

Daiwa Securities Group

CSR Report 2011

Web-only Contents

About Daiwa Securities Group CSR Report 2011

Editorial Policy

The Daiwa Securities Group has been publishing this report annually since 2002 with the aim of clearly disclosing our CSR activities, which are intended to support the creation of a sustainable society. We also use this opportunity to evaluate the company's current status and the challenges it is facing.

The 2011 CSR Report focuses on SRI because we wish to convey to many stakeholders that the way money is used is key to resolving society's problems.

An important objective of this report is to prompt awareness, thought, and action among stakeholders reading the report to cause money to be channeled to creating a sustainable society in order to resolve problems such as global warming and poverty.

We strive to provide accurate, easily understood information by publishing the information we would most like to convey in the Highlight Edition and comprehensive information based on the guidelines of the global reporting initiative (GRI)* on our website to ensure accountability.

* GRI (Global Reporting Initiative): An organization dedicated to proposing and promoting common international guidelines for sustainability reports.

Scope of Report

Intended Readership

This report is intended for Daiwa Securities Group's stakeholders, which primarily include customers, shareholders and investors, executives and employees, as well as business partners, government agencies, non-profits (NPOs, NGOs), local communities where Daiwa Securities has offices, educational institutions, and the families of executives and employees.

Scope of Reporting

This report basically covers the principal companies of the Daiwa Securities Group (see page 29). The report does not, however, include all data from the Group's principal companies on items reported; the information is selected based on the respective companies' size and type of business. Each set of numerical data specifies the scope of coverage.

Period Covered by Report

Fiscal 2010 (April 1, 2010 to March 31, 2011). The report also includes information on events and activities carried out prior to fiscal 2009, as well as those scheduled to take place during fiscal 2011.

Date of Publication

August 2011 (The previous report was published in August 2010; the next report is planned for August 2012).

Inquiries: Daiwa Securities Group Inc.
Corporate Communication Department, CSR Group
Tel: +81-3-5555-1111 (main)
E-mail: daiwacsr@dsgi.daiwa.co.jp
Website: <http://www.daiwa-grp.jp/english/csr/>

Highlight Edition [Communication Tool]

- Easy-to-read format
- Focused on key issues



Highlight Edition

Message from the
President and CEO
Highlights

Full Edition

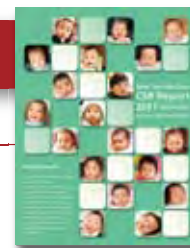
Detailed information on our CSR
management as well as social and
environmental activities



Full Edition [Information Disclosure, Tool for Accountability]

- Breakdown of CSR initiatives, challenges, and goals for each stakeholder group
- Report based on GRI Guidelines

CSR Report 2011 Highlight Edition (Booklet)



Contents

Message from the President and CEO	1		
Editorial Policy.....	3		
Daiwa Securities Group Corporate Principles and Key Issues.....	4		
Dialogue: Kumi Fujisawa and Shigeharu Suzuki Leveraging financial capabilities to resolve global issues	5		
SRI Highlights: The Role of Finance			
■ Just Think about What You Can Achieve with Your Money	9	■ Fulfilling Our Social Responsibilities as a Financial Institution.....	15
■ What Is Socially Responsible Investment?	11	■ Employee Round Table Discussion: Ways to Promote SRI	17
■ Daiwa Securities Group's Engagement in SRI	12	Our Relationship with Money.....	21
■ SRI Efforts in Product Development and Sales Teams	13	Creating a Rewarding Workplace for Employees	23
		Daiwa Aid after the Great East Japan Earthquake.....	24
		CSR Also Becoming More Prominent in Communications.....	25
		CSR Issues: Performance and Targets.....	27
		Daiwa Securities Group Profile	29
		About CSR Report 2011.....	30

CSR Report 2011 Web only contents (this report)

Contents

Daiwa Securities Group CSR.....	1	Environment Report:	
Management Report		● Environmental Initiatives.....	49
● CSR Management	3	Economic Report	
● Corporate Governance	5	● Delivering Economic Value to Stakeholders	
● Compliance.....	10	Third-party Opinion	58
● Information Disclosure.....	14	Third-party Evaluations.....	61
Social Report		CSR Milestones at the Daiwa Securities Group ...	62
● Relationship with Customers	16	GRI Guidelines Content Index	66
● Relationship with Shareholders and Other Investors	20		
● Relationship with Executives and Employees ...	24		
● Relationship with Society	35		

Daiwa Securities Group CSR

Approach and Basic Stance

The Daiwa Securities Group has the important mission of contributing to the development of society and the economy through daily operations that help build investors' wealth and support corporate activity.

We consider strong trusting relationships with customers, shareholders, employees and society—as expressed by our corporate principles—foundational to the ongoing fulfillment of this mission and continuous growth.

Role and Social Responsibilities of the Financial Industry

The Daiwa Securities Group is a leader in the financial industry, and plays a vital social role by building a bridge between, on the one side, the need of companies to raise capital or the need of governments to finance public works projects, and on the other side, the need of individual and institutional investors, pension funds, and others for efficient investment.

On the fund-raising side, the Group provides advice and assistance in implementation for companies raising money for capital expenditures and R&D, as well as for national governments, local governments, international institutions and public corporations seeking to raise funds for public works projects. It does so by issuing marketable securities such as stocks and bonds, and by creating other securitized products.

On the investment side, the Group provides appropriate investment information and advice tailored to each customer's situation and goals. It offers a comprehensive and diverse line-up of financial instruments and services to meet the various needs of individual and institutional investors as well as pension funds.

The Group links demand for funds to fund supplies through the financial and capital markets, primarily, and facilitates the smooth flow of money so that it can circulate as the lifeblood of the economy. This, in turn, helps to develop industries and resolve social issues.

External Initiatives Using Finance to Resolve Social Issues

The business sector plays an important role in enhancing the sustainability of society. Financial institutions have a social mission to make the most of their core capacities to contribute to sustainable social development. At the Daiwa Securities Group, we believe that our role is not only to maintain and develop an equitable and dynamic financial market, but also to reflect a socially conscious perspective in finance and facilitate the flow of money to build sustainable societies.

