

Social Report

Relationship with Executives and Employees

At the Daiwa Securities Group, we strive to train our employees, the source of our competitiveness, in line with one of our corporate principles, Valuing Human Resources. We have a range of programs to create a workplace environment that keeps executives and employees highly motivated and rewards them with job satisfaction.

Approach and Basic Stance

Human resources are the source of the Daiwa Securities Group's competitiveness. We provide a workplace that keeps employees highly motivated and allows them to work with confidence and energy in all phases of their careers, from the time they join the company through retirement. We have set up a variety of human resource programs and take a comprehensive approach when reviewing and revising programs to enhance their effectiveness and create a user-friendly atmosphere.

With the aim of making our employees the most highly qualified in the industry, we offer training for all occupational abilities and stages, and we focus on certifications and improving English skills with a support system that encourages the ambitions of every employee.

In 2008, the Group issued "Daiwa Spirit," a booklet about what it means to be a Daiwa professional. This was developed based on the corporate philosophy and expresses the basic philosophy and mental attitudes valued by the corporate culture since the foundation of the Group. "Daiwa Spirit" was distributed to all Group employees and is expected to enhance employees' sense of unity and togetherness, and thus the Group's cohesiveness.

Employees at the Daiwa Securities Group (Consolidated)

(persons)

		As of March 31, 2008			As of March 31, 2009			As of March 31, 2010		
		Employees	Financial advisors	Temporary employees ¹	Employees	Financial advisors	Temporary employees ¹	Employees	Financial advisors	Temporary employees ¹
Japan	Male	7,821	256		8,281	181	–	8,212	124	–
	(Career track ²)	7,083			7,662	–		7,535	–	–
	(Managers)	3,740			3,919	–		3,872	–	–
	Female	4,401	465		4,812	378	–	4,838	303	–
	(Career track ²)	1,970			2,184	–		2,412	–	–
	(Managers)	119			139	–		159	–	–
	Japan total	12,222	721	1,882	13,093	559	1,553	13,050	427	765
Overseas	1,513		34	1,572	–	35	1,973	–	127	
Total	13,735	721	1,916	14,665	559	1,588	15,023	427	892	

¹ Temporary employees are part-time hires; the figure shown here is the average number of such employees over the year.

² Includes regional career-track employees and specialist positions.

Hiring Initiatives

Hiring approach and trends

The Daiwa Securities Group would like all of its employees to be highly motivated and loyal. All new college graduates hired by the Group, including persons with disabilities, are brought on as full, regular employees. This helps to encourage new hires to feel a sense of trust and pride in the company and a sense of solidarity with their colleagues. In April 2010, the Group hired 337 new employees.

Our approach to retaining talented people is simply to provide an environment in which diverse individuals can perform to their full potential. In line with our strategy to strengthen our business in Asia, Daiwa Securities Capital Markets in particular makes it a policy to bolster its workforce in Asia. Our hiring policy in Japan also prioritizes candidates with the ability to perform on the global stage, where linguistic skills are in demand.

■ Number of New Graduates Hired by the Daiwa Securities Group

(persons)

		April 2008	April 2009	April 2010
Career-track employees/ regional career-track employees ¹	Male	551	388	159
	Female	471	328	173
Operations personnel (or staff)	Male	1	7	4
	Female	241	110	1
Total		1,264	833	337

* This data pertains to 10 group companies: Daiwa Securities Group Inc., Daiwa Securities, Daiwa Securities Capital Markets, Daiwa Asset Management, Daiwa Institute of Research group companies, Daiwa SB Investments, Daiwa Securities Business Center and Daiwa Corporate Investment.

¹ Regional career-track employees: 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.

■ Workforce Statistics

	2007	2008	2009
Average annual salary ¹	¥10.32 million	¥7.06 million	¥7.47 million
Average age	37.7	37.1	36.4
Average number of years of service	11.2	10.7	11.0

* This data pertains to Daiwa Securities Group Inc. only.

¹ Average annual salary includes bonuses and other remuneration.

Support for the success of veteran employees

The Daiwa Securities Group has introduced the Daiwa Master Program to actively support the success of highly motivated and skilled employees, regardless of their age. This system enables veteran employees nearing the mandatory

retirement age of 60 who meet certain criteria to continue their employment until they are 65 years of age. We revised the system in 2009 to refine the criteria even further.

