



## 2 Develop Sound Financial and Capital Markets for the Next Generation

### Establishing Truly Investor-Friendly Financial and Capital Markets

Working in earnest to contribute to the establishment of highly transparent, fair and trustworthy financial and capital markets, the Daiwa Securities Group is undertaking various activities with the highest possible level of compliance awareness. By passing on to generations to come our economic and financial expertise and the knowledge that we have nurtured through our business, we are aiming to contribute further to the sustainable growth of these markets well into the future.



## Compliance Measures of the Daiwa Securities Group

Through the provision of wide-ranging financial products and services, the Daiwa Securities Group not only continues to pursue healthy profits but also has made this its mission, and it has assumed responsibility to assist in developing sound financial and capital markets where transparent and fair transactions can be promoted. In other words, the Group is operating as a market intermediary that connects investors and issuers, while boosting liquidity in financial and capital markets. Through such operations, we are ultimately aiming to serve as a driver of sustainable growth of these markets, which have a role to play in the areas of social capital and infrastructure. In order to carry out this function, it is indispensable for the Group to maintain effective compliance and internal control systems. It is also vital for the Group to listen and respond to customers, while offering investments and engaging in marketing activities in compliance with “principles of suitability” as stated in Article 40 of the Financial Instruments and Exchange Act.

In fiscal 2008, Daiwa Securities Co. Ltd., which is in charge of the retail securities business, conducted comprehensive reviews and revisions of various internal rules relating to product sales, while recently establishing the Trade Surveillance Department, which is tasked with

reinforcing systems for monitoring unlawful transactions. Through these and other initiatives, the Daiwa Securities Group has accelerated its efforts to take this mission to a higher level.

Looking ahead, we are endeavoring to construct a collaborative structure that creates closer links between the Daiwa Securities Group’s sales and compliance departments. Such a structure will enable the Group to achieve responsibility in financial and capital markets with a greater sense of harmony, and in this manner we are bolstering activities to satisfy demands from society at large.

## Improvements in Compliance System Effectiveness

To promote compliance and improve operational quality in all of its marketing activities, Daiwa Securities acknowledges the necessity of training its employees to gain a high degree of compliance awareness as well as of maintaining compliance-oriented organizational structures. At the same time, high-level systems that enable effective utilization of trained personnel and compliance-oriented organizational structures are required. Based on such systems, we aim to strike an optimal balance between cost reductions and efficiency enhancement in order to prevent human errors and eliminate redundancies in operations. These initiatives are intended to contribute to the achievement of our ultimate goal of developing sustainable financial and capital markets.

In addition to promoting the use of electronic statements, steady progress is being made to introduce “thin client” technology as one measure for establishing an efficient system infrastructure base. Thin client is a new type of personal computer system consisting of a terminal without a hard disk, with applications such as Microsoft® Word or Excel as well as all data being stored and administered on a central server. The three primary goals for introducing this system are listed below.

The first goal involves the reduction of unnecessary system usage based on the integration of End-User Computing (EUC) environments—namely, sharing (virtualization) personal computers and servers among departments and Group companies rather than keeping these on an individual or unit basis. Often, such development results in reductions in environmental impact related to such areas as power usage from personal computers and servers. The second goal focuses on increasing security. Ensuring that records do not remain in individual terminals leads to a reduced risk of information physically leaking to outside parties. The third goal is to work towards business continuity. Actually, the aim is to facilitate the continuity of not only main systems, but also EUC environments at each department that promotes business operations.

Presently, with the installation of thin client terminals at head office departments completed, we are currently examining the viability of introducing them at all sales branches. Going beyond steps to augment linkages between and the efficiency of the Daiwa Securities Group’s business systems among sales branches, the head office, and Group companies, we will aim to develop lean and powerful financial and capital market infrastructures with an eye on introducing thin client and electronic paper to those parties that do business in these markets, such as affiliated companies and customers.

\*Details will be made available on the Daiwa Securities Group Inc. CSR website in September 2009.

### Educational Activities for a Sustainable Society

In addition to an obligation to impart its knowledge and experience of the economic and financial sectors to the next generation, the Daiwa Securities Group proactively supports educational and research activities in order to share an awareness of the issues facing the development of a sustainable society.

#### Daiwa—JFS Youth Sustainability College

In partnership with the non-profit organization (NPO) Japan for Sustainability (JFS), the Daiwa Securities Group sponsors a series of lectures for students. The amount the Group donates is determined by the revenue obtained from the sales and management of the “Daiwa Eco Fund” investment trust.

Held over the space of a year, the lectures cover a variety of themes, and those who attend over the four years of the program are able to build up a complete picture of sustainability.

At the lectures, which are held monthly, speakers—including university professors, researchers, corporate executives, businesspeople, members of NPOs and nongovernmental organizations, political

leaders and people at the top of their respective professions—talk about approaches and practices related to sustainability in a manner that is easy for students to understand. Nearly 250 students are currently registered in the program, which serves as a place for learning with colleagues beyond the confines of the university. In addition, the lectures are translated into English and transmitted via the JFS website to 191 countries and regions throughout the world.

