



Social Report

Respect for People and Human Resource Utilization

The Daiwa Securities Group is committed to establishing sound work-life balance by creating a workplace where executives and employees feel that their work is fulfilling and that sustains their high motivation.

Initiatives and Targets

In its company invigoration program of July 2006 and March 2007, the Daiwa Securities Group set the target of becoming the leading securities group in Japan, where employees are enthusiastic and consider their work worthwhile. We have implemented various measures to give

executives and employees confidence in the company; help them understand the role and significance of the company and give them pride in their work; and help them share a sense of solidarity with the company and their colleagues. In April 2008, we also created the Work-life Balance Promotion Committee and the Work-life Balance Promotion Department, to support our initiatives for making Daiwa a company that is fulfilling to working for.

Issues and Targets for Fiscal 2007

- Further promote company-invigoration measures.
- Enhance education and training programs to increase number of certified analysts and CFPs (continued).
- Develop workplace environments where women can fully use their abilities (continued).

Performance/Progress Achieved in Fiscal 2007

- Implemented initiatives to create a workplace environment supportive of work-life balance (e.g. directed employees to leave the office before 7 p.m., etc.).
- Greatly expanded the list of available training programs.
- Promoted creation of an atmosphere conducive to use of in-house systems for work-life balance, such as having superiors actively encourage subordinates to make use of the systems.

Hiring Initiatives

The Daiwa Securities Group believes that long-term employment is essential for fostering confidence, pride in the company and a sense of solidarity. Toward this end, we are focusing on establishing a system, predicated on long-term employment, for expanding the number of employees who can share these ideas.

In April 2007, we hired 1,282 new graduates. We believe it is vital for prospective employees to understand our ideas, and therefore we expanded communication in our hiring process by holding seminars and small meetings throughout Japan for student job-seekers. In fiscal 2007, we communicated with 33,400 students. These activities helped many students understand our message, and our efforts also improved our ranking on the list of companies that students most want to work for.

■ Number of New Graduates Hired by the Daiwa Securities Group (Consolidated) (persons)

| | | April 2006 | April 2007 | April 2008 |
|--|--------|------------|------------|------------|
| Career-track employees/ Regional career-track employees*1 | Male | 401 | 570 | 563 |
| | Female | 326 | 610 | 477 |
| General employees | Male | 0 | 0 | 1 |
| | Female | 101 | 243 | 241 |
| Financial advisors*2 | Male | 33 | 0 | 0 |
| | Female | 17 | 0 | 0 |
| Total | | 878 | 1,423 | 1,282 |

*1 Regional career-track employees are 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 in this class began in April 2002.

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

■ Full-time Employment Career Path for Temporary Employees

In fiscal 2006 we inaugurated a new program that offers temporary employees who have worked for three years or more the opportunity to become full-time employees, to increase the number of employees sharing the company's ideas and foster solidarity. In fiscal 2006, more than 100 employees became full-time employees, and over 70 did so in fiscal 2007.

■ Professional Return Plan

We implemented our Professional Return Plan (rehiring of sales staff) in fiscal 2005. Under this system, sales staff who retired from the Daiwa Securities Group due to marriage, having children or other reasons and who wish to return to work, can be re-hired as full-time employees. In fiscal 2007, three people were re-hired as full-time employees under this plan.

Rehiring of Veteran Employees

We actively employ veteran employees under the Daiwa Elder System, which re-hires employees who left the company after reaching mandatory retirement age, and the Daiwa Master System, which offers extended employment to age 65 to employees reaching the mandatory retirement age of 60 who meet certain criteria and wish to continue working. We are taking steps to employ highly motivated and experienced older people.

