	–	6,971	357	–	7,341	324	–
	(Manager)	6,127			6,280			6,613		
	Female (Career-track* <sup>2</sup> )	3,278			3,465			3,641		
Japan	Female (Career-track* <sup>2</sup> )	3,220	690	–	3,300	698	–	3,666	593	–
	(Manager)	1,258			1,411			1,515		
		75			97			110		
Japan total		10,099	948	1,627	10,271	1,055	1,752	11,007	917	1,914
Overseas		1,196	–	48	1,235	–	46	1,340	–	37
Total		11,295	948	1,675	11,506	1,055	1,798	12,347	917	1,951

\*<sup>1</sup> 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.

\*<sup>2</sup> Includes regional career-track employees and specialist positions.

2008. Partly due to the effects of this program, the number of employees with securities analyst, financial planner, and similar certifications has risen, and the program has shown significant success at its original goal: motivating employees to voluntarily and continuously study.

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

## Evaluation system

In order to make its evaluation system fairer and more acceptable to employees, we implement a “two-way evaluation system” in which superiors and subordinates evaluate each other, and a “multi-directional evaluation system,” evaluations are received from collaborating departments. These evaluation systems are used when making personnel-transfer, promotion, and advancement. Evaluations are multi-faceted, also taking compliance-related performance into account.

### Persons earning credentials (nine principal group companies) (persons)

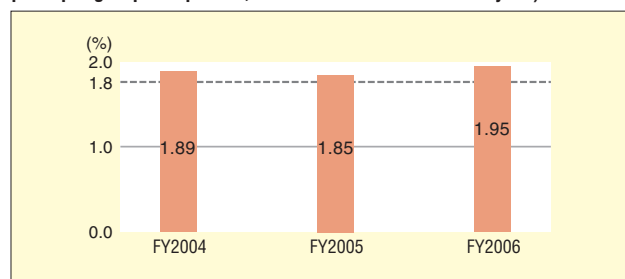
Total as of	March 31, 2007
Credentials	Credentialed persons
Chartered Member, Security Analyst Association of Japan	1,444
Chartered Financial Analyst (USA credential)	46
Financial Planner (AFP)	2,445
Financial Planner (CFP)	234
Licensed Tax Accountant	17
Variable insurance sales credentials	5,579
System Analyst	28
Overseas MBA program graduate, etc.	153

### Basic employee statistics (Daiwa Securities Group Inc.)

	FY2004	FY2005	FY2006
Average annual salary*	¥8.68 million	¥10.22 million	¥11.87 million
Average age	37.1 years old	37.8 years old	37.9 years old
Average number of years of service	10.7 years	11.0 years	11.4 years

\* Average annual salary includes bonuses and other forms of additional remuneration.

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





## Human Values and Human Resource Utilization

### Creating an environment that is supportive of women

The Daiwa Securities Group actively supports its female employees. We have introduced a wide range of programs enabling our female employees to achieve a work-life balance, including the introduction of the Female Employee Support Plan, led by the Women's Support Action Team, which is located in the Personnel Department of Daiwa Securities Group Inc. We actively hire women, confident in the ability of female employees to shine in the workplace. The number of women hired by the Group increases each year, and we actively promote female employees to management positions. In June 2006, Daiwa Securities Group Inc., Daiwa Securities Co. Ltd., and Daiwa Securities SMBC Co. Ltd. won the Tokyo Labor Bureau Chief Award of Excellence in the fiscal 2006 Corporate Equal Opportunity Awards conducted by the Ministry of Health, Labor and Welfare in recognition of the three companies' support for the advancement of women.

**WEB Female Employee Support Plan**

#### Daiwa Securities Group's female employee and manager\* ratios in Japan

	March 31, 2005	March 31, 2006	March 31, 2007
Ratio of female employees to total employees	31.9%	32.1%	33.3%
Ratio of female managers to total managers	2.2%	2.7%	2.9%

\* Deputy general manager or higher

#### Comment from stakeholder

### Balancing work with children



Rie Kataoka  
Asset Consultant Section (I)  
Ueno Branch  
Daiwa Securities Co. Ltd.

I balance my job in sales with caring for my two year-old son. My parents don't live close by, so when my son gets sick I have to take off work, but when I do, my coworkers help me to contact my customers. I also get a lot of cooperation from the people at work; for example, they remind me to go home early. That has allowed me to balance my job with raising a child. Pretty soon now, I'll be taking my second maternity leave. I have to admit that I'm a little worried about returning to work after my maternity leave, but I plan to continue working as long as possible.

### Commitment to a healthy working environment

Our Human Rights Awareness Promotion Committee is chaired by the Daiwa Securities Group Inc. director in charge of personnel management. The committee provides training to directors and employees. It also strengthened the measures against sexual harassment in the Group, consequent to the enactment of the revised Equal Employment Opportunity Law in April 2007. Daiwa Group also manages employees' working hours. Daiwa Securities Group Inc. and Daiwa Securities Co. Ltd. encourage employees to leave by 7 p.m. Several programs have also been put in place to facilitate the taking of paid vacation, including "family days off" and "marriage preparation leave." As a result of these programs, employees take 35.6% of their paid vacation, which is an improvement from fiscal 2005.

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

	FY2004	FY2005	FY2006
Annual regular working hours (Hours)	1837.5	1845.0	1845.0
Average monthly overtime hours* (Hours)	29.3	27.0	26.2
Paid vacation usage rate	33.2%	34.3%	35.6%

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

#### Employee welfare system usage (nine principal group companies\*\*)

(persons)

		FY2004	FY2005	FY2006
Number of employees taking childcare leave*2	Female	115	138	150
	Male	0	0	2
Number of employees taking family-care leave	Female	0	2	3
	Male	0	0	0

\*1 Results of FY2004 and FY2005 covered only Daiwa Securities Group Inc., Daiwa Securities Co. Ltd., and Daiwa Securities SMBC Co. Ltd.

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

#### Initiatives for mental health

In August 2006, Daiwa Securities Group Inc. created a new Mental Health Support Promotion Department in order to maintain the mental health of our employees. The office provides consultations via telephone, face-to-face meetings, and via its website. A certified clinical psychologist is also on call to provide counseling. In fiscal 2006, we focused on raising employee awareness. Because attentiveness by superiors ties into prevention and early detection, we repeatedly provided training to managers and supervisors in order to gain their understanding. Additionally, the body and mind are closely linked, so the Mental Health Support Promotion Department collaborates with the medical offices and outside specialists in order to provide rapid support to our employees.