On the basis of this philosophy, the Daiwa Securities Group is a signatory to UNEP FI,¹ PRI² and the Carbon Disclosure Project (CDP),³ fulfilling this role as an upstanding member of the international community.

In January 2010, the Daiwa Securities Group became the first Japanese securities company to sign the United Nations Global Compact (GC),⁴ a platform to help companies that have committed to sustainable and responsible business practices shape their policies. The Group pursues business

activities consistent with the UN Global Compact. Further, in line with the United Nations Millennium Development Goals (MDGs),⁵ the Group is endeavoring to develop products and services that help resolve social issues.

1 United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is a partnership between the United Nations Environment Programme, which is a UN organization, and financial institutions around the world. Based on the recognition that the money handled by the financial industry has a major impact on the world, this initiative pursues better ways of doing business, taking into account the environment and sustainability, and seeks to spread and encourage this commitment.



2 Principles for Responsible Investment (PRI)

PRI is an investor initiative in partnership with UNEP Finance Initiative and the UN Global Compact. This initiative seeks to encourage and promote responsible lending and investing practices which take environmental and sustainability issues into account.



3 Carbon Disclosure Project

This project is an affiliation of institutional investors concerned about climate change who demand that companies disclose information about their stance on environmental problems and initiatives addressing such problems.



4 UN Global Compact

The UN Global Compact was established in 2000 under the UN Secretariat after an initiative launched in 1999 by then-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.



5 United Nations Millennium Development Goals (MDGs)

The MDGs consist of eight goals that 189 representatives from UN Member States, including 147 heads of state, participating in the UN Millennium Summit held in New York in September 2000, designated as 21st century goals for the international community, with a target date of 2015.

CSR Management

Approach and Basic Stance

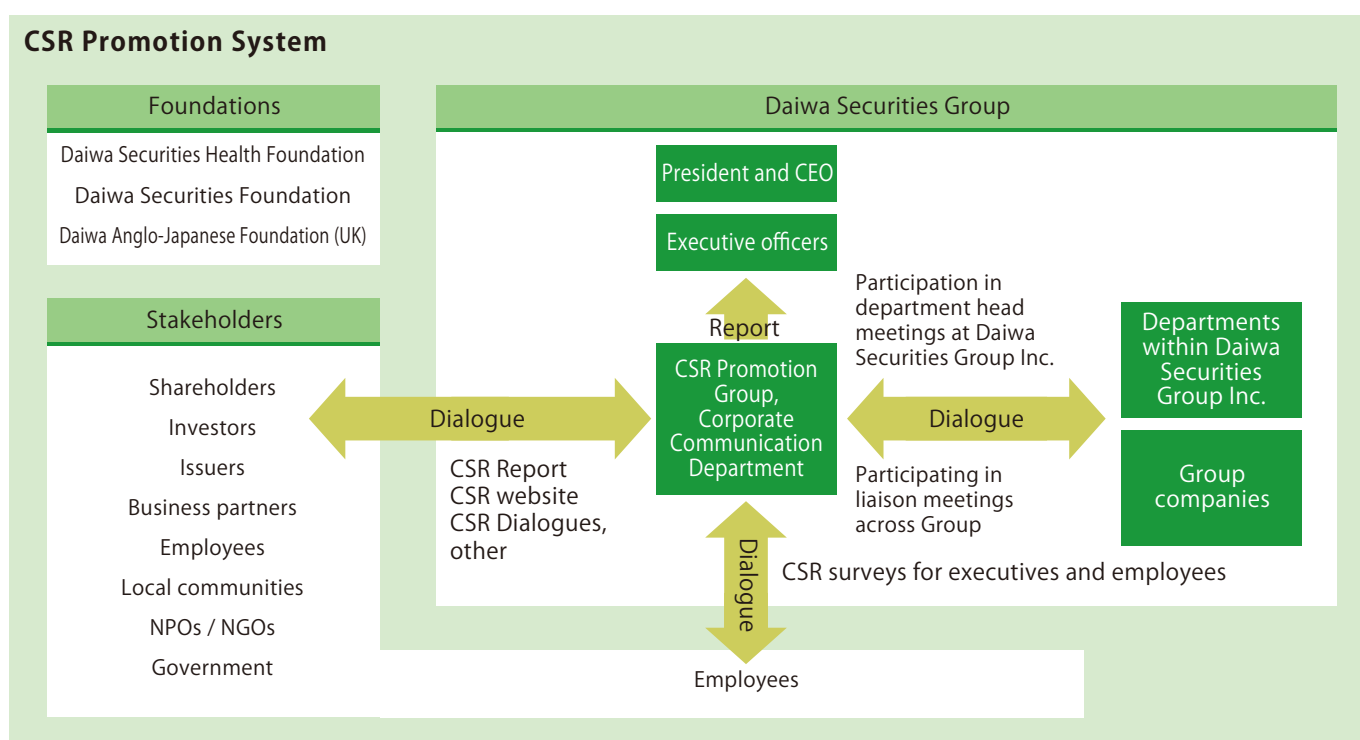
The Daiwa Securities Group has four corporate principles: building customer trust, valuing human resources, contributing to society and earning sound profits. To live up to these principles, the Group strives to encourage a rich awareness of CSR among executives and employees. This is the key to ensuring that everyone at Daiwa acts in line with the greater good in all of their daily work. The Group is proactive in holding dialogues with external stakeholders, and reflects their feedback in its activities.

CSR Promotion System

The CSR Group of the Corporate Communication Department at Daiwa Securities Group Inc. compiles information in external meetings and actively holds dialogues to ensure that feedback from a wide range of stakeholders is reflected in the Group's activities. The section then shares this information in department head meetings and departmental liaison meetings at Daiwa Securities Group Inc. and throughout the Group, and also treats CSR-related issues as business issues requiring solutions. The section also provides lectures on CSR during the Group's new hire training to increase awareness of CSR, and shares information on CSR activities with branches throughout Japan and major overseas sites. The section also organizes dialogues on various CSR issues with opinion leaders in the broader society, and posts them on the CSR website of Daiwa Securities Group Inc. as "CSR Dialogues" (only selected dialogues are available in English).