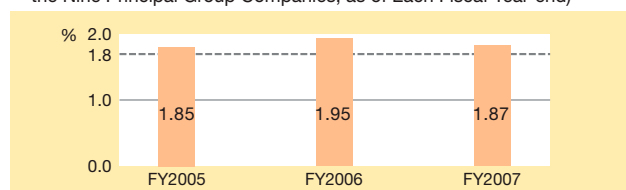
Reemployment under the Daiwa Elder System and the Daiwa Master System (Daiwa Securities Group Inc., Daiwa Securities Co. Ltd. and Daiwa Securities SMBC Co. Ltd.) (persons)

| | FY2005 | FY2006 | FY2007 |
|--|--------|--------|--------|
| No. of employees hired under the Daiwa Elder System | 80 | 83 | 86 |
| No. of employees hired under the Daiwa Master System | – | 6 | 14 |

Employing Persons with Disabilities

As of March 31, 2008, persons with disabilities accounted for 1.87 percent of our workforce, averaged across nine Group companies. To improve retention of employees with disabilities, in fiscal 2007 we implemented a system enabling contract employees to acquire full-time employee status, and 10 persons became full-time employees. In fiscal 2008, we began hiring new graduates with disabilities as full-time sales staff; seven persons were hired by Group companies in April 2008.

Employment Rate for Persons with Disabilities (Average across the Nine Principal Group Companies, as of Each Fiscal Year-end)



Human Resources Development and Skill Upgrading

With the goal of making Daiwa the number one professional team in the industry, we focus on human resources development. In particular, we see the first three years of employment as the optimum period for acquiring knowledge and skills and we offer a broad range of training programs to employees at this stage of their careers. We created a new Education and Training Department in 2007. Reflecting the increase in the number of new graduates we have hired, we have expanded our training system for young sales staff. In fiscal 2007 we also introduced coaching training and other initiatives aimed at improving the abilities of intermediate-level staff to direct younger employees in the field. For employees in their fourth year of employment, we conduct group training aimed at reinforcing awareness that they are working for the Daiwa Securities Group and fostering solidarity among colleagues.

To strengthen employees' motivation to study, we adopted a system requiring a certain number of points, based on qualifications obtained, for promotions and advancement. In 2007, we revised the point system in order to expand the staff resources suitable for contributing to our globalization strategy and reinforcement of our internal control system.

Web Activities

- Internal (Intra-Group) Job Postings and New Career Path Examinations
- Persons Earning Credentials (Nine Principal Group Companies)

Basic Employee Statistics (Daiwa Securities Group Inc.)

| | FY2005 | FY2006 | FY2007 |
|------------------------------------|---------------|---------------|---------------|
| Average annual salary* | 10.22 million | 11.87 million | 10.32 million |
| Average age | 37.8 | 37.9 | 37.7 |
| Average number of years of service | 11.0 | 11.4 | 11.2 |

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

Employees at the Daiwa Securities Group (Consolidated)

| | | As of March 31, 2006 | | | As of March 31, 2007 | | | As of March 31, 2008 | | |
|-------|-------------------------------|----------------------|--------------------|-----------------------------------|----------------------|--------------------|-----------------------------------|----------------------|--------------------|-----------------------------------|
| | | Employees | Financial advisors | Temporary employees ^{*1} | Employees | Financial advisors | Temporary employees ^{*1} | Employees | Financial advisors | Temporary employees ^{*1} |
| Japan | Male | 6,971 | 357 | – | 7,341 | 324 | – | 7,821 | 256 | – |
| | (Career track ^{*2}) | 6,280 | | | 6,613 | | | 7,083 | | |
| | (Managers) | 3,465 | | | 3,641 | | | 3,740 | | |
| | Female | 3,300 | 698 | – | 3,666 | 593 | – | 4,401 | 465 | – |
| | (Career track ^{*2}) | 1,411 | | | 1,515 | | | 1,970 | | |
| | (Managers) | 97 | | | 110 | | | 119 | | |
| | Japan total | 10,271 | 1,055 | 1,752 | 11,007 | 917 | 1,914 | 12,222 | 721 | 1,882 |
| | Overseas | 1,235 | – | 46 | 1,340 | – | 37 | 1,513 | – | 34 |
| | Total | 11,506 | 1,055 | 1,798 | 12,347 | 917 | 1,951 | 13,735 | 721 | 1,916 |

*1 Temporary employees are part-time hires; the figure shown here is the average number of such employees over the year. This class of employees is made up mostly of women but includes some men.