**Mariko Kikutake**  
Clinical Psychologist  
Mental Health Support Promotion Department

Just as with illnesses of the body, prevention and early care are vital for mental health. The best form of prevention is to track the stress you are feeling in your day-to-day life, and become skilled at changing your mood. If stress becomes so severe that you can't change your mood, you feel anxiety or depression, or find that you become tired easily, then we recommend talking to a friend or expert as soon as possible. Bottling up worry or stress causes a vicious cycle, making you more susceptible to stress-related ailments. If there is something troubling you, please don't hesitate to use the Mental Health Support Promotion Department.

## Communication

The Daiwa Securities Group believes that it is vital to get direct feedback from employees. Our Personnel Department communicates with employees through interviews, and a semi-annual self-assessment questionnaire. We also communicate frequently with members of the Employees' Union, and maintain good relations between labor and management, including utilizing the results of spring negotiations and union-member questionnaire conducted by the union twice each year in a variety of policies and initiatives.

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

	FY2004	FY2005	FY2006
Number of Employees' Union member	5,786	5,747	6,078

\* 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.

## Supporting the careers of senior employees

The Daiwa Securities Group actively hires experienced employees. In 2000, we introduced the Daiwa Elder System, which re-hires senior employees after they have reached mandatory retirement age. In April 2006, we introduced the Daiwa Master System in order to actively employ highly motivated and skilled people regardless of age, including compliance with the revised Law concerning Stabilization of Employment of Older

Persons. Under this system, we continue to employ persons reaching retirement age and who meet certain criteria until the age of 65. We will continue to actively hire experienced employees.

**Usage of the Daiwa Elder System and the Daiwa Master System (Daiwa Securities Group Inc., Daiwa Securities Co. Ltd. and Daiwa Securities SMBC Co. Ltd.)** (persons)

	FY2004	FY2005	FY2006
Number of employees hired through the Daiwa Elder System	84	80	83
Number of employees hired through the Daiwa Master System	-	-	6

## Initiatives for employee family

Recognizing that family support is essential for enabling our employees to fully harness their capabilities at work, we are deeply committed to communicating with our employees' families.

We invite the families of prizewinners to the Daiwa Securities President's Awards ceremonies held twice each year. We conduct a number of other initiatives aimed at making families feel close to the company as well. As an example, the president sends flowers to all employees each Christmas, including temporary employees.

Our mental-health support program also makes care available to all employees and their families nationwide. We are committed to creating an environment that is friendly to family life, supportive of our employees, and enables our employees to fully harness their capabilities at work.



Employees' families are invited to the President's Awards reception

### >> Targets and main action plans for fiscal 2007

We will continue to introduce a wide range of measures for a work environment that allows men and women to achieve a work-life balance, from the perspectives of confidence, pride, and solidarity, in order to create a supportive corporate environment that keeps our employees highly motivated. We will also enhance our educational and training curricula in order to improve the professionalism of our team.



# Corporate Citizenship

As a member of society, Daiwa Securities Group is actively committed to supporting volunteerism, culture and the arts, international exchange, and social-welfare projects.

## Vision and medium-term goals for corporate citizenship initiatives

We believe that our contribution to developing a sustainable society and helping to resolve social issues is our mission as a corporate citizen, as well as an investment in society. We are actively involved in a wide range of efforts in the following four main fields.

- (1) Education and research activities in the fields of economics and finance
- (2) Encouraging volunteerism among employees
- (3) Support for culture and the arts
- (4) Assistance to communities both on the local and international level through foundations and NPOs

### Issues and targets for fiscal 2006

Strengthen initiatives that address social issues.

Promote volunteer programs that enable the participation of larger numbers of employees.

### Results and progress for fiscal 2006

- Enhanced our framework for collaboration with NPOs and NGOs in order to resolve social issues, including efforts to value 'human life'.
- Increased the numbers of programs and participants from the previous fiscal year. A remaining issue is to expand self-planned programs in which many employees can participate.

## (1) Education and research activities in the fields of economics and finance

Leveraging the knowledge and expertise we have accumulated in our main businesses—economics and finance—we actively conduct joint research with universities, support economic education in junior and senior high schools, and the like. See pages 23 and 24 for more details.

### • Women entrepreneur support project

We have held the Women Entrepreneur Business Plan Contest jointly with the Fujisankei Group since 2005, with the goal of supporting women entrepreneurs with a strong motivation.

In 2006, 1,161 women entrepreneurs from throughout Japan competed in the contest. The Grand Prize (Daiwa Securities Group Award) went to Ms. Eriko Yamaguchi for her fair-trade plan titled "Selling Products Planned and Produced in Developing Countries: Creating brands in developing countries." Ms. Yamaguchi's plan received high ratings from all of the judges. We will continue to support women entrepreneurs through this project.



Ceremony for contest winners

## (2) Encouraging volunteerism among employees

Daiwa Securities Group encourages its employees to volunteer in order to maintain broad perspectives and become strong assets in a wide range of fields. In June 2007, Daiwa Securities Co. Ltd. created a new Volunteer Award as part of the President's Awards, which recognize company employees. The Volunteer Award recognizes employee accomplishments in volunteer activities. The Daiwa Securities Group Inc. CSR Promotion Department publishes information about various volunteer activities, and urges employees to become actively involved.

In fiscal 2006, a cumulative total of 2,771 people participated in 105 volunteer activities, including charitable fundraising, recycling, a sign-language class that was open to the public, and a hands-on forest thinning experience. Additionally, more than



Daiwa Securities Co. Ltd.'s Volunteer Award

100 employees volunteered at the Azabu-Juban Summer Festival held each year in August 2006 again, helping to pick up trash, set up the venue, etc.

In the charitable fundraising and recycling activities, employees collected unused and used stamps and prepaid cards, ruined postcards, and the like from across the company, and donated them to charitable organizations. In fiscal 2006, we notified employees ahead of time what money collected through fundraising and recycling would be used for, such as local development in developing countries, and urged them to get involved. As a result, the number of participants increased, and we collected donations worth a total of 414,463 yen (a 3.8% increase against the previous year).