CSR Dialogues:

<http://www.daiwa-grp.jp/english/csr/dialogue/>



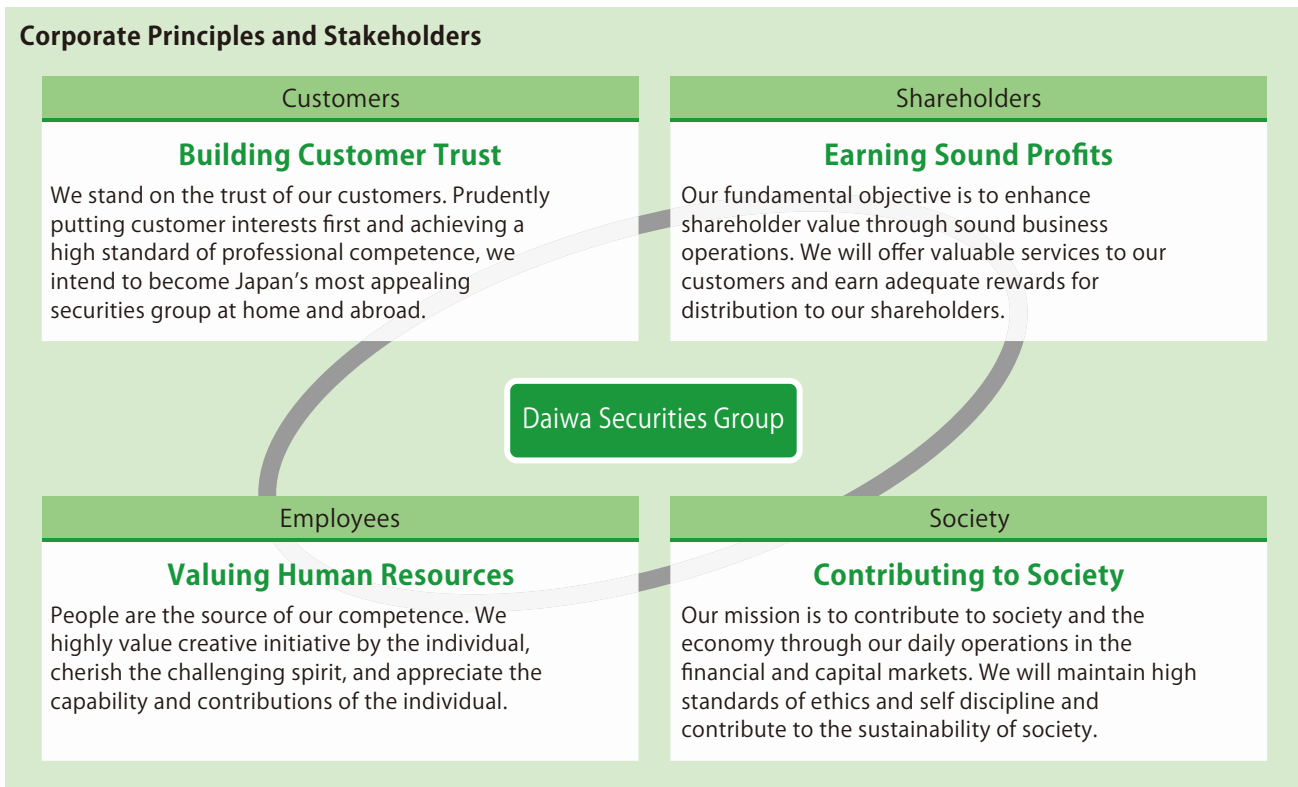
Abstract of the Daiwa Securities Group's Medium-Term Management Plan "Passion for the Best 2011"

Corporate Mission and Principles

The Daiwa Securities Group's mission is to contribute to the development of society and the economy through daily business operations, including wealth management and supporting corporate clients' activities.

The strong trust of stakeholders, including customers, shareholders, employees and the society, is essential to the accomplishment of our mission and sustainable growth.

Corporate Principles and Stakeholders



Management Vision

Building a Robust Business Structure, and Taking the Path to Becoming Asia's Leading Financial Services Firm

Based on its established business foundation, the Daiwa Securities Group will materialize its vision and corporate principles in order to achieve higher goals.

The Daiwa Securities Group is working to achieve sustainable growth by building even stronger trust with stakeholders and contributing to the ongoing development of society. The Group aims to be an upstanding enterprise that executives and employees and their families can feel more and more proud to be part of, as it strives to "Build a Robust Business Structure, and Take the Path to Becoming Asia's Leading Financial Services Firm."

Corporate Governance

Approach and Basic Stance

The Daiwa Securities Group is convinced that earning the trust of all stakeholders is the best way to ensure that corporate value continues to grow. The Group is developing an agile, efficient corporate governance system whose transparency meets global standards.

Corporate Governance System

With the aim of ensuring efficient management and thorough corporate governance, in 1999 the Daiwa Securities Group became the first publicly listed Japanese company to make the move to a holding company system. In addition, Daiwa Securities Group Inc. adopted a committee system to accelerate 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:

