

## Message from the President and CEO

President and CEO Shigeharu Suzuki discusses the Daiwa Securities Group's mission and key CSR issues and its responsibilities to society

### Corporate sustainability depends on contributions to society


The financial crisis taught us that companies can no longer function solely to maximize profit. The process of how profit is made is becoming increasingly important. It is true that a company can not survive without profit, but profit in itself should not be the be-all, end-all. People need air and water to live, but there is much more to life than that.

Every company has an obligation to contribute to society through its business, and only those that do so will remain viable.

### Adding a social perspective to investment

The Daiwa Securities Group has been in business for more than a century because our business has always had social significance. More recently, we have introduced products, such as Vaccine Bonds and Microfinance Bonds, which have direct social benefits. Offering these products makes us proud to know we are working for society's betterment.

For our customers, these vehicles offer the same satisfaction as donating to worthy causes. But they are investments, not charity, so customers receive financial



Our pursuit of quality will ensure continued success

returns as well as social returns. Many people in Japan would like to do their part to make the world a better place, so these products fit in perfectly with that mindset.

In April 2010, we will arrange and place a water bond to fund water infrastructure and water quality projects in the Asia-Pacific region.

Known as "Impact Investing," products like the ones I just described offer financial returns to investors while having a direct impact on social issues such as poverty and environmental protection. We plan to increase our commitment in this area and continue working toward the sustainable development of society.

### Fostering sound financial and capital markets through educational and media initiatives

As a financial institution, one of our most important roles is to pass on sound financial and capital markets to future generations. In Japanese schools, there are few classes that teach students basic economics; as a result, there is also a shortage of teachers prepared to teach such classes. Children are our future, so to get them interested in learning about the economy, we need teachers who can make those subjects engaging. With that in mind, we offer materials for high school teachers<sup>1</sup> that make it easier for them to teach about the economy. In my mind, pragmatic efforts such as these will help us foster healthy financial and capital markets.

In Japan, more and more people are realizing that they should not only save for the future, but invest as well. We understand the need to convey the benefits of investing to people aged 50 and older, as they hold around 80% of the individual financial assets in Japan. To that end, we provide information through a variety of media, including our television channel, Daiwa Securities Information TV.<sup>2</sup>

### Improving executive and employee motivation

Since 2007, we have been encouraging our executives and employees to leave the office before 7:00 p.m., and I am glad to report that they have taken that to heart. Efficiency has improved dramatically as a result as people learned to manage their time effectively. We

have also begun pushing for people to take all of their paid vacation days. Even if we introduce good schemes for improving working conditions, if executives and employees do not use them, the schemes might as well not exist, so it was important to adopt easy-to-use schemes. We started with our executives, branch managers, and department heads, because if they take time off, that makes it easier for everyone else to follow suit. In a recent employee survey, around 80% of respondents considered Daiwa's working conditions "appropriate."

In April 2009, we promoted four female employees to our executive team from within our ranks. Our efforts to create a workplace with limited gender barriers over the past few years helped lead to this moment, I think. Satisfied workers are more loyal and motivated, so we will remain focused on maintaining a rewarding work environment.

### Quality, not size, to make difference over next 10-20 years

In January 2010, the Daiwa Securities Group became the first Japanese securities firm to join the UN Global Compact.<sup>3</sup> The Compact's Ten Principles are fully consistent with our own mission, and we have been operating in the spirit of those principles. As a global company, we signed on in order to strengthen our practices and help spread awareness of the principles.

Although we are a global company, over the next 10-20 years we intend to put quality ahead of size. We would like Daiwa to be known as a top-notch company with high-quality products and services and one whose executives and employees take great pride in their work. This, I think, is the key to the Daiwa Securities Group's sustainable success and future growth.



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<sup>1</sup> See page 15.

<sup>2</sup> Japan's only TV channel devoted exclusively to investing.

<sup>3</sup> The UN Global Compact was established in 2000 under the UN Secretariat after an initiative launched in 1999 by former Secretary General Kofi Annan. The membership consists of global corporate leaders who are expected to align their business practices with ten principles in the fields of human rights, labor, environment, and anti-corruption in their business activities, in partnership with UN agencies, labor, and civil society.