▶ **WEB Results of fundraising/recycling efforts by employees (fiscal 2006)**



Employee volunteers participating at the Azabu-Juban Summer Festival

**Daiwa Securities Group's initiatives as a corporate citizen**

Activities	Activity type	Expenditure (unit: ¥1,000)			
		FY2004	FY2005	FY2006	
(1) Education and research in the fields of economics and finance	Initiatives for elementary, and junior and senior high school students	184,040	164,921	249,518	
	Academic-industrial cooperation and initiatives for universities, graduate schools and the public				
(2) Encouraging volunteerism among employees	Self-planned programs	4,305	6,208	6,765	
	Joint programs				
(3) Support for culture and the arts	Louvre Museum exhibitions, Teatro Comunale Di Bologna Japan Concert	360,000	358,000	517,000	
(4) Assistance to communities both on the local and international level through foundations, NPOs and others	Foundations	Daiwa Securities Foundation	160,000	75,440	136,097
		Daiwa Securities Health Foundation			
		Daiwa Anglo-Japanese Foundation			
	Assistance programs	Tsunami Reconstruction Fund			
		Daiwa SRI Fund Assistance Program			
		Daiwa Eco Fund Assistance Program			
Disaster relief, membership etc.					
Total		708,345	604,569	909,380	

▶ **WEB Main activities as a corporate citizen (fiscal 2006)**

**(3) Support for culture and the arts**

Daiwa Securities Group supports a wide range of cultural and artistic activities. As part of our support for the arts, we were the special sponsor of a Japan concert by the Teatro Comunale Di Bologna of Italy in June 2006. The concert dazzled large numbers



Ryuo Watanabe faces "Bonanza," the world's number-one computer *shogi* software

of Japanese opera fans, bringing together the three great tenors of the new century. Additionally, we were the special sponsor of the "Claude Monet: L'art de Monet et sa posterite" exhibit at the National Art Center, Tokyo, from April to July 2007, in commemoration of the center's opening. The exhibit was a great success, attracting a total of 710,000 visitors.

Meanwhile, we also focus on supporting traditional Japanese culture, such as *shogi* and *go*. We sponsor the top title matches in the *shogi* and *go*: the Meijin Title Match in *shogi* and the Honinbo Tournament in *go*. We are also the special sponsor of *shogi* and *go* formal matches via Internet. As a commemoration of the formal Internet *shogi* match, the Daiwa Securities Cup, we sponsored the special *shogi* match between Ryuo Watanabe and "Bonanza," the world's number-one computer *shogi* software. This special match was broadcast as a special program by NHK and attracted large audiences in addition to *shogi* fans.

**(4) Assistance to communities both on the local and international level through foundations and NPOs**

• **Daiwa Anglo-Japanese Foundation**

The Daiwa Anglo-Japanese Foundation was established in 1988 in commemoration of the 25th anniversary of Daiwa Securities' establishment in London, with the goal of promoting mutual understanding between Japan and Britain.

The Daiwa Scholarship program provides 19-month internships in Japan to British graduates, in order to develop human resources that can serve as a bridge between Japan and Britain. Daiwa Scholars learn about Japan through training in the Japanese language and their own fields of specialty, and come in contact with Japanese society through interpersonal interactions in home stays. Since the program's founding, more than 100 Daiwa Scholarships have been awarded, and graduates of the program are active in a wide range of fields. In May 2007, a reception was held at the British Embassy to commemorate the 100th Daiwa Scholar.

Additionally, the Daiwa Anglo-Japanese Foundation supports the arts, culture, and science in a wide range of fields in both Japan and Britain.



## Corporate Citizenship

### • Daiwa Securities Health Foundation

The Daiwa Securities Health Foundation supports outstanding medical research activities, with a special emphasis on research that contribute to the improved health, medical care, and welfare of middle-aged and older people. In fiscal 2006, the foundation provided 30 grants worth a total of 30 million yen to diverse research projects ranging from basic research to clinical studies.

Additionally, in September 2006 the foundation began offering health seminars for the public at Daiwa Securities branches, taught by researchers (892 in total) who had received the grant over the past 33 years. In fiscal 2006, the foundation held seminars at 39 branches, with such topics as “prevention and care of lifestyle diseases” and “what is metabolic syndrome?”



Health seminar on topic “what is metabolic syndrome?”

### • Daiwa Securities Foundation

The Daiwa Securities Foundation provides research grants to support such fields as volunteering and welfare, with the goals of encouraging, promoting, and raising awareness of volunteering, and enriching lives in society. In fiscal 2006, the foundation provided 195 grants worth a total of 44.86 million yen.

The foundation will continuously contribute to improving the welfare of the Japanese people through ongoing grants for volunteer activities.

#### » Targets and main action plans for fiscal 2007

In order to enable directors and employees to participate in volunteer activities at any time, we will continue to reflect the feedback of volunteers and others, develop volunteer programs that interest people and create an environment for them. At the same time, we actively utilize grant programs, and continue activities that can contribute to the welfare of society.

## The Daiwa Securities Group Tsunami Reconstruction Fund

The Daiwa Securities Group Tsunami Reconstruction Fund was established to assist survivors of the major earthquake and resulting tsunami that struck Indonesia and other countries along the Indian Ocean on December 26, 2004. The fund will provide long-term support for ten years starting in fiscal 2005, with an annual disbursement of 10 million yen, totaling 100 million yen.

One of the groups we support is the Sri Lankan NGO Women's Savings Effort “Wilpotha.” This NGO begins by teaching survivors the importance of savings, and the concept of bookkeeping. More than a simple financial effort, this NGO supports programs that encourage survivors' independence through microfinance, and the impact of this support is slowly but surely beginning to show.

Asian Community Center 21 (ACC21) selects programs and monitors their activities. Sumitomo Trust & Banking Co., Ltd. is in charge of fund management.

#### Aid-recipient organizations

Country	Activity	Local NGOs	Number of beneficiaries	Aid*
Sri Lanka	Women's Independence and Development Program	Women's Savings Effort “Wilpotha”	425 women (200 new women added)	¥3.50 million
India	Occupational training and self-efficiency support for orphans and persons with disabilities	TRUE	75 disabled children and teenagers who were affected by the disaster	¥3.10 million
Indonesia	Psychological care and educational support for children	WALSAMA-NAD	65 children	¥3.00 million

\* This is the amount spent in the second year of either a two- or three-year plan.