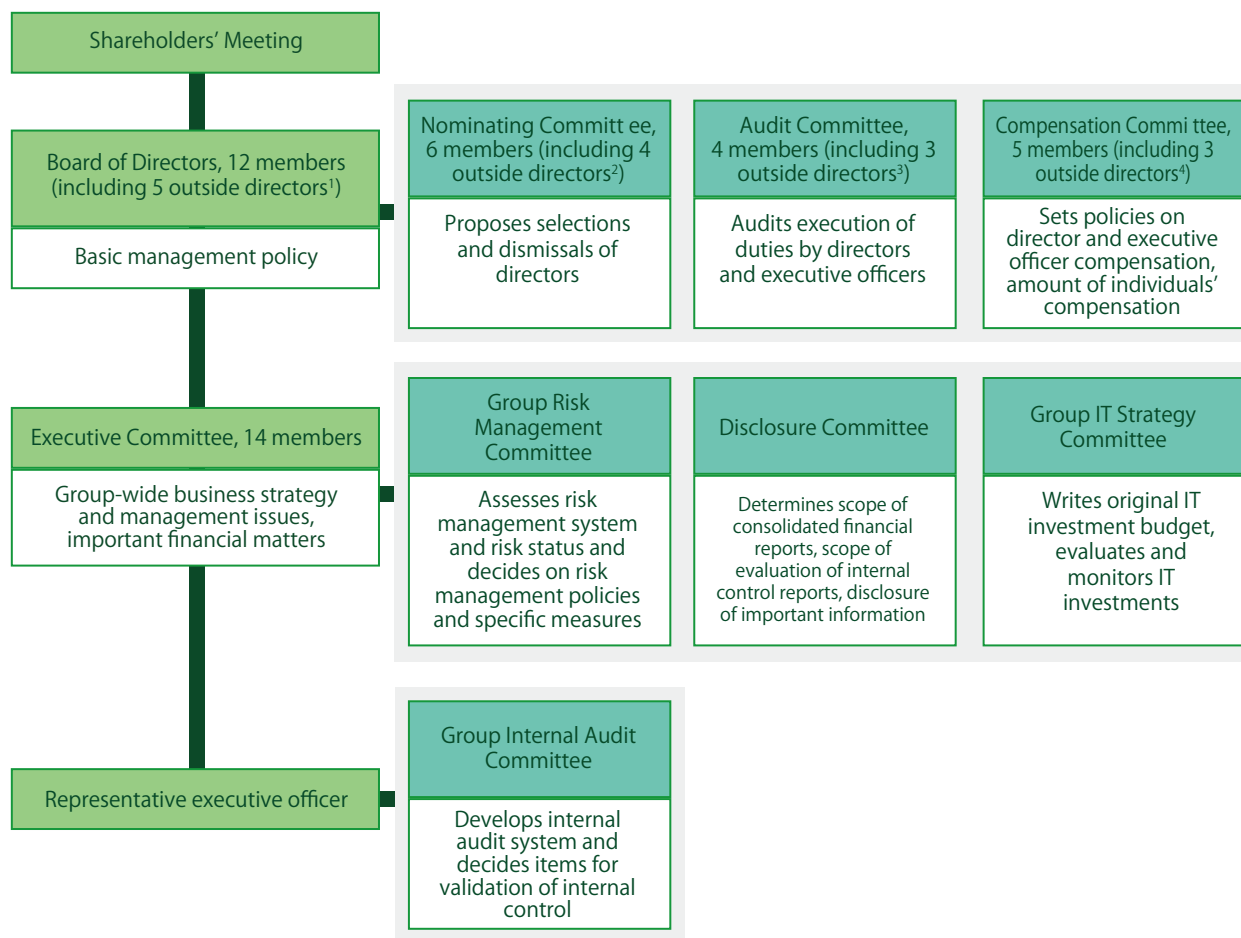
- The Board of Directors, which serves a supervisory function, and the Nominating, Audit and Compensation committees; and
- The Executive Committee, which serves as the executive body; and the Group Risk Management Committee, the Disclosure Committee and the Group IT Strategy Committee, which are subcommittees of the Executive Committee; and
- The Group Internal Audit Committee, which serves as the internal audit body reporting directly to the CEO.

Although the chairman of the Board of Directors is also an executive officer, he does not have any specific duties as an executive officer.

Report on Corporate Governance (available only in Japanese)

<http://www.daiwa-grp.jp/japanese/pdf/governance20100701.pdf>

Corporate Governance System of Daiwa Securities Group



1 Outside directors
 Ryuji Yasuda, Professor, Hitotsubashi University Graduate School
 Koichi Uno, Certified public accountant
 Nobuko Matsubara, Chair, Japan Institute of Workers' Evolution
 Keiichi Tadaki, Lawyer
 Kensuke Ito, Advisor, Kyocera Corporation

2 Nominating Committee
 [Outside directors]
 Tetsuro Kawakami
 Ryuji Yasuda
 Nobuko Matsubara
 Keiichi Tadaki
 [Internal directors]
 Committee Chair: Shigeharu Suzuki, Chairman of the Board and Executive Officer, Daiwa Securities Group Inc.
 Takashi Hibino, Senior Managing Director and President (CEO), Daiwa Securities Group Inc.

3 Audit Committee
 [Outside directors]
 Committee Chair: Koichi Uno
 Nobuko Matsubara
 Keiichi Tadaki
 [Internal directors]
 Toshihiko Onishi, Executive Officer, Daiwa Securities Group Inc.

4 Compensation Committee
 [Outside directors]
 Tetsuro Kawakami
 Ryuji Yasuda
 Koichi Uno
 [Internal directors]
 Committee Chair: Shigeharu Suzuki
 Takashi Hibino

Supervisory function

The Board of Directors consists of 12 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 demonstrate initiative and leadership. Additionally, external directors are experts in such fields as executive management and accounting. In addition, the supervisory function of Daiwa Securities Group Inc. 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 pivotal 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 Japan's Companies Act.

Executive body

The Executive Committee, consisting of 14 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 directors in major Group companies in order to secure efficient and effective department strategies based on the overall Group strategy and from the perspective of Group management.

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 Japan's Companies Act 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.

Internal Control

With the implementation of the internal control and reporting system for financial reports, all Daiwa Securities Group companies have executed 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 and related regulations were amended accordingly.

Based on these regulations, Group companies' internal control divisions take the lead in evaluating the effectiveness of internal control, while the evaluation results are confirmed in councils at each Group company and reported to Daiwa Securities Group Inc. After these reports are received, the Group Internal Audit Committee discusses them and makes decisions and, based on these decisions, the Disclosure Committee determines the effectiveness and validity of the system. Taking the report on the results into account, the CEO and the CFO draw up an internal control report and only then declare to investors and other stakeholders that financial reporting is accurate. In fiscal 2010, the Committee revised the internal management system regulations related to risk so that they would be more closely aligned with global standards.