■ Re-employment under the Daiwa Master System

(persons)

	2006	2007	2008	2009
No. of employees hired under the Daiwa Master System	6	14	36	53

*This data pertains to three Group companies.

Employing persons with disabilities

The Daiwa Securities Group began hiring new graduates with disabilities as regular employees beginning in fiscal 2008. We hired seven new graduates with disabilities in April 2008, 15 in April 2009 and five in April 2010.

We seek to hire talented people, regardless of whether they have disabilities or not. Beginning with our 2011 new hires, we will hire persons with disabilities for career-track positions,

regional career-track positions and customer service positions. The goal is to hire high-caliber employees, not just to meet Japan's legally mandated employment rate for persons with disabilities, thus providing a bigger stage on which persons with disabilities can advance their careers, take advantage of opportunities and stay highly motivated to succeed.

■ Employment Rate for Persons with Disabilities (as of Each Fiscal Year-end)

(%)

	2005	2006	2007	2008	2009
Employment Rate for Persons with Disabilities	1.85	1.95	1.87	1.87	2.01

* This data pertains to 11 Group companies.

Human Resources Development and Skill Development

Employee training approach and trends

The Daiwa Securities Group focuses on human resource development with the aim of creating a professional cadre that can ensure the Group remains Japan's most impressive securities firm. In particular, we believe that the first two years after joining the Group—when new graduates are just getting their start as full members of society and Group employees—is a critical period for a solid basic education. We offer extensive training

programs during this period. Our varied training options ensure not only that employees acquire the fundamentals skills needed for their jobs, but also that they learn about the Group's corporate philosophy and commitment to CSR.

In fiscal 2009, we began to focus on improving the English skills of employees. With globalization, the Group increasingly invests in overseas subsidiaries, and employees are more likely to be

transferred within the Group. Thus, strengthening English skills is a crucial issue not only for Daiwa Securities Capital Markets employees, who often work in overseas-related operations, but also for Daiwa Securities employees focused on operations in Japan. We will continue to augment our efforts in this area in fiscal 2010 and thereafter.

We believe that our employees must have a firm understanding of corporate ethics and compliance in order to ensure the development of sound financial and capital markets—a key issue for the Daiwa Securities Group. Accordingly, we offer regular training on information management and compliance.

Employee training system

Employee training is run in accordance with the Group's shared policies, and each company also operates its own training programs in light of the different skills required depending on the company's focus. Each company has its own division in charge of training, such as the Education and Training Department established by Daiwa Securities in 2007.

The Personnel Department of Daiwa Securities Group Inc. is in charge of Group-wide training programs, and has increased these since 2009. It aims to raise the efficiency of training as well as to strengthen networking and the sense of solidarity throughout the Group. It will continue such efforts in fiscal 2010 and thereafter.

Education and training system

Daiwa Securities launched the Daiwa Mentoring Program in July 2009, a two-year intensive basic educational program for new hires. The company has introduced a tutor system in which each new hire is assigned to another employee who will be in charge of their education for the first year of their employment. The new hires are given focused education and training so that they can become independent in their first two years.

The company also offers selective management training for managers through programs such as the Daiwa Management Academy and Daiwa Leadership Program. In addition, mid-level employees can take training to enhance their presentation and negotiating skills and acquire new business skills. Training is tailored to each stage in an employee's career.

■ Supporting employees trying to earn credentials

In light of globalization and corporate strategies emphasizing Asia, the Daiwa Securities Group strives to improve employees' English skills and recommends that employees take the TOEIC exam. We offer a test support system to help employees raise their TOEIC scores, such as e-learning accessible to all employees. In addition, we offer more practical e-learning opportunities and recommend English conversation and language schools to intermediate-level learners.

In addition, Daiwa Securities aims to have all employees acquire Associate Financial Planner (AFP) certification and to have the highest number of employees in the industry with the Certified Financial Planner (CFP) certification, the level above AFP. The Tama Training Center began to offer group training sessions for CFP certification in fiscal 2010. The company provides generous support so that employees can enhance their specialized skills and become professionals by, for example, subsidizing certification costs.