## Daiwa SRI Fund Assistance Program\*

The Daiwa SRI Fund Assistance Program provides grants to cover the personnel and education costs of Japanese NGOs that help people whose lives are in danger for various reasons. This program is planned and operated in collaboration with the Civil Society Initiative Fund, a registered special non-profit organization.

In response to the needs of society, in fiscal 2006 the total grant money was increased to 10 million yen, from 7 million yen in the previous year. The scope of the program was also expanded from the greater Tokyo metropolitan area to all eligible NGOs in Japan.

\* This program derives its funding from a portion of the revenues of Daiwa Securities Group gained through the sale and management of the Daiwa SRI Fund.

#### Aid-recipient organizations

Plan	Organization	Aid
Creation of staffing regime for project to prevent child suicide via “Life Classes”	VIVACE	¥1.75 million
Generalist education for planning and implementation of training for supporters of rape victims	Center for Education and Support of Women Japan	¥1.45 million
Coordinator education to expand and promote medical interpreting system	Tabunka Kyosei Center Kyoto	¥1.90 million
Staff training for training of interpreters to support foreign women and children who are victims of violence	Clover	¥1.80 million
Enhancement of organizational infrastructure for refugee support activities (enhancement of PR and finances)	Japan Association for Refugees	¥1.70 million
Improvement of staff capabilities in the areas of caring for prisoners and providing political advocacy on their behalf	Center for Prisoners' Rights	¥1.40 million

Comment from stakeholder

## Receiving micro-finance support

This is the second year that the Daiwa Securities Group Tsunami Reconstruction Fund has supported the Women's Independence and Development Program. This year, we continued our program for 225 women who received assistance in the first fiscal year (business improvement, home gardening, women's rights/gender equality, and creation of a children's library). In addition, we conducted savings and finance activities, business development, technical training, and other programs for 200 new women. The women from the first fiscal year were actively involved in these programs, and contributed greatly.

Taking advantage of their experiences from the first year, the women leaders offered a wide range of ideas on how to improve the program,

and told the women in the second year about the results and experiences of the first-year women: (1) the savings system, savings passbooks, and bookkeeping; (2) experiences from the savings program; (3) group organization; (4) marketing; and (5) incorporating women's organizations. They used local idioms and vocabulary, and taught in an easy-to-understand way. This increased the understanding of the novice women, and gave them confidence about starting a handicraft or food business.

They are working actively to create an operational system led by members of the incorporated women's group, with the primary goal of guiding victims toward independence.



**Karunawathie Menike**  
Chairperson  
Women's Savings Effort "Wilpotha"  
(Sri Lankan NGO)

Comment from stakeholder

## Receiving personnel support assistance

We have a new success through the assistance for personnel expenses through the SRI Fund, which manages socially responsible investment products. The focus of the SRI Fund assistance was on our staff, with the goal of strengthening our organization through human-resource training. This enabled the staff receiving the personnel expenses to improve their expertise and become actively aware of their roles in the organization, increasing their sense of ownership. Additionally, since marketing and financial staff were eligible, we were able to begin building an infrastructure to support our organization that is beyond the resources of most mid-sized and smaller NPOs.

Activities to support refugees were accepted as an eligible type of project for human security (protection of people whose lives are in danger),

as one form of collaboration between companies and NPOs. Thanks to this, we have had increasing inquiries from adults and students with an interest in NPOs.

Refugees are among those who fall through the safety net of modern Japanese society. The SRI Fund is showing society that there is value in this effort, especially because there is still no safety net for these people. We hope for even more opportunities to communicate our message to society in the future.



**Shiho Tsutsui**  
Director of Secretariat  
Japan Association for Refugees



# The Environmental Impact of the Daiwa Securities Group

Recognizing that the impact of its operations of the Daiwa Securities Group on the global environment is not inconsequential, we continually strive to reduce our environmental impact, and raise employee awareness. See pages 17 through 19 for our internal and external initiatives to help resolve environmental issues.

## Vision and medium-term goals for reducing the environmental impact of the Daiwa Securities Group

At the Daiwa Securities Group, we believe that each employee should think and act in the following way regarding global environmental issues.

- Recognizing that environmental issues are our issues, each

employee strives voluntarily and actively to conserve energy and improve administrative flows.

- Each employee strives to promote and raise awareness of socially responsible investment (SRI), and supports companies that tackle environmental issues through the securities market.

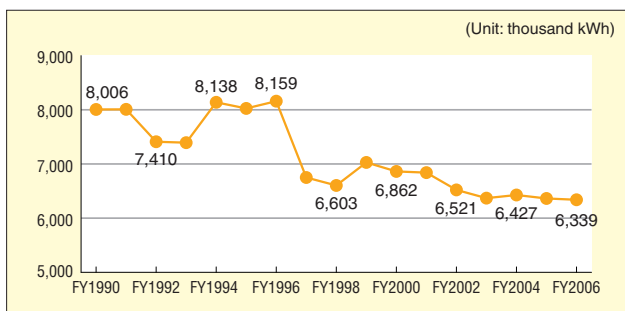
Through these efforts, we are committed to contributing to economic growth and the global environment.

Issues and targets for fiscal 2006	Results and progress for fiscal 2006
Expand the environmental management systems to consolidated subsidiaries in Japan.	<ul style="list-style-type: none"> <li>• Collected data on the environmental impact of our domestic consolidated subsidiaries, confirmed their compliance with requirements, adjusted room temperatures to appropriate levels, and implemented a "COOL BIZ" policy (open collars and shirtsleeves in the office).</li> </ul>
Reduce environmental impact through the computerization of documents and the reduction of office paper usage.	<ul style="list-style-type: none"> <li>• Greatly reduced the amount of paper documents sent to customers and used internally (see pages 17 and 18).</li> </ul>
Establish guidelines on procurement.	<ul style="list-style-type: none"> <li>• Studied a general policy of green purchasing of stationary and other office supplies consequent to our home-office move in November 2007.</li> </ul>

## The environmental impact of the Daiwa Securities headquarters building

We have been able to continuously collect data on the electricity usage of the Daiwa Securities headquarters building since fiscal 1990. As of fiscal 2006, electricity usage at this building decreased by 20.8% from fiscal 1990 levels. We believe that this reduction has been thanks mainly to the energy efficiency gained by replacing air-conditioning equipment and shorter working hours due to improved productivity.