Risk Management

Appointment of CRO and Establishment of GRM Department

In April 2010, Daiwa Securities Group Inc. established the Group Risk Management Department to manage the Group's overall risk exposure more comprehensively and directly, and also created the position of Chief Risk Officer (CRO) to oversee the department.

Business Continuity Plan

In anticipation of possible damage to its sales branches or head office/head office functions and/or data center due to social infrastructure shutdowns caused by earthquakes, fires, storm and flood damage, and abnormal weather, as well as serious outbreaks of infectious diseases, such as new strains of influenza, the Daiwa Securities Group drew up a business continuity plan (BCP) prioritizing important operations¹ to be restored or continued in the event of a natural disaster, in order to keep the financial 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 its business as a financial services firm.

Specifically, the Group has promoted the digitization of data necessary for its business operations to establish a 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 the Group 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 immediately set up a crisis management headquarters after the Great East Japan Earthquake struck on March 11, 2011. The headquarters confirmed the safety of Group executives and employees and verified that all were unharmed, and also confirmed that there were no problems with setting up offices or system operations for the continuity of operations. By March 14, the following Monday, all branches were operating as usual, so that the Group was able to accommodate customers in afflicted areas who had lost their seals and Daiwa cards with services such as cash withdrawals.

The Group will continue to enhance coordination between Group companies' BCP systems to prepare for accidents.

1 Priority operations to be restored or continued:

1. Market settlement of securities transactions contracted but not yet 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 on a single server instead of

having individual employees control application software and files distributed among various terminals. This can streamline administration processes and costs while reducing operational risks.

Information Security Management

The Daiwa Securities Group has developed and maintains a sophisticated information security management system to protect its customers' personal information and other information assets from a wide range of security threats and handle this information appropriately. The Group has formulated a basic information security policy and a privacy policy to maintain its management system. In addition to technical information security measures, the Group implements security training for all executives and employees in accordance with the responsibilities of their posts.

For group-wide organizational information security management, individuals responsible for information security at each Group company meet to discuss Group information security measures and report information security risks to the Group Risk Management Committee. In addition, to raise the level of information security, the Group operates 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 their respective evaluation and certification systems.

Compliance

Approach and Basic Stance

Without stable, fair, and transparent financial and capital markets, economic prosperity and social progress are not possible. The Daiwa Securities Group takes its responsibility seriously to contribute to healthy markets which serve as vital social infrastructure. It works every day to accomplish this by fulfilling a market intermediary role. Most importantly, Daiwa recognizes that none of these vital functions are possible without a highly effective compliance framework and rigorous internal controls.

Compliance Framework

Daiwa Securities Group Inc. plays a central role in setting compliance policy for the entire Group. This is complemented by policies formulated by each Group company to comply with rules and regulations that apply to their specific line of business. For this reason, each Group company's compliance department plays a leading role in setting out detailed compliance regulations and measures.

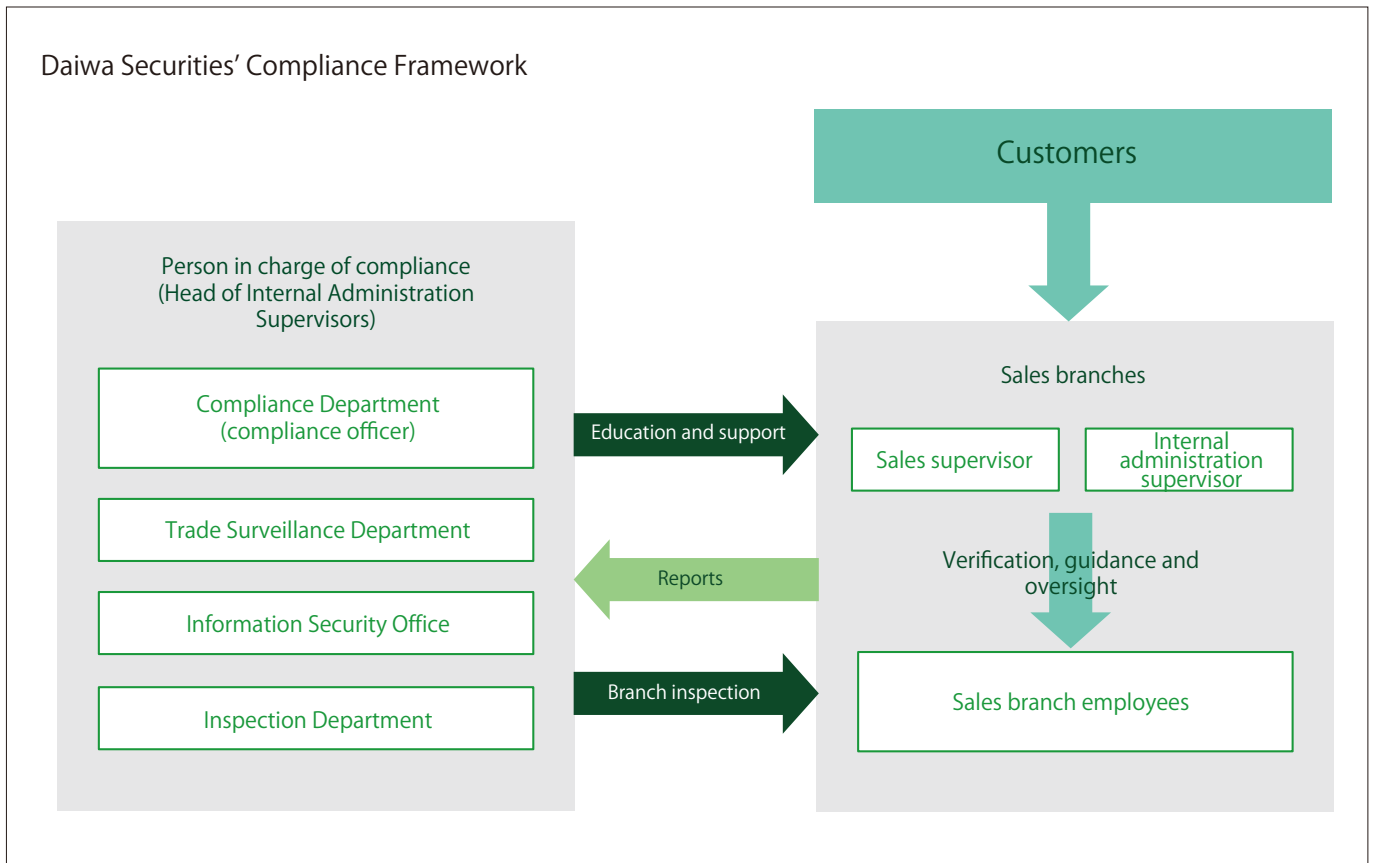
Daiwa Securities upgraded its internal administration supervisory system by ensuring that every single branch has a full-time position dedicated to this function. Moreover, to improve and enhance the quality of the company's sales operations to protect the interests of investors, the company took initiatives based on the PDCA cycle, augmented the manager confirmation system, and provided tools for sales employees. In addition, the company conducted a comprehensive inspection of internal rules and took steps to improve the effectiveness of sales branches while also alleviating their burdens.