■ Achievements of Participants in Selected Management Training

(persons)

Eligibility for Daiwa Management Academy: Department managers			
Fiscal year	2007	2008	2009
Number finishing program (cumulative)	190	210	228
Eligibility for Daiwa Leadership Program: Deputy general managers			
Fiscal year	2007	2008	2009
Number finishing program (cumulative)	473	507	537

■ Achievements of Participants in Business Skill Training

(persons)

Fiscal year	2007	2008	2009
Number finishing program (cumulative)	440	1,013	1,348

* This data pertains to 11 Group companies.

* The number of people completing presentation skill enhancement training, coaching training, negotiation skills training, communication training, logical thinking training, and facilitation training.

■ Persons Earning Credentials

(persons)

Period tabulated	March 31, 2008	March 31, 2009	March 31, 2010
Credentials	No. of persons obtaining	No. of persons obtaining	No. of persons obtaining
Associated Financial Planner (AFP)	2,725	2,997	3,739
Certified Financial Planner (CFP)	263	279	309
Security Analyst	1,347	1,372	1,345
Chartered Financial Analyst (USA credential)	42	47	45
Licensed Tax Accountant	17	20	19
Variable Insurance Sales Credentials	6,111	6,384	6,271
Project Manager	-	-	142
IT Passport	-	-	202
Overseas MBA program graduate, etc.	168	176	169

* This data pertains to 11 Group companies.

* The number of people is based on the number of employees enrolled.

Internal (intra-group) job postings and new career path examinations

The Daiwa Securities Group also has an internal recruiting system to open new career opportunities to skilled employees interested in self-development. In fiscal 2009, 3 out of 47 applications were successful. There have been a total of 790 applicants

since 2000, and a total of 138 successful transfers. We also now offer career path examinations for those in non-career-track jobs who wish to move into career-track or regional career-track jobs.

■ Successful Applicants in Internal Recruiting System

(persons)

Held	Positions offered in	No. of applicants	No. of successful applicants
FY2000 summer (1st recruitment)	Analysts, fund managers	12	2
FY2000 winter (2nd recruitment)	Overseas postings	71	6
FY2001 summer (3rd recruitment)	Analysts, fund managers, venture capitalists, investment information, principal finance specialists	58	7
FY2002 summer (4th recruitment)	Fund managers, M&A, derivatives, overseas postings, internal wholesalers, satellite broadcasting castors, etc.	60	7
FY2003 summer (5th recruitment)	Retail and corporate and institutional sales, analysts, derivatives, venture capitalists, internal wholesalers, dealers, traders	81	18
FY2003 winter (6th recruitment)	Analysts, money managers, SMA consultants, sale, proposals and planning, dealers, traders, derivatives, business consultants, pension consultants	60	16
FY2004 summer (7th recruitment)	Compliance, product development, M&A, research, analysts, venture capitalists, fund managers	63	13
FY2005 spring (8th recruitment)	Compliance, product development, investment advisors, M&A, principal finance specialists, analysts	87	24
FY2005 fall (9th recruitment)	Corporate and institutional sales, product development, overseas postings	40	9
FY2006 spring (10th recruitment)	SMA consultants, retail and corporate and institutional sales, product development, analysts, dealers	38	10
FY2006 fall (11th recruitment)	Corporate and institutional sales, traders, principal finance specialists	47	6
FY2007 spring (12th recruitment)	Corporate and institutional sales, underwriting	29	3
FY2007 fall (13th recruitment)	SMA consultants, corporate and institutional sales, underwriting, fund managers, overseas postings	43	8
FY2008 fall (14th recruitment)	Analysts, traders, institutional investor sales, overseas posting, venture capitalists	54	6
FY2009 fall (15th recruitment)	Retail and corporate and institutional sales, overseas posting	47	3
Total		790	138

*This data pertains to 11 Group companies.

Evaluation system

At the Daiwa Securities Group, we believe that a fair and well-accepted evaluation system is crucial in keeping all employees highly motivated in their jobs. Accordingly, we implement a bidirectional evaluation system in which subordinates and their superiors evaluate each other as well as a 360-degree system in which collaborating departments provide evaluations. In the 360-degree evaluations, the cooperating department assesses job performance of the employee in the course of daily operations and gives feedback to the employee. This is intended to deepen self-awareness and mutual

understanding and improve the Group's overall productivity. This multi-faceted evaluation system also takes compliance-related performance into account.