Electricity usage of Daiwa Securities headquarters building



## The environmental impact of the Daiwa Securities Group

Although the environmental impact of the Daiwa Securities Group decreased continually from fiscal 2002 to fiscal 2005, our impact increased in fiscal 2006 due to our increased electricity usage. This was caused by increased electricity usage to power additional servers and control the air conditioning in the computer rooms of Daiwa Institute of Research Ltd., due to increased contracts for data processing and other business. Although the electricity usage of the headquarters building and branches of Daiwa Securities Co. Ltd. decreased, the rate of reduction has slowed.

Usage of natural gas, water, and light oil decreased through such actions as eliminating the employee cafeterias at our headquarters building and branches. We have also reduced our gasoline consumption by switching over our fleet of sales vehicles to light cars, but in fiscal 2006 the reduction was small.

In July 2007, the Daiwa Securities Group implemented a "COOL BIZ" policy group-wide, and began controlling temperature

setting to appropriate levels. All employees wore badges promoting the "COOL BIZ" style. Additionally, we put up posters in each of our departments and branches, and utilize the in-house satellite programs to promote COOL BIZ. Through these efforts, we have ensured that all employees group-wide know and understand our commitment to contribute to global environment.



The "COOL BIZ" badge

- ▶ **WEB** Scope of environmental impact data
- ▶ **WEB** Copy and statement paper purchase amount for Daiwa Securities Group

## Reducing our environmental impact by moving our headquarters

In December 2007, we will move the Daiwa Securities Group Inc., the Daiwa Securities Co. Ltd. headquarters, and Daiwa Securities SMBC to Gran Tokyo North Tower (1-9-1, Marunouchi, Chiyoda, Tokyo). Gran Tokyo North Tower has leading-edge energy-conservation technologies, including an automated sun-censoring control system and highly insulating airflow windows\*. We expect these technologies to greatly reduce our environmental impact.

We will also introduce several environmental measures specific to the Daiwa Securities Group, including utilizing recyclable floor carpet on about 49,500 square meters spanning 14 floors, a paper recycling system capable of dissolving all waste paper, and a fire-extinguishing system that does not use halon gas.

Our goal is to make a "zero waste" move: we will utilize reusable container boxes, and strive to reuse and recycle as much unneeded material as possible.

\* Airflow window: The window consists of two panes of glass, between which room air is made to flow, reducing the impact of outside heat from the windows.

### >> Targets and main action plans for fiscal 2007

We will increase our employees' awareness of global environmental issues and strive to further reduce our environmental impact through our "COOL BIZ" policy and by appropriately controlling room temperatures. We will also conserve paper through such means as converting more paperwork to electronic format. We will strive to make a "zero waste" move of the headquarters through reuse and recycling.

### Daiwa Securities Group's energy consumption (Table 1)

	FY2003	FY2004	FY2005	FY2006
Electricity (kWh)	95,239,027	89,546,672	86,320,394	88,732,751
Natural gas (cubic meters)	885,700	904,255	727,485	691,395
Gasoline (l)	1,213,171	1,151,487	1,036,609	1,035,700
Heavy oil (l)	45,179	61,739	30,146	34,087
Light oil (l)	12,732	11,048	1,267	73

**WEB** For the scope of data, see the "scope of environmental impact data" table on the website.

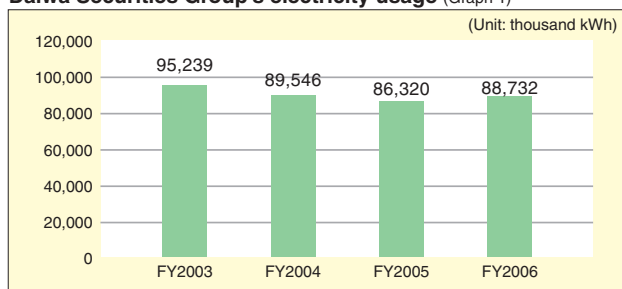
### Daiwa Securities Group's CO2 emissions (Table 2) (Unit: kg-CO2)

	FY2003	FY2004	FY2005	FY2006
Electricity	52,857,660	49,698,403	47,907,819	49,246,677
Natural	1,841,955	1,880,543	1,512,921	1,437,867
Gasoline	2,816,571	2,673,362	2,406,654	2,404,543
Heavy oil	134,703	184,078	89,882	101,632
Light oil	33,349	28,937	3,319	191
Total	57,684,238	54,465,324	51,920,594	53,190,910

\* 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.

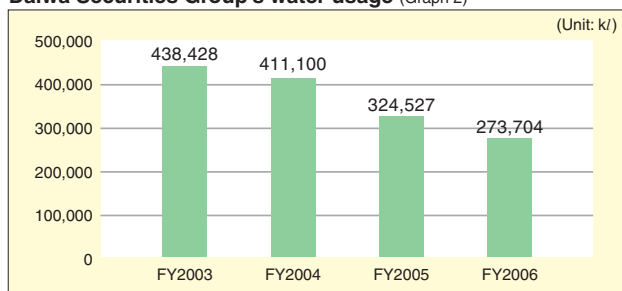
**WEB** For the scope of data, see the "scope of environmental impact data" table on the website.

### Daiwa Securities Group's electricity usage (Graph 1)



**WEB** For the scope of data, see the "scope of environmental impact data" table on the website.

### Daiwa Securities Group's water usage (Graph 2)



**WEB** For the scope of data, see the "scope of environmental impact data" table on the website.

### Daiwa Securities Group's waste generation and recycling over time (Table 3) (Unit: tons)

		FY2003	FY2004	FY2005	FY2006
Paper Waste	Amount generated	1,495.5	1,552.8	1,470.3	1,451.6
	Amount recycled	1,297.4	1,328.8	1,212.3	1,230.4
	Amount discarded	198.1	224.0	258.0	221.2
	Recycling rate	87%	86%	82%	83%
Non-paper Waste	Amount generated	316.5	417.5	391.8	415.8
	Amount recycled	79.0	112.9	104.4	88.5
	Amount discarded	237.5	304.6	287.4	327.1
	Recycling rate	25%	27%	27%	21%