In its role as a gatekeeper for the market, the company also reinforced its initiatives to ensure market fairness and transparency, such as eliminating unfair trading and criminal elements.

Daiwa Securities Capital Markets adjusted and reinforced its steps to accommodate the revisions made to Japan's Financial Instruments and Exchange Act. The company adapted to regulations on disclosure of the sale of securities by revising client forms, reinforcing the management system and system for managing solicitation, strengthening the system for reporting to the Japan Securities Dealers Association, and revising the foreign securities account agreement.

The company took steps to comply with the revisions to the procedure for changing the status of customers from "professional investor" to that of "general investor" by changing the application forms and authorization forms used when a professional investor returns to the status of a general investor, adjusted the deadline for the change, and devised new forms and revised forms to reflect the determination of the period to submit requests for a return to professional investor status. The company addressed regulations on alternative dispute resolution (ADR) by revising its regulations on dispute resolution and improving its system to address complaints, and also joined the Japan Securities Investment Advisers Association and concluded an agreement with the Japan Financial Services Association as part of its efforts to resolve complaints and other claims.

As always, those responsible for compliance in each of the Group companies exchanged information in the corporate ethics liaison committee, and the Group's overall compliance framework was continuously maintained and promoted.



Establishment of system to strengthen strategy for Asia

Daiwa Securities Capital Markets is establishing and enhancing its global compliance system, with a particular focus on establishing a compliance system based on strengthening its strategy for Asia. In fiscal 2010, the company adopted a system of regional heads (RHs) who have the authority and responsibility to set up compliance systems in business regions. The company set up a Hong Kong control room to facilitate the establishment of a compliance system in the Asia and Oceania region, where business has expanded particularly rapidly, under the RH in charge of this region. In addition, the RH and CR for Asia and Oceania were assigned the following responsibilities when the positions were first created, but these operations could expand as business grows going forward.

- 1) Management of conflicts of interest in region
- 2) Management of insider information in region
- 3) Monitoring of proprietary account trading and employee trading in region
- 4) Operations related to reports on large shareholdings of stocks and other instruments
- 5) Compliance in research
- 6) Issues related to compliance in derivatives operations in Asia

Systematic Measures to Avoid Involvement with Criminal Elements

The Daiwa Securities Group avoids any involvement whatsoever with organized criminal elements. This is a key part of its commitment to earning trust and ensuring sound financial markets. The Group is taking a range of measures to reinforce its systematic measures for preventing any engagement with parties associated with organized crime in or outside of Japan.

In 2008, the Group established a new basic policy governing its approach to avoiding involvement with organized criminal elements and began to execute it. The Group also follows the Guidelines for Corporations to Prevent Damage by Criminal Elements issued by the Japanese government in June 2007. In 2010, the Group established the Regulations Concerning Shut off of any Relationship with Criminal Elements, and ensures that these rules are scrupulously observed.

In addition, Daiwa Securities Group Inc. took a central role in compiling information from Group companies, reviewing cases where contact may have been received from criminal elements, and holding interviews to assess the response. It also endeavored to improve effectiveness by exchanging information with public institutions to ascertain conditions and building up and establishing a database.

With the JSDA's Regulations Concerning Shut off of any Relationship with Antisocial Forces, Daiwa Securities Capital Markets formulated new internal regulations and augmented and reinforced its system to ensure that its securities underwriting operations had no contact whatsoever from criminal elements. In addition, the company upgraded its system by setting up a database on criminal elements. Going forward, in addition to these measures to avoid involvement with criminal elements, the Group will strengthen its measures to avoid engagement with parties involved in unfair trading in the financial markets as well as those who may tolerate criminal elements.

Basic Policy on Avoiding Any Involvement with Criminal Elements

Basic Position

To ensure fairness and the sound development of the securities market and protect our customers and staff, the Daiwa Securities Group is creating a framework to eliminate the influence of organized crime groups, gang members, corporate extortionists and other criminal elements and taking systematic measures to avoid all ties with such elements.

1. The Daiwa Securities Group will not carry out any transactions whatsoever with criminal elements.
2. If it is determined that parties already having transactions with the Daiwa Securities Group are criminal elements, we will swiftly take appropriate measures to terminate dealings with them.
3. The Daiwa Securities Group will provide no funds to criminal elements.
4. The Daiwa Securities Group will accept no unfair demands from criminal elements. If it is determined that an unfair demand has been made by criminal elements, we will take legal action in the civil or criminal courts against the party making the demand.
5. The Daiwa Securities Group establishes close cooperative relationships with outside parties such as the police force, the National Center for the Elimination of Boryokudan (organized crime groups), legal experts and others.