*2 Includes regional career-track employees and specialist positions.

Evaluation System

To make its evaluation system fair and acceptable to employees, the Daiwa Securities Groups implements a two-way evaluation system in which superiors and subordinates evaluate each other, and a multi-directional evaluation system in which evaluations are received from collaborating departments. Multi-faceted evaluations are carried out that also take compliance-related performance into account.

Creating a Workplace Supportive of Work-life Balance

■ Encouraging Work-life Balance

The Daiwa Securities Group believes that companies in the future will need to enable everyone working for them to have satisfying private and professional lives. In April 2008, we established a Work-life Balance Promotion Committee, with Daiwa Securities Group Inc. President and CEO Shigeharu Suzuki as chief work-life balance officer (CWO) and executives from the principal Daiwa Group companies in charge of human resources as members. A Work-life Balance Promotion Department was also created at Daiwa Securities Group Inc. This is a Group-wide undertaking aimed at balancing work and private life in order to improve motivation among all executives and employees.

One specific initiative is Daiwa Securities Group Inc.'s participation in a model work-life balance project promoted by the Ministry of Health, Labour and Welfare. We contribute to society through this project by implementing enhanced measures for work-life balance and by also communicating information outside the company about the measures we are taking.

Our practice of encouraging employees to leave work before 7 p.m. begun in July 2007 has become well-established at all Daiwa securities sales branches and has greatly changed how employees work. We also amended our childcare leave system in 2008 to make it easier for male executives and employees to take childcare leave. To help establish practical systems, we will be monitoring and analyzing the extent to which various leave programs are being used and how this relates to productivity.

■ Helping Women Use Their Abilities in the Workplace

The Daiwa Securities Group actively supports its female employees, introducing a wide range of opportunities and programs to enable women to make the most of their capabilities in the workplace. For example, we were the first in the industry to promote women to sales branch manager positions. As of April 30, 2008, nine out of Daiwa Securities' 117 sales branches throughout Japan are headed by women. In February 2005, Daiwa Securities Group Inc. started up a Women's Support Action Team, which has introduced programs in Group companies to help women balance work and family life, such as leave of absence for childbirth or child care, exemp-

tion from overtime work and so on. In fiscal 2007, materials describing the various programs were distributed to executives and managers of Group companies. We also established a system whereby when a staff member is eligible for the above programs, the Personnel Department notifies the individual's superior, who encourages her to make use of the programs. These measures have helped executives and employees understand the programs better and created a workplace atmosphere more supportive of those using the programs.

The Women's Career Design Seminar and Career Design Training programs are also offered at Group companies to enable female employees to take the initiative to map out their careers. In addition, mainly the members of the Women's Support Action Team seek out female employees to discuss various issues.

■ Main Initiatives of the Female Employee Support Plan (as of March 2008)

| Program name | Program description |
|--|---|
| Professional Return Plan (rehiring of sales staff) | Offers opportunities for re-employment to former full-time employees who left their jobs due to marriage or childbirth |
| Job Location Change System | Offers a position in a new location when an employee must relocate due to marriage or spouse's job transfer |
| Childcare leave, shortened work hours | Employees can take childcare leave or opt for shortened work hours until their child's 3rd birthday |
| Exemption from or restricted overtime work | Employees can apply for an exemption from overtime work until their child completes the 3rd grade of elementary school. Employees can also apply for restricted overtime work until their child completes the 6th grade of elementary school. |
| Day care subsidy | The company offers a subsidy for day care expenses until the employee's child begins elementary school (age 6). |
| Expanded leave system | The company encourages employees to take paid vacation and has introduced leave for marriage preparations or "family day" leave to give employees a chance to spend time with their families. |
| Follow-up on program use | The Personnel Department keeps track of individual employees' childcare-related schedules and notifies them of programs available at the appropriate time. |
| Support after returning to work | The Daiwa Family Net website provides information for employees on childcare leave and provides support to facilitate their smooth return to the workplace. |