**WEB** For the scope of data, see the "scope of environmental impact data" table on the website.



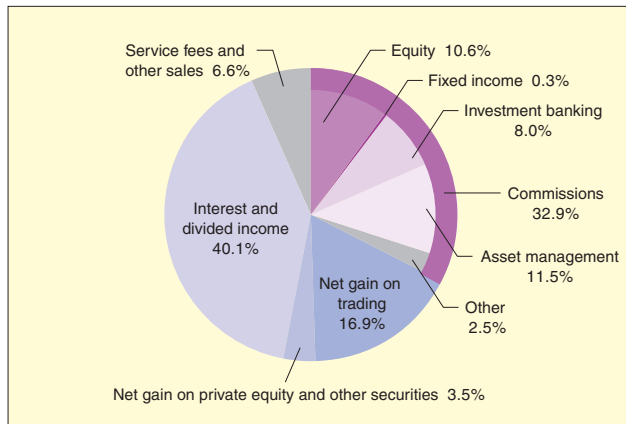
# Distribution of Economic Value to Stakeholders

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)

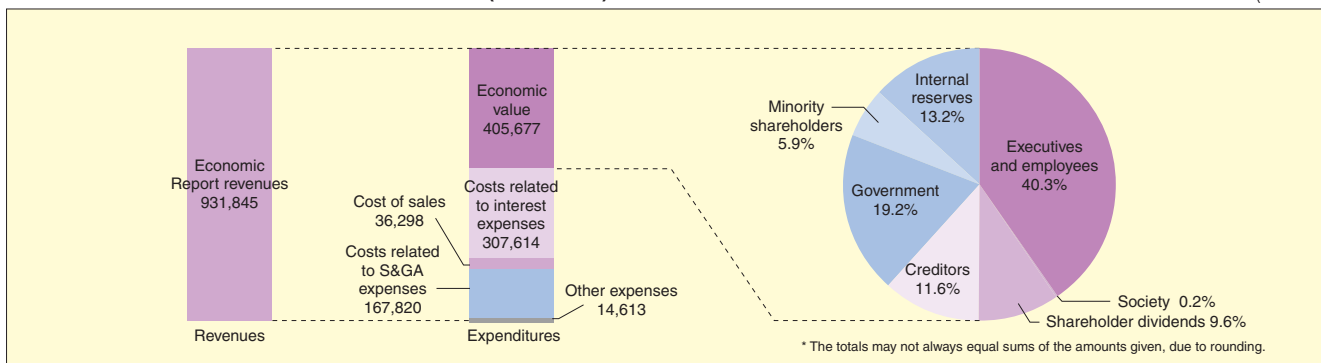
### (5) Responsiveness to social issues

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)





**Takeshi Mizuguchi**  
Associate Professor  
Takasaki City University of Economics  
Chair, Environmental Accounting Technical Committee,  
the Japanese Institute of Certified Public Accountants

### 1. Introduction

This third-party opinion was created at the request of the Daiwa Securities Group, after witnessing the report-production process. The purpose of this third-party opinion is to, by witnessing the production process, (1) express my opinion on the credibility of the information in the report, and (2) express my opinion on the CSR activities of the Daiwa Securities Group. For this purpose I attended a total of 44 hours of interviews, discussions, and the like concerning this report over 11 days during the period from April 10, 2007 to August 3, 2007, asking additional questions and receiving briefings as needed.

### 2. Opinion concerning the credibility of the information

Although the third-party opinion on the credibility of information by certified public accountants usually means an assurance mainly focusing on accuracy of data, this statement does not provide an assurance in this sense. In fact, in cases like Daiwa Securities Group, where many of its CSR activities are difficult to quantify, I believe it is more important to focus on whether the textual content reflects the actual situation. The textual portions that are not under the direct control of the CSR Promotion Department (which produces the report) are created mainly based on interviews and discussions with relevant departments. On this point, it is my belief that in cases where I was present, the content of interviews or discussions is accurately reflected in the report, and in this sense, the content of the report is credible\*.

\* ►  Contents relating to discussions/interviews which Mr. Mizuguchi attended.

### 3. Opinion concerning CSR activities

#### (1) CSR promotion system

I felt that the production process of this report, which is based on interviews with relevant departments, symbolically expresses the distinctive properties of the CSR promotion system of the Daiwa Securities Group. Rather than having a specific department centrally control environmental issues, employees, compliance, corporate governance, and the rest of a wide range of CSR activities, each relevant department is responsible for its own initiatives, and the sum of these initiatives makes up Daiwa Securities Group's CSR. Given the multifaceted nature of CSR, this approach is a natural one. The annual interviews for the creation of this report are an opportunity to track progress on CSR in each department. In this instance, however, I believe that there were some items listed as key issues which require cross-departmental cooperation. I believe that a future challenge will be to

establish a system for advancing initiatives relating to key issues at the organizational level, beyond the bounds of individual departments and divisions.

#### (2) Attitude toward employees

As clearly expressed in the message from the president, the attitude of valuing employees is strong. This attitude is commendable, because the company's attitude is not just as a title, but is realized through a number of specific programs, including the program for converting temporary employees to full-time employees, programs to encourage and support women, and the creation of a Mental Health Support Promotion Department. Employee relations is not only a CSR item itself, but also the foundation of all CSR. This is because nearly all CSR items, be it compliance or customer satisfaction, depend on the awareness and actions of each employee. In this sense as well, this attitude of emphasizing employees is on the mark.

As someone from outside the industry, I was somewhat uncomfortable at the company's remuneration system, where there is a significant disparity in remuneration depending on performance expressed by numbers, but perhaps this falls within accepted norms in the industry. I believe that this system must be operated with balance, because if it is taken too far, it could harm the three values that the company prizes: confidence, pride, and solidarity.

#### (3) Adding a social perspective to investment

Defining four key issues represents a major step forward in Daiwa Securities Group's reporting. Although each of these issues is highly important, the statement that commitments to "adding a social perspective to investment" and "the creation of monetary flows that will help achieve a sustainable society" are "an important duty to society through [financial institutions'] main business: finance" is of great significance. The fact that lots of positive opinions were expressed in unscripted discussions and interviews is extremely impressive. A future challenge may be to increase collaboration between departments, and incorporate this into the organizational strategy, rather than stopping at the individual level. Naturally, the Daiwa Securities Group deals with individual and institutional investors, and these are issues that society as a whole must grapple with, but I hope to see even more leadership from the Daiwa Securities Group. To use cars as an example, both developing fuel-cell and electric cars on the one hand, and improving the fuel efficiency of ordinary cars on the other are important for environmental conservation. In the same way, SRI funds and incorporating as much of a social perspective as possible in all investment are both important for investment. What will make this possible? I believe that the true battle is yet to come.