In fiscal 2009, we revised the Group's human resources system. Our aim is to be an enterprise where employees want to work from entry until retirement, so we are working to develop programs and benefit systems that will give employees job satisfaction at all stages of their careers. We will continue working to develop an equitable personnel system that clearly represents the expected responsibilities for every position.

Creating a Workplace Supportive of Work-life Balance

Encouraging work-life balance

An advanced level of work-life balance is one of the human resource strategies advocated in the "Passion for the Best" 2011 medium-term management plan, and the Daiwa Securities Group promotes work-life balance as part of its general management strategy. Individuals optimize their own value by devoting themselves wholeheartedly to all aspects of their lives, and this also helps

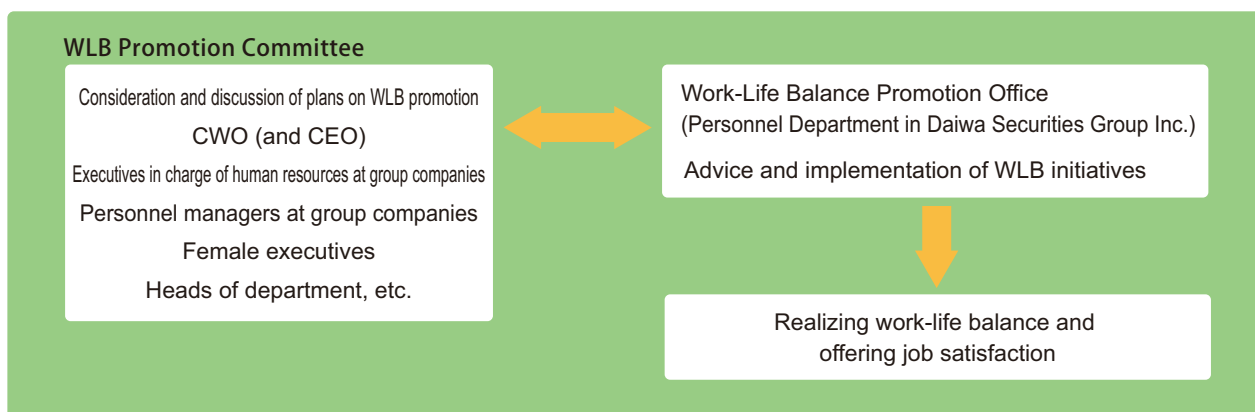
them to balance the diverse demands they face as citizens and members of the broader community and as company executives or employees. This is the conviction that guides the Group's initiatives to promote work-life balance. We are committed to attracting high-caliber employees who build an enterprise that achieves great performance.

Work-life balance promotion system

In April 2008, the Daiwa Securities Group established a Work-life Balance Promotion Committee, with Daiwa Securities Group Inc. President and CEO Shigeharu Suzuki serving as chief work-life balance officer (CWO). This committee meets together once every three months to consider and discuss plans to promote work-life balance. In addition, a Work-life Balance

Promotion Office was created within the Personal Department of Daiwa Securities Group Inc. This office gives advice on promoting work-life balance and carries out initiatives to realize policies. This Group-wide undertaking is intended to create a working environment in which both men and women can work in a variety of ways.

Work-Life Balance Promotion System



Work-life balance initiatives

We are taking various steps to achieve an advanced level of work-life balance, such as creating an atmosphere in which programs can be actively utilized and augmenting systems.

We have been expanding assistance for employees providing childcare and nursing care to their families through such measures as establishing the Daiwa Child Care and Nursing Support Desk in fiscal 2009, which provides employees with practical advice regarding child-rearing and providing nursing care. We are also improving the content of Daiwa WLB Station, a website that supports work-life balance by providing a variety of information, such as referrals to programs offering childcare support and nursing care and a communication forum where employees can alleviate each other's uncertainties and concerns. In addition, we provide extensive support, such as holding classes on nursing care for employees worried about their nursing skills and systematic support for employees returning to work after maternity leave.

At the same time, we are establishing or upgrading programs designed to make all these systems as user-friendly as possible.

