

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.

Corporate Governance System

With the aim of ensuring efficient management and thorough corporate governance, in 1999 the Daiwa Securities Group became the first Japanese listed company to transfer to a holding company system. In addition, Daiwa Securities Group Inc. adopted a committee system for the purpose of accelerating decision making. Under this system, directors entrust certain decision-making authority to executive officers; the supervising function of the Board of Directors has been reinforced through the establishment of the Nominating, Audit and Compensation committees; and management transparency has been enhanced.

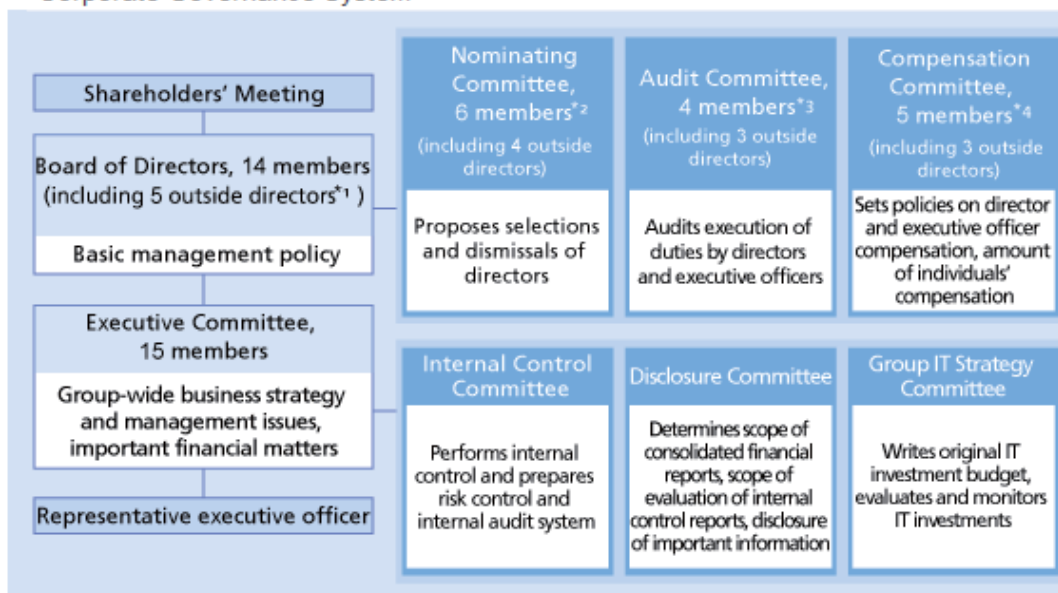
The corporate governance system of the Daiwa Securities Group consists of:

- The Board of Directors, which serves in a supervisory role as well as 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.

During fiscal 2008, Daiwa Securities Group Inc. held Board of Directors meetings 11 times, Nominating Committee meetings 4 times, Audit Committee meetings 12 times, and Compensation Committee meetings 6 times.

■ Corporate Governance System



*1 Outside directors

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

*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	
	Keiichi Tadaki	

*3 Audit Committee

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

*4 Compensation Committee

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

■ Preventing Conflicts of Interest between Group Companies

Conflicts of interest between group companies can occur in situations such as intra-Group trading. The Daiwa Securities Group applies rules regarding conflicts of interest stipulated by the Company Law to Executive Committees. Conflicts of interest within the Group are prevented through a rule prohibiting an executive officer from voting when he or she is also the director of an interested group company.

■ Supervisory Function

The Board of Directors consists of 14 directors, including five 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.

In addition, Daiwa Securities Group Inc.'s 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 Corporation Law.

■ Executive Body

The Executive Committee, consisting of 15 executive officers, is operated by 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. The Executive Committee has been entrusted with the greatest possible level of decision-making authority by the Board of Directors and holds monthly meetings, in principle. Some of the executive officers of Daiwa Securities Group Inc. also serve as key directors in Group companies in order to secure efficient and effective department strategies based on the overall Group strategy and from the perspective of Group management.

■ Internal Control

With the implementation of the internal control and reporting system for financial reports from April 2008, all Daiwa Securities Group companies completed the 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 its information assets, including customers' personal information, from various threats and to handle information in a manner appropriate to the purpose for which it was originally obtained, and endeavors to maintain a high level of information security management. In order to maintain a secure information management system, the Group has formulated a basic information security policy and a privacy policy for protecting personal information. Going beyond these policies, the Group has established minimum standards for measures to be adopted and implemented security training regarding these policies and measures for all executives and employees in accordance with the responsibilities of their posts.

In terms of organizational response, individuals responsible for information security at each Group company participate in the Group IT Strategy Committee meetings of the Daiwa Securities Group Inc. in order to discuss Group information security measures and report information security risks to the Internal Control Committee.

In addition, 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.

Business Continuity Plan

In anticipation of possible damage to its sales branches or head office/head office functions and/or data center due to serious outbreaks of infectious diseases, such as the new-type influenza, as well as social infrastructure shutdowns caused by earthquakes, fires, wind and water damage, and abnormal weather, Daiwa Securities drew up a business continuity plan (BCP) prioritizing important operations*¹ to be restored or continued in the event of a natural disaster, in order to keep the securities market functioning and protect customers' economic activities.

In accordance with this plan, the Group will ensure the safety of customers and Group executives and employees and protect assets while continuing to pursue vital operations based on the public-interest aspect of our business as a securities company.

Specifically, the Group has promoted the digitization of data necessary for its business operations to establish state-of-the-art business continuity system in the financial industry. Equipped with Japan's highest-level backup center, Daiwa Securities Group Inc. has already completed the installation of thin client technology.*² This enables us to easily switch to an alternate system in case the headquarters cease to function and thereby continue vital operations through a substitute office location. The Group is considering the installment of thin client technology at sales branches.

*¹ Priority operations to be restored or continued:

1. Market settlement of securities transactions contracted but not delivered
2. Payment operations
3. New orders from customers to sell or to liquidate long positions on margin transactions for the products below
 - Domestic listed equities
 - MRF (money reserve funds), MMF (money market funds), medium-term government bond funds
 - Japanese government bonds for individual investors

*² Thin client:

A technology for the storage and administration of the totality of data in a single server instead of having individual employee control application software and files distributed among various terminals. This can streamline administration process and costs while reducing operational risks.