■ Mental health

In August 2006, Daiwa Securities Group Inc. created a new Mental Health Support Promotion Department to ensure that personnel can work in the best of physical and mental health. This department provides counseling for Group executives and employees and their families. In April 2008, the support system was expanded by increasing the number of certified clinical psychologists on call from one to two, who were also made available for consultations daily, up from three times weekly. We also have arrangements with outside specialists so that Group personnel and their families can receive prompt attention anywhere in Japan. Further, to spread awareness of mental health and promote pre-

vention and early detection of mental health issues, the Mental Health Support Promotion Department's certified clinical psychologists give lectures at our departments and branches.

Human Rights Awareness

The Daiwa Securities Group has been a member of the Industrial Federation for Human Rights, Tokyo since 1998. Daiwa Securities Group Inc. established a Human Rights Awareness Promotion Committee which is headed by the Daiwa Securities Group Inc. director in charge of personnel management. All heads of Group departments and branches are members of the committee, which meets regularly and conducts activities to enhance awareness of human rights, such as training for executives and employees and canvassing for slogans. The Daiwa Securities Group will continue its human rights awareness initiatives to ensure fair, discrimination-free hiring and create a gender-equal society.

Workplace Environment

In December 2007, Daiwa Securities Group Inc. and the head offices of Daiwa Securities and Daiwa Securities SMBC relocated to Gran Tokyo North Tower. Prior to this, all Daiwa Securities sales branches were renovated to provide more spacious surroundings for customers and make the workplace more pleasant for employees.

Working Hours and Paid Vacation Usage Rate (Daiwa Securities Group Inc., Daiwa Securities Co. Ltd., Daiwa Securities SMBC Co. Ltd.)

| | FY2005 | FY2006 | FY2007 |
|--|--------|--------|--------|
| Annual regular working hours (hours) | 1845.0 | 1845.0 | 1837.5 |
| Average monthly overtime hours (hours) ^{*1} | 27.0 | 26.2 | 25.2 |
| Paid vacation usage rate | 34.3% | 35.6% | 37.4% |
| Paid vacation usage rate (including special summer vacation) ^{*2} | 42.8% | 44.5% | 46.5% |

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

*2 In addition to annual paid vacation, the Daiwa Securities Group offers three days of special summer vacation. These figures show the usage rate for annual paid vacation when special summer vacation is included.

Daiwa Securities Group's Female Employee and Manager^{*} Ratios in Japan

| | March 31, 2006 | March 31, 2007 | March 31, 2008 |
|--|----------------|----------------|----------------|
| Ratio of female employees to all employees | 32.1% | 33.3% | 36.0% |
| Ratio of female managers to all managers | 2.7% | 2.9% | 3.1% |

* Deputy general manager or higher

Employee Welfare System Usage (Nine Principal Group Companies^{*1}) (persons)

| | | FY2005 | FY2006 | FY2007 |
|--|--------|--------|--------|--------|
| Number of employees taking childcare leave ^{*2} | Female | 138 | 150 | 209 |
| | Male | 0 | 2 | 4 |
| Number of employees taking nursing care leave | Female | 2 | 3 | 6 |
| | Male | 0 | 0 | 3 |

*1 Figures for FY2004 and FY2005 were for Daiwa Securities Group Inc., Daiwa Securities Co. Ltd., and Daiwa Securities SMBC Co. Ltd. only.