In April 2010, we launched the Shorter Workday Employment Program, allowing both male and female employees to shorten their working day to six hours until their children complete third grade in elementary school. We have also set up a



new Nursing Care Leave Program and Substitute Vacation Program and overhauled our existing programs—for instance, adding a program allowing employees to take their annual paid vacations in one-hour increments.

In addition to a directive requesting employees to leave the office before 7:00 p.m. issued in June 2007, the Daiwa Securities Group encourages employees to take all of their annual paid vacation.

■ Major New Programs and Revised Programs in Fiscal 2009

Program	Description
Shorter Workday Employment Program	This program allows employees to shorten their scheduled working hours to a minimum of six hours until their children complete third grade in elementary school.
Nursing Care Leave Program	Employees with families requiring nursing care may take short-term leaves of absence (paid).
Substitute Vacation Program	Employees working more than 60 hours a month in overtime and weekend work may take a vacation equivalent to the time exceeding 60 hours in place of part of their overtime pay.
Childcare Leave Program	This program allows employees to take childcare leave even if their spouse is a full-time homemaker and is able to care for their children; the terms for rehiring have also been relaxed.
Annual Paid Vacation Program	Employees may take their annual paid vacation in increments of one hour for a maximum of five days a year.

■ Working Hours and Paid Vacation Usage Rate

Fiscal year	2005	2006	2007	2008	2009
Annual regular working hours (hours)	1845.0	1845.0	1837.5	1837.5	1830.0
Average monthly overtime hours (hours) ¹	27.0	26.2	25.2	21.3	22.1
Paid vacation usage rate (%)	34	36	37	57	56
Paid vacation usage rate (including special summer vacation) ² (%)	43	45	47	64	60

*This data pertains to three Group companies.

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.

■ Employee Welfare System Usage

(persons)

Fiscal year		2005	2006	2007	2008	2009
Number of employees taking childcare leave ¹	Female	138	150	209	245	304
	Male	0	2	4	14	16
Number of employees taking nursing care leave	Female	2	3	6	2	5
	Male	0	0	3	1	0

*This data pertains to all consolidated Group companies.

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

Helping Women Use Their Full Abilities in the Workplace

The Daiwa Securities Group offers women opportunities to succeed and is reinforcing its

programs to support them so that marriage, pregnancy, childbirth and other important life

events do not negatively impact their careers. The Woman's Support Action Team, started in 2005, has been promoting programs to help women balance work and family life, such as leave of absence for childbirth or childcare and exemption from overtime work.

We recently stepped up the promotion of these programs by taking the following measures: changed the system in which superiors encourage female employees to use these programs; distributed a synopsis of these programs to all managers; established the Daiwa Child Care and Nursing Support Desk to provide consultation services; and updated Daiwa WLB Station, which promotes work-life balance. These measures have helped executives and employees understand the programs better and created a workplace atmosphere more supportive of those using the programs.

In addition, the Women's Career Design Seminar

and Career Design Training programs are offered at Group companies to encourage female employees to take the initiative to map out their careers. As a result of these measures, in fiscal 2009 four new female executive officers were appointed in the Group, and six new female department heads or branch managers were appointed, bringing the total number of women serving as department heads or branch managers to 17.

In April 2010, a program was started on Daiwa WLB Station to give female employees advice on their careers. This system gives women a forum in which they can use a message board to get advice and discuss their concerns about shaping their careers with female superiors who have already built their careers.

We will continue to expand the ranks of female managers, aiming to develop female leaders who will drive the future of Japan's financial industry.

■ Main Initiatives of the Female Employee Support Plan (as of March 2010)

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	Employees can take childcare leave 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 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	Daiwa WLB Station, a work-life balance promotion website that focuses on various support systems related to child-rearing and nursing care, provides information for employees on childcare leave and helps facilitate their smooth return to the workplace.

■ Female Employees and Managers at the Daiwa Securities Group

(%)

	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
Percent of employees who are female	33.3	36.0	36.8	37.1
Percent of managers who are female	2.9	3.1	3.4	3.9

*This data pertains to all consolidated Group companies.