Compliance Training

Daiwa Securities Group companies provide regular training and testing to improve compliance awareness and ensure that all employees embrace Daiwa's commitment to corporate ethics. These efforts are the foundation of employees' own efforts to ensure total compliance.

The Daiwa Securities Group holds numerous compliance training sessions, making full use of e-learning technologies. Daiwa Securities gives the All Branch Unified Compliance Assurance Test to all sales employees every six months. In addition, various training programs were given with an emphasis on "knowledge of insider trading regulations," "essential knowledge when working with customers deemed to be insiders," "knowledge on management of corporate information" and "knowledge on sharing information." Retired police officers from the Trading Investigation Division came to the company to give talks with the aim of ensuring people knew what to do if they received any contact from criminal elements.

In addition, new hires and newly appointed managers receive compliance education, training and group training, as well as a wide range of training emphasizing practical aspects.

In addition to the training based on annual plans, Daiwa Securities Capital Markets provided training to employees in charge of reviewing advertisements and other documents, as well as company-wide training on firewall regulations. In addition, all employees (about 2,000) were given compliance training, including a knowledge test, using e-learning.

Corporate Ethics Hotline

Since January 2003, Daiwa Securities Group Inc. has been operating a Corporate Ethics Hotline through which employees can report problems in the workplace directly to a corporate ethics officer or an outside lawyer. When the hotline is contacted, the Daiwa Securities Group Inc. corporate ethics officer, in cooperation with the internal control officers at each Group company, carries out a fact-finding investigation, while taking steps to protect the caller. The Corporate Ethics Hotline was contacted 18 times in fiscal 2010, three times fewer than in the previous fiscal year.

The Group is conducting training to ensure anyone can use the Corporate Ethics Hotline without hesitation and is making efforts to respond as quickly as possible when calls are received. This has led to a broadening of the potential user base, and the hotline is now very well known within the Group and is considered reliable owing to the success of these efforts.

Regardless of measures used to solve problems from here onward, the Group is taking steps to expand training about the hotline so that it can work more effectively than ever before as a deterrent to prevent problems before they occur.

Nature of complaint	Response
Power harassment, negative comments regarding character	Conduct fact-finding, then bring the misconduct to the attention of the senior manager, and implement training for the superior involved
Time management problems	Conduct fact-finding, then bring the misconduct to the attention of the senior manager, and implement training for the superior involved

Information Disclosure

Approach and Basic Stance

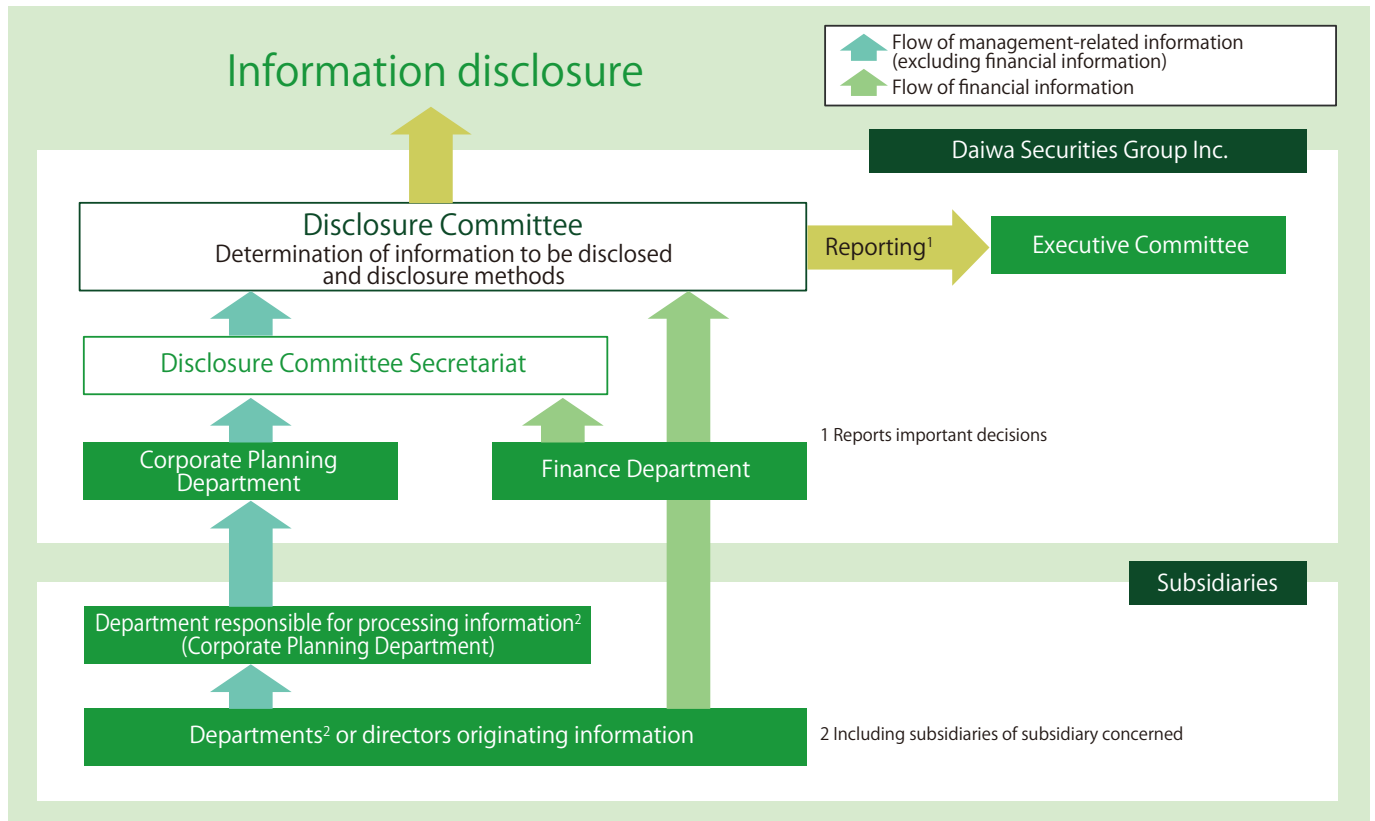
The Daiwa Securities Group has established a Disclosure Policy, and strives to disclose accurate information fairly, appropriately, and in a timely manner. As a member of the financial industry, the Group strives to attain a high level of information disclosure, to be a model for other publicly listed companies. Going beyond financial information, the Group is strengthening its disclosure of non-financial information related to social and environmental issues, progress on which is not necessarily represented by short-term financial indicators.