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

Communication

The Daiwa Securities Group believes that communication with executives and employees is vital. Communication takes place through interviews with the Personnel Department and a semi-annual self-assessment questionnaire giving personnel an opportunity to voice comments or wishes. We endeavor to reflect spring labor negotiations with the Employees' Union and findings from union member questionnaires conducted by the union in a variety of policies and initiatives. Other communication activities include our "Salon de Woman," a forum for communicating with young female sales staff and female sales staff with children, and Personnel Department staff participation in events organized by the Employees' Union. These activities give us opportunities to hear directly from executives and employees and reflect what we learn through such contacts in various policies and programs.

Number of Employees' Union Members (Seven Principal Group Companies,^{*} as of the End of Each Fiscal Year) (persons)

| | FY2005 | FY2006 | FY2007 |
|-----------------------------|--------|--------|--------|
| Employees' Union membership | 5,747 | 6,078 | 6,969 |

* Does not include Daiwa Asset Management Co. Ltd., which has its own employees' union, and Daiwa Property Co. Ltd., which has no employee union.

Initiatives for Families

The Daiwa Securities Group undertakes various activities to help executives' and employees' families become more familiar with the company. In November 2007, the company organized a festival open to the families of all Group personnel. We invite the families of prizewinners to the Daiwa Securities President's Awards ceremonies held twice a year, and all families receive flowers for Christmas. We have introduced a "family days off" holiday to make it easier to take yearly vacation time, and our mental health support program also makes care available to families.

In December 2007, we introduced a system providing a two million yen benefit for employees' third or subsequent children, to offset the financial burden of child-rearing. In fiscal 2008, we are planning to designate a day when employees can invite family members to their workplaces.

Fiscal 2008 Targets and Action Plans

We will continue focusing on work-life balance in order to keep executive and employee motivation strong. We will therefore encourage male employees to take childcare leave and try to improve the paid vacation usage rate. We will continue hiring persons with disabilities as full-time employees.

Stakeholder Comments

We are expanding and improving our systems and initiatives intended to make the workplace fulfilling, but ongoing checks are needed to find out what executives and employees think of them and to verify their effectiveness in order to make improvements. Comments from users of the main systems are presented here.

Opting to take a leave of absence for child care

I decided to take a leave of absence to care for my son, partly because my parents live far away and can't help out, but also because I wanted to raise him myself until he turns three. I thought of quitting my job when I discovered I was expecting, but my branch manager encouraged me to take childcare leave when I consulted him. I learned that his wife is also on childcare leave, so he was very supportive. Right now, I go to the Daiwa Family Net website occasionally so that I can keep up to speed in

preparation for going back to work. As for myself, now that I am on leave, I realized that going out to work is a wonderful thing.



Yukiko Takahashi, with son Kantaro (8 months)
 Manager, Senior Consultant Section
 Kichijoji Branch

Taking advantage of the Professional Return Plan

Ever since I started working for Daiwa, I had worked in a sales position at the Akita Branch, but then I got married and my husband was transferred to Tokyo so I left my job. But I had always wanted to keep on working even though I was married, so when I approached the company I learned about the Professional Return Plan. I started working again in 2007 after things had settled down at home. I'll be going on maternity leave soon, but I'm grateful for the understanding of my colleagues and

also the encouragement offered by customers. I'm happy that the company was there for me, in a situation where it would have been difficult for me to get something done on my own.



Ai Murakami
 Asset Consultant Section III
 Yokohama Station West Exit Branch

Thanks to the job location change system, I was able to continue working

My husband was transferred, so I moved from Daiwa Securities' Miyazaki Branch in Kyushu to its Ueno Branch in Tokyo. I thought of various alternatives, including quitting my job, but I felt there was no reason to leave so I took advantage of the job location change system. My parents or in-laws don't live close by and I sometimes worry as to how I would manage if I had a family, but I'm encouraged because I know there are other women at my branch who are working and raising children. It took me a while to get

used to working in a new city but I enjoy dealing with customers in my job. I feel pride in my work and I think I will also be able to lead a fulfilling private life.