Mental Health

In August 2006, Daiwa Securities Group Inc. established the Health Support Promotion Department to help employees maintain their mental and physical health. The Health Support Promotion Department is staffed with two certified clinical psychologists who are available to provide consultations to support Group executives and

employees, and their families. Moreover, we maintain arrangements with outside specialists so that Group personnel and their families can receive prompt attention anywhere in Japan.

We also support employees' mental health by arranging talks in all branches and departments to broaden awareness of mental health issues.

Initiatives at General Health Development Centers

The Daiwa Securities Group has set up General Health Development Centers at the main Group offices. These centers are responsible for health management designed to enhance the health of each employee. At the centers, full-time occupational physicians provide outpatient services, staff plan, manage and provide follow-up on regular physicals, and guest occupational physicians provide consultations on general health,

while psychiatrists and clinical psychotherapists offer consultations on mental health issues. Health information is posted in the centers and on internal bulletin boards, and they also provide health education by distributing informational materials. They have also set up support desks for those trying to quit smoking, as well as relaxation corners.

Human Rights Awareness

We are enhancing our human rights awareness programs with a view to improving our corporate culture, which already emphasizes respect for human rights. The Daiwa Securities Group has been a member of the Industrial Federation for Human Rights, Tokyo since 1998. With the aim of ensuring accurate understanding of human rights issues and deepening awareness, Daiwa Securities Group Inc. established a Human Rights Awareness Promotion Committee, which is headed by the director in charge of human resources at Daiwa Securities Group Inc. and meets regularly. Organizations are set up underneath this committee, with all heads of Group departments

and branches serving as leaders, to follow the committee's plans by conducting campaigns such as soliciting human rights slogans from all Group employees and their families, as well as incorporating information ensuring accurate understanding of human rights issues in new hire training and manager training. Once a year, all Group employees watch a video on human rights and then divide up into their divisions to discuss the issue from a variety of organizational perspectives.

We will continue to promote human rights awareness to ensure fair, discrimination-free hiring and help to build a gender-equal society.

Communication

Communication with executives and employees

At the Daiwa Securities Group, we believe that communication with executives and employees is vital in maintaining a healthy workplace environment. Communication takes place through interviews with the Personnel Department and a semi-annual self-assessment questionnaire. In addition to the union member questionnaire given by the Employees' Union, in fiscal 2009

we conducted a questionnaire on employees' satisfaction with work and their lives and a questionnaire on living conditions for employees raising children. We provide opportunities for employees to share their views, and then reflect these findings when reviewing the adequacy of current programs and revising programs in the future.

■ Number of Employees' Union Members (as of the End of Each Fiscal Year)

(person)

Fiscal year	2005	2006	2007	2008	2009
Employees' union membership	5,747	6,078	6,969	7,666	7,915

*Of the 11 Group companies, this does not include Daiwa Asset Management Co. Ltd., which has its own employees' union, and Daiwa Property Co. Ltd., which has no employee union.

Communication between employees

In October 2007, we introduced a "club activity support program." This program was intended to help employees enjoy their time off, deepen their friendships with colleagues and give them more opportunities to share a sense of solidarity, as well as to provide work-life balance support and

facilitate a full social life for employees. In fiscal 2009, we augmented this program. Groups that meet certain conditions are recognized as Daiwa Clubs and Daiwa Circles and receive subsidies covering some of their activity costs. Currently, 14 clubs and nine circles are active in the Group.

Initiatives for families

- Families of recipients invited to President's Awards ceremonies
- Flowers sent to all employee households at Christmas
- "Family days off" holiday system created
- Employees' families also eligible for mental health support
- Two million yen benefit given at birth of the third or subsequent babies born to employees
- Family visits to the workplace (started in 2008; 4,240 families participated in fiscal 2009)



*** Scope**

Consolidated Group companies: Group overall

11 group companies: Daiwa Securities, Daiwa Securities Capital Markets, Daiwa Asset Management, Daiwa Institute of Research Holdings, Daiwa Institute of Research, Daiwa SB Investments, Daiwa Securities Business Center, Daiwa Property, Daiwa Corporate Investment, Daiwa Institute of Research Business Innovation, and Daiwa Securities Group Inc.

3 group companies: Daiwa Securities Group Inc., Daiwa Securities, and Daiwa Securities Capital Markets