



Management Report

Corporate Governance

The Daiwa Securities 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.

Initiatives and Targets

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

confidence of all stakeholders will enable us to continuously increase corporate value. We actively incorporate 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.

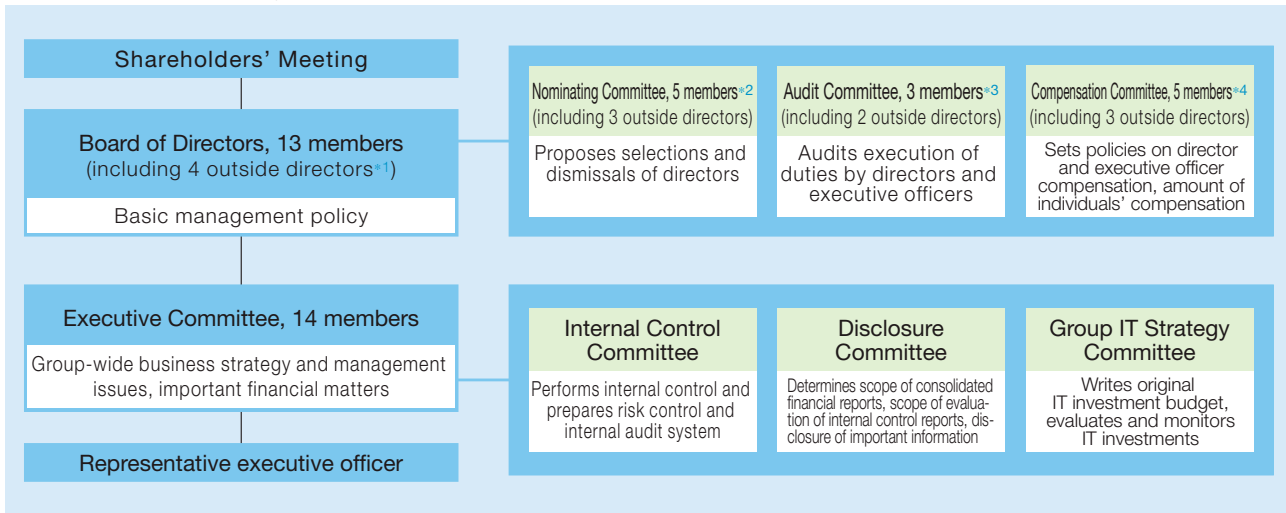
Issues and Targets for Fiscal 2007

- Perform documentation and verification in anticipation of fiscal 2008 (first year that internal control system goes into effect).
- Create systems for new businesses.
- Further promote BCP (Business Continuity Plan).

Performance/Progress Achieved in Fiscal 2007

- Completed documentation and established related standards.
- Prepared for compliance with changes in related laws, to promote new businesses such as loans secured by securities and others.
- Prepared a BCP manual for Daiwa Securities Group Inc.
- Set up an alternate office for business continuity at our Tama training center.

Corporate Governance System



*1 Outside directors

Tetsuro Kawakami
Counsel
Sumitomo Electric Industries, Ltd.
Ryuji Yasuda
Professor
Hitotsubashi University Graduate School
Koichi Uno
Certified public accountant
Nobuko Matsubara
Chair, Japan Institute of Workers' Evolution

*2 Nominating Committee

Internal
Akira Kiyota (Committee Chair)
Chairman of the Board and Executive Officer
Daiwa Securities Group Inc.
Shigeharu Suzuki
Director and President (CEO)
Daiwa Securities Group Inc.
External
Tetsuro Kawakami
Ryuji Yasuda
Nobuko Matsubara

*3 Audit Committee

Internal
Saburo Jifuku (Committee Chair)
Director, Daiwa Securities Group Inc.
External
Koichi Uno
Nobuko Matsubara

*4 Compensation Committee

Internal
Akira Kiyota (Committee Chair)
Shigeharu Suzuki
External
Tetsuro Kawakami
Ryuji Yasuda
Koichi Uno

Corporate Governance System

Daiwa Securities Group Inc. adopted a committee system in 2004, with the goal of achieving greater management transparency and agility. The corporate governance system of the Daiwa Securities Group consists of a 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 Committee, the Disclosure Committee and the Group IT Strategy Committee, 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 Activities • Preventing Conflicts of Interest among 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 executive management and accounting.

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 is an independent department.

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

Executive Body

The Executive Committee, consisting of 14 executive officers, is operated from Daiwa Securities Group Inc. The Executive Committee discusses and makes decisions regarding 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.

Internal Control

In anticipation of the internal control and reporting system for financial reports effective from April 2008, all Daiwa Securities Group companies completed documentation of standards in three areas: company-wide control, business process control, and general IT control. Regulations for the internal control and reporting system were newly formulated and related regulations were amended accordingly.

In accordance with these regulations, from April 2008, the internal audit department evaluates the effectiveness of each Group company's internal control and reporting system, and each company's council confirms evaluation results, which are then reported to Daiwa Securities Inc. After these reports are received, the Internal Control Committee discusses them and presents resolutions, and based on those resolutions the Disclosure Committee determines the effectiveness of the internal control and reporting system. Following this, the chief executive officer and the chief financial officer draw up an internal control and reporting system report and only then declare to investors and other stakeholders that financial reporting is accurate.

Information Security Management

The Daiwa Securities Group is aware of its responsibility toward society to protect the company's information assets, including customers' personal information, from various threats and to handle information appropriately, and endeavors to maintain a high level of information security management.

Toward this end, the Group has formulated a basic information security policy and a privacy policy for protecting personal information. Minimum standards for measures to be adopted have also been set out, which have been implemented by all Group companies. Security training regarding these policies and measures is also carried out for all executives and employees in accordance with the responsibilities of their posts.

In terms of organizational response, each Group company assigns a person with overall responsibility for information security. The Group IT Strategy Committee of Daiwa Securities Group Inc. discusses Group information security measures and reports information security risks to the Internal Control Committee.

Additionally, to raise the level of information security within the Group, we operate in conformity with the Information Security Management System (ISMS). A number of Group companies have already obtained ISMS and privacy mark certification in accordance with the evaluation certification system.

Fiscal 2008 Targets and Action Plans

We will verify the effectiveness of the Group's internal control system in accordance with documentation for evaluating the said system. Fiscal 2008 being the first year of implementation of the internal control and reporting system, we will establish a system for evaluating internal control at each Group company and ensure that it is put into practice.

With regard to the business continuity plan we have been developing, we will encourage sharing of scenarios among Group companies and further improve our BCP manual.