Mika Sato
 Team Leader, Manager,
 Investment Service Section
 Ueno Branch, Daiwa Securities Co. Ltd.

Combining work and motherhood

During work hours I concentrate on my job, and in the evenings and on weekends I prize the time I spend with my three-year old daughter. People tend to think that combining work and child-rearing is a tough job, but now that pregnancy and the birth are behind me I often feel that I'm not that different from male colleagues who have children. I can feel that way thanks to the company's various support systems and the warm encouragement of everyone at the branch where I work. Those systems make it easier for

women to picture working life after they have children.



Makiko Mitani
 Manager, Asset Consultant Section I
 Kochi Branch, Daiwa Securities Co. Ltd.

Leaving work before 7 p.m.



Tsunesato Yamashita and wife Chiaki, daughter Mao (3) and son Shogo (6 weeks)

Deputy General Manager, Section II, Senior Consultant Department
Shibuya Branch, Daiwa Securities Co. Ltd.

I really worried whether I could get my work done quickly enough at first, but now that I'm actually leaving before 7 p.m. it feels surprisingly natural. Everyone concentrates on working even more productively than before with this new system, so work gets done speedily and efficiently.

Our children are still young, so now that I'm getting home early I have more time for household chores or playing with the children and I enjoy life. In the future, I'd like to get involved in a hobby like the arts.

Comment from wife Chiaki

The best thing about this system is that the children are so happy to see their father, and it's comforting to me because he comes home early. I'm grateful for the company's consideration for employees' families.

Third-party Opinion on Respect for People and Human Resource Utilization

In order to obtain an objective evaluation of our human resources initiatives, the Daiwa Securities Group invited Kimiko Horii, president of GEWEL (Global Enhancement of Women's Executive Leadership), an NPO promoting diversity and inclusion in Japanese society and corporations for revitalizing corporate organizations, to contribute a third-party opinion on the Respect for People and Human Resource Utilization section of this report. Ms. Horii spent a total of 23 hours between February and May 2008 interviewing over 30 Daiwa Securities Group executives and employees and their families.



Kimiko Horii

President
GEWEL

I believe that the sustainability of securities companies depends on developing the talents of employees with diverse values, experience and lifestyles and increasing employee satisfaction, which in turn enhances customer satisfaction.

The measures adopted by the Daiwa Securities Group making it possible for women to continue working even after major milestones such as childbirth and child-rearing are excellent, as they can put these experiences to use in their jobs and contribute to the company's growth. Collaboration between the departments concerned and the employees' labor union helps create a workplace environment supportive of women, and women using the various systems rated them positively. Families also appreciated the work-life balance measures such as leaving the office before 7 p.m., and the employees I met while preparing this report reported being very satisfied.

However, although I learned of the company's extensive measures for supporting child-rearing, my impression was that they are offered only to women rearing children. Women have diverse values and lifestyles

too. I am sorry that I did not have a chance to attend the Women's Career Design Seminar or Career Design Training mentioned in this report while I was interviewing employees or their families. Similarly, men have diverse values and lifestyles.

Like many other Japanese companies, the Daiwa Securities Group works hard to create systems and take measures to make it easier for women rearing children to continue working at Daiwa. Forward-looking companies, meanwhile, have realized that there are limits to what systems and measures can accomplish: they have started working on creating a corporate culture where people respect each others' values and lifestyles. I know that Daiwa has begun encouraging men to take childcare leave too, but before actually introducing the system I think it's necessary to be aware of whether the workplace atmosphere and culture make it easy for men to do so.

I also believe that Daiwa should clearly state why it has been promoting work-life balance and support for child-rearing in this *Sustainability Report*. The company devotes management resources to these activities because they are necessary for its business. I believe that the role of this report is to clearly communicate the stance of the top levels of management to all stakeholders regarding what effects they expect from these measures to boost the company's bottom line and ensure its sustainability.