Also, fair trade products and food products such as candies and tomato juice produced at social welfare facilities are showcased in a “Sustainable Ordering” display, which is held after the lectures and is one of the highlights.

#### Four-Year Program Offered by the Sustainability College

<p><b>First Year: Capacity/Resources and Sustainability (Oct. 2006 to Sept. 2007)</b></p> <p>Awareness of the fact that all human social activities are carried out within Earth’s limited resources and capacity and understanding global issues according to the <i>mottainai</i> approach</p>
<p><b>Second Year: Intergenerational/Interregional Fairness and Sustainability (Oct. 2007 to Sept. 2008)</b></p> <p>Having inherited the legacy of past generations, we have a duty to pass that legacy on to the next generation. How can wealth and resources be fairly distributed internationally and between regions? Students study how to create a society in which nobody is exploited.</p>
<p><b>Third Year: Diversity and Sustainability (Oct. 2008 to Sept. 2009)</b></p> <p>Students learn to respect all kinds of diversity for its inherent value—for example, the value of an animal’s life and the diverse races and cultures of human beings.</p>
<p><b>Fourth Year: Intention/Connections and Sustainability (Oct. 2009 to Sept. 2010)</b></p> <p>Building a better society requires individual reflection as well as connecting with others. Students study how to best have a flexible and open dialogue to create a wealth of connections as well as learn about the meaning and know-how underlying social engagement.</p>

### Economic and Financial Education for Young People

In order to impart its accumulated know-how and experience through the Company’s principal line of business, the Daiwa Securities Group conducts business-academia collaboration and offers a variety of educational programs on economics so that young people, who will be the next generation’s leaders, have a proper knowledge of economics and finance and are able to take an active part in society. In the area of business-academia collaboration in universities, Group executives and employees teach practical business seminars covering a wealth of subject matter, ranging from basic economics to cutting-edge finance. These activities are sponsored by the Daiwa Securities Group as well as by other organizations. Through the University of Tokyo and Peking University in particular, we have recently forged horizontal links with universities throughout Asia and engage in a lively exchange of views.

\*Details will be made available on the Daiwa Securities Group Inc. CSR website in September 2009.

To enable students at junior high and high schools to easily learn about the mechanisms of finance and business, the Group participates in hands-on economic study programs such as the Student Company



The Daiwa Securities booth at Finance Park, where students have the opportunity to learn and experience personal finance

Program and Finance Park—offered by Junior Achievement Japan, an association involved in economic education for young people. In addition, in the area of on-the-job training as part of the social education

of school teachers and students, staff from the various departments of the Daiwa Securities Group cooperate through such activities as providing on-site study visits to actual dealing rooms and branch offices.

## Cooperation on the Porter Prize

With the aim of contributing to the rejuvenation of the Japanese economy, the Daiwa Securities Group actively promotes business-academia collaboration in the economic and financial sectors. As part of this contribution, the Group has been cooperating with Hitotsubashi University's Graduate School of International Corporate Strategy (ICS) in the organization and management of the Porter Prize since 2001.

The Porter Prize, which aims to bring about improvements in Japanese corporate competitiveness, was established by ICS in 2001. The name of the award is derived from Professor Michael E. Porter, a leading authority on competitive strategic theory.

The prize was established to recognize Japanese companies that have implemented brilliant and unique strategies to achieve and maintain high profitability and to disseminate the methods behind those strategies throughout the world to ensure that their competitive strategic theories and practices take root and widely benefit other Japanese corporations.

In fiscal 2008, the Porter Prize presentation ceremony was held at the Hotel Okura Tokyo in Minato Ward, Tokyo, on December 4, 2008. Since its creation in 2001, the award has been presented to 26 companies.



Professor Porter (second from right) with representatives from the award-winning corporations

## On the Occasion of the Porter Prize

Akira Kiyota, Chairman of the Board, Daiwa Securities Group, Inc.

Through the finance and capital markets and under its policy of contributing to the development of a robust society and economy, the Daiwa Securities Group undertakes a wide range of CSR activities based on its key securities business.

Part of these activities involves proactively working to advance education in economics and finance through, for example, involvement in business-academia collaboration with universities and graduate schools as well as in finance education programs designed for young people.

With the aim of contributing to the rejuvenation of the Japanese economy, the Group has cooperated on the Porter Prize since its inception in 2001, based on its business-academia collaboration with ICS. The Porter Prize has been awarded to many corporations that have implemented unique, high-quality management strategies, and it is our desire to facilitate and to support as many corporations of such quality as possible.

Today, with the possibility of creating a sustainable society being called into question, it is becoming increasingly necessary for securities companies, as finance and capital market leaders, to take

a principal role. Through its principal securities business, the Daiwa Securities Group will remain dedicated to the robust development of society and of the economy.



Akira Kiyota, Chairman of the Board, Daiwa Securities Group, Inc. with Professor Porter