### 4. Conclusions

Incorporating outsiders into the report-production process for the purpose of a third-party opinion is an attempt to increase transparency. It also has great significance when considering the desiderata for third-party opinions. Adding to this the idea that the report-production process doubles as a CSR-activity review process, I believe that this method has the potential for even greater development.



Toshihiko Goto  
Chair, Environment Auditing Research Group (EARG)  
Chief Executive, Social Investment Forum Japan

A survey of report readers by the NTT-group portal site *KANKYO goo* showed that for many years, work-life balance has been the topic of greatest interest. Most of companies, however, do not have a high level of recognition of the necessity to disclose information in this area. Given this general state of affairs, I thus felt it wonderful that the president spoke at such length about the employees, and women in particular, continuing the trend set last year. I interpreted the facts that utilization of each of the Group's programs has increased, and the utilization of paid vacation has also steadily increased, as demonstrations that the Group's policies and systems have become firmly established.

Although the fact that the process for identifying material issues is explained is pioneering, it would be even better if it was a little more detailed. In Material Issue 1, under "adding a social perspective to investment," the perception is expressed that "...Japan has the world's highest level of environmental technology." Although this is inevitable, since Japanese politicians, government officials, and even industry have expressed this perception, this does not necessarily make it true.

The significance of the certain level of agreement reached at the G8 summit in Heiligendamm to reduce greenhouse gasses by 50% worldwide by 2050 is great in this sense. This shows that world leading politicians have settled the scientific debate over the theory that global warming is caused by humans, and that those politicians have been forced to recognize that business as usual could threaten the extinction of the human race. It is claimed that efforts to avoid global warming over the next 10 to 15 years will be key. I believe that if a worldwide reduction of 50% is needed, a reduction of less than 80 to 90% by Japan would be unacceptable to the rest of the world. The "Sustainability Revolution" entails a major upheaval in our civilization, surpassed only by the upheavals of the agricultural and industrial revolutions. I believe that it is vital to study and obtain accurate information about each company individually, to determine whether it is boldly pursuing radical innovation and a new business model, and determine whether it is truly operating at a high level, and to then utilize this information. I believe that companies that are not committed to this issue will not be in existence 10 years from now. Although I am pleased at Daiwa Securities Group's honesty in writing that its work to promote these efforts in its main business is still lacking, I want to make it clear to all that this is the true key to CSR in the finance industry.

The fact that Daiwa Securities Group has greatly reduced its paper usage by changing to electronic statements and other facts show that its

environmental efforts are becoming more effective, and that it has gained a strong awareness of the need to reduce its environmental impacts. The Group is creating its own environmental management systems, rather than utilizing existing environmental management systems, such as ISO 14001 or Eco Action 21. However, we, people outside of the company, can not see well this mechanism. I think the Group should make its environmental management systems more transparent, clearly disclosing its environmental policies, goals, targets, action plans, and the like. When the Group does this, I recommend that it also mentions biodiversity, as I also advised last year. Speaking globally, one major American NGO has identified 34 hot spots for biodiversity around the world, and the Japanese archipelago as a whole has been identified as one of these hot spots. There is a high probability that the Conference of the Convention on Biological Diversity (COP10) will be held in Nagoya, Japan in 2010, and this will be a conference that focuses a great deal about the private sector's initiatives. We are currently living in what has been called the Sixth major Mass Extinction, and I believe that providing information on biodiversity in the Japanese archipelago, which is the focus of intense attention by the rest of the world, as well providing information throughout the world, will be a good opportunity for companies to enhance their reputations.

I think it is excellent that the Group has continued to improve its report. The Group has made progress in its report in including negative information, and utilizing the website as I suggested, and it also included more information about the "check" and "act" phases of the P-D-C-A cycle, which I remarked on last year.

However, there is still room for improvement, in that there is still a large amount of qualitative content. Efforts to quantify key issues are also necessary for improving reliability. If including more detailed numerical data would hinder readability, then the Group could utilize the website.

Incidentally, how is the Group's progress on drawing up its corporate governance charter and voluntary code of conducts? I believe that an explanation of the situation is required, since the Group has already announced that it would create them.

Although I conjecture that its many financial literacy efforts or the fact that the Group placed photos of the babies of its employees on the front and back covers are to express its passionate commitment to the coming generations, I think the Group should emphasize the next generation a bit more in words as well. That is what a true "Sustainability Report" is all about.

## Third-party Evaluation

### FTSEGood Index

FTSE is a subsidiary of the UK's Financial Times and the London Stock Exchange. It provides data and constructs global indices for investment.

Starting in September 2006, Daiwa Securities Group Inc. has been included in the FTSE4Good, an index of socially responsible companies compiled by FTSE.



### Dow Jones Sustainability World Indices

The Dow Jones Sustainability World Index (DJSI World) is a stock index of companies with sustainable practices as selected by Dow Jones & Company, Inc. of the US, and Sustainable Asset Management (SAM) of Switzerland.

Daiwa Securities Group Inc. has been in the DJSI World for nine years running now.



### Scope of Report

#### Intended readership:

The Daiwa Securities Group's diverse stakeholders, which primarily include customers, shareholders, investors, and employees, as well as business partners, NPOs/NGOs (non-profit organizations), educational institutions, and the local communities in which our branches and overseas offices are located.

#### Scope of reporting:

This report basically covers our nine main group companies\*, which account for about 90% of the Group's total number of employees. The report does not, however, encompass data from all nine companies on all items reported. Rather, information is provided in proportion to the size and business area of each company. The scope of numerical data is noted along with the data.

#### Period covered by report:

Fiscal 2006 (April 2006–March 2007). The report also includes some information on activities carried out in fiscal 2007 which became available close to the publication date, as well as some information on activities that occurred prior to fiscal 2005.

#### Publication date:

September 2007 (Previous report was published in September 2006, and the next report is planned for September 2008).

\* See "Daiwa Securities Group's Business Description" on page 6 for the Group's nine principal companies.

# The Road to Sustainability

2003	
January	Corporate Ethics Hotline, a group-wide internal reporting system, introduced.
February	Internal Audit Department established at Daiwa Securities Group Inc.
March	New medium-term management plan (FY2003–FY2005) drawn up.
April	New shareholder benefit plan introduced.
June	Total value of compensation paid to directors and corporate auditors of Daiwa Securities Group Inc. disclosed.
July	Daiwa Securities SMBC Principal Investments Co. Ltd., invests in the World Bank's Community Development Carbon Fund.
October	Support begins for Student Company Program, a hands-on economics education program provided by Junior Achievement. Begins sales of UBS Global Equity 40 SRI+, an SRI investment trust that invests in global corporations.
November	Membership in SIF-Japan, a socially responsible investment forum.
2004	
January	CSR/brand management website goes online.
March	Disclosure Policy established.
April	Cooperation with Waseda University's Graduate School of Finance, Accounting and Law begins.
May	Begins sales of the Daiwa SRI Fund, an SRI investment trust that invests in Japanese corporations.
June	New management introduced under the leadership of Shigeharu Suzuki. Change to committee system.
July	CSR Promotion Department established at Daiwa Securities Group Inc.
October	SRI fund included in defined-contribution pension fund for Daiwa Securities Group employees.
November	Membership in the United Nations Environmental Programme Finance Initiative (UNEP FI).
2005	
February	Long-term support determined for areas devastated by the Sumatra earthquake and South Asian tsunami. (Daiwa Securities Group Tsunami Reconstruction Fund) Daiwa Securities Co. Ltd. begins Electronic Statement Promotion Project
April	With the Incubation Projects of Waseda University Intellectual Property Center, set up a basic venture capitalist course for students.
May	Employee CSR questionnaire survey. Environmental Management Committee introduced at Daiwa Securities Group Inc.
June	Support provided to Finance Park, a hands-on economics educational program offered by Junior Achievement. Women entrepreneur support project begins.
July	Daiwa Asset Management Co. Ltd. participates in the GRI G3 project working group to consider the usefulness of sustainability reporting from the perspective of finance and investors.
October	Daiwa Securities Co. Ltd. begins the Daiwa e-members service, which makes it possible to be sent electronic transaction reports.
November	A support program begins for NPO staff, funded by donations based on Daiwa SRI Fund sales.
2006	
January	The Daiwa Securities Group Sustainability Report 2005 wins the Sustainability Report First Prize (Minister of the Environment Award), awarded by the Global Environmental Forum.
February	Development of Euro-dollar Bonds with Emissions Credit Value Referenced Coupons (Cool Bonds). Begins sales of Daiwa Eco Fund.
April	New medium-term management plan "Passion for the Best 2008," which includes the Group's basic CSR strategy. Daiwa Securities Group Sustainability Report 2005 wins the Excellence Prize in the sustainability report category awarded by Toyo Keizai Inc.
May	Daiwa Asset Management Co. Ltd. signs the Principles for Responsible Investment (PRI), jointly created by the United Nations Environment Programme Finance Initiative (UNEP FI) and the UN Global Compact.
October	Business School Pavilion opened as a special sponsor of Kidzania Tokyo. Daiwa-JFS Youth Sustainability College opened with environmental NPO Japan for Sustainability (JFS) as a grant program of the Daiwa Eco Fund.
November	Daiwa Securities Group Sustainability Report 2005 ranked 34th (top ranking of any Japanese company) in the Global Reporters 2006, an international comparative survey.
2007	
January	The Daiwa Securities Group makes it into the Global 100 (world's 100 most sustainable companies). Attends World Economic Forum (WEF) in Davos, Switzerland.
February	The Daiwa Securities Group Sustainability Report 2005 wins the Sustainability Report Excellence Prize (the President Award), awarded by the Global Environmental Forum.
April	Daiwa Securities Group Sustainability Report 2006 wins the Excellence Prize in the sustainability report category awarded by Toyo Keizai Inc. CSR seminar held for individual investors titled "New Trends in Investing: The Search for Sustainable Growth Companies."
May	Customer environmental seminar held titled "Daiwa Environmental Forum 2007: What Is Happening to the Earth Now?"
July	"COOL BIZ" policy (open collars and shirtsleeves in the office) implemented group-wide as an initiative to combat global warming.

## Daiwa Securities Group Sustainability Report 2007 Reader Questionnaire

Thank you for taking the time to read Daiwa Securities Group Sustainability Report 2007.

We are conducting a survey about this report on the website below. Please let us know your thoughts on this report.

<http://www.daiwa-grp.jp/ir/english/corporate/report/>

### GRI Application Level

This report was created with reference to Sustainability Reporting Guideline 2006 by the GRI\*. This guideline recommends that reports declare their GRI Application Level\*\*, which is an indicator of the level of compliance with the GRI defined by the guideline.

The Daiwa Securities Group believes that Daiwa Securities Group Sustainability Report 2007 meets the criteria of GRI Application Level B.

\* Global Reporting Initiative (GRI): An organization founded in 1997 to draw up and disseminate international guidelines for sustainability reporting. Participants include a variety of stakeholders, such as businesses, non-governmental organizations (NGOs), consultants, accounting groups, and trade associations from different parts of the world.  
<http://www.globalreporting.org/Home>

\*\* See the following URL for details about GRI Application Levels.  
<http://www.globalreporting.org/GRIReports/ApplicationLevels/>

### WEB GRI Content Index

Please send inquiries to:

### CSR Promotion Department, Daiwa Securities Group Inc.

Until Dec. 2, 2007:

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E-mail brand@dsgi.daiwa.co.jp  
URL <http://www.daiwa-grp.jp/index.cfm>

**Daiwa Securities Group Inc. is scheduled to move on December 3, 2007. Our contact information after the move is as follows.**

As of Dec. 3, 2007:

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Design and production assistance Cre-en Inc.



This report has been produced using a waterless printing process that does not employ any organic solvents. The printing ink is made from soybean oil, which has a volatile organic compound (VOC) level of less than 1%.



**Daiwa Securities Group**  
[www.daiwa-grp.jp](http://www.daiwa-grp.jp)

**This report uses paper made from responsibly thinned timber.**

At the Daiwa Securities Group, we are engaged in the business of finance. As such, we are not immediately confronted with environmental problems as those in some other industries are. Nevertheless, we use huge amounts of paper in various reports—including this one—as well as in prospectuses, sheets and forms. Paper wastage is therefore an environmental issue that the Daiwa Securities Group must address and is addressing. With the intention of protecting forests both in Japan and in developing countries, we have printed this report on paper made from responsibly thinned timber. We are committed to encouraging the healthy growth of forests everywhere.