Disclosure Policy

- We will observe the fair and timely disclosure of important financial, social and environmental information ("management-related information") regarding the Daiwa Securities Group so that our stakeholders (including shareholders, investors and the communities we operate in) may understand and maintain realistic expectations of the Daiwa Securities Group.
- We will comply with the Financial Instruments and Exchange Law and other laws and ordinances related to securities transactions and the various rules of the stock exchanges on which our stock is listed.
- We will endeavor to achieve fair disclosure both in terms of content and timing.
- We will utilize various communication channels including presentations, telephone conferences, the Internet and printed materials in order to disclose information in a manner that is easy to comprehend for investors.
- We will consciously act as a leader of the securities markets in terms of disclosure and set the standards for all other listed corporations.
- We have established the Daiwa Securities Group Inc. Disclosure Regulations, which define guidelines such as the setting up of a disclosure committee and the methods of disclosing management-related information, in order to fulfill the spirit of this Policy.

Information Disclosure System

Daiwa Securities Group Inc. has created Disclosure Regulations in order to achieve its Disclosure Policy. Its Disclosure Committee, a subcommittee of the Executive Committee, is responsible for final decisions regarding disclosure in accordance with these regulations. Group companies also create rules for controlling the release of management-related information, following a uniform disclosure system created for the entire Group. Group companies collect and report information to Daiwa Securities Group Inc. without fail, including posting management-related information contact lists on the in-house network.



Providing IR Information

The Group endeavors to issue information that is clear and intelligible for all investors. The Group uses a wide range of IR tools so that its information disclosure is fair, appropriate, and succinct, thus ensuring that there are no disparities in the information available to institutional investors and individual investors.

Moreover, the Group regularly updates the content of its IR site and strives to make it as accessible as possible.

Disclosure of Non-Financial Information

The Group is committed to disclosing non-financial information to all stakeholders to promote understanding of the Daiwa Securities Group and ensure that the Group is accurately assessed.

In fiscal 2010, the Group took the initiative in explaining its efforts to strengthen its business in Asia, its most important strategy, together with its financial information. In addition, in publications such as annual reports and business reports and during company briefings, the Group proactively discloses information on initiatives that serve as models for Japan's leading companies, such as the social impact of impact investment products, work-life balance, the promotion of success for women, and social contributions.

In addition, the CSR report is distributed to everyone who attends the general shareholders' meeting to deepen understanding of the Group's social responsibilities.

Annual Report

<http://www.daiwa-grp.jp/english/ir/annualreport/index.cfm>

Relationship with Customers

Approach and Basic Stance

We understand that customer trust is the foundation of our business, and we always work to identify approaches that will truly satisfy our customers. At the Daiwa Securities Group, we have built the concept of hospitality into our understanding of service to give new life to customer relations. Our goal is nothing less than having the most satisfied customers in the financial services industry.

Building Even Deeper Trust in Relationships with Customers

Accountability to customers

We strive to understand the customer's needs quickly, propose the best solution for each customer, and provide more-than-satisfactory services. We also work to provide customers with complete, appropriate explanations.

Japan's Financial Instruments and Exchange Law, which went into effect in September 2007, prohibits "solicitation that is improper in light of the customers' knowledge, experience, financial situation and objective." This law forms the basis of Daiwa Securities' approach, but the company also provides explanations that go beyond the legal requirements to demonstrate true hospitality in its product descriptions.

When selling impact investment products that help resolve social issues, such as Vaccine Bonds and Water Bonds, Daiwa Securities explains how the customer will be contributing to society by buying the product, in order to deepen their understanding of social contributions.

Active post-sales follow up

A securities company's true relationship with the customer begins after a product has been sold. Follow-up is essential in maintaining and strengthening the trusting relationships formed with the customer. In particular, customers are dissatisfied and apprehensive when the value of a product that they have purchased goes down. Daiwa Securities constantly works to reinforce its relationship of trust with the customer by giving attentive explanations and relevant proposals that succeed in alleviating this dissatisfaction and concern.

Providing information in seminars and on the web

In addition to the investor seminars that Daiwa Securities holds once every month, usually attended by over 100 people, and the information on overseas and Japanese markets it provides on an ongoing basis, Daiwa Securities holds impromptu seminars on the foreign currency market when the market fluctuates sharply, as when the yen appreciated significantly.

In January 2011, Daiwa Securities held its New Spring Follow-up Seminar, with about 3,700 customers attending. The company also proactively disseminated information on its website by holding live

seminars on the Internet and issuing reports released by investment trust companies. These initiatives are part of Daiwa Securities' efforts to ensure that customers can easily access information.

The company will continue to actively hold seminars as part of its ongoing efforts to provide information, and will also provide timely content based on market conditions and trends.

Follow-up services for impact investment products

Daiwa Securities provides customers who buy Vaccine Bonds with the activity reports released by IFFIm, the issuer of these bonds. The company believes that it is also important to provide information on how the money invested in impact investment products, which enable customers to give back to society through their investments, is used to solve social problems.

Initiatives in fiscal 2010

Beginning in fiscal 2010, some employees responsible for customer interaction at retail sites were assigned to follow-up services for the customers handled by the sales staff. This system increases contact with customers. Daiwa Securities always works to develop the structures needed to provide customers with fine-tuned services.

Services accessible to diverse customers

When Daiwa Securities renovates sales branches nationwide or plans new branches, it takes steps to ensure that its branches can be used by a wide range of customers, such as eliminating steps up and down on the floor and installing wide counters.

In addition, the company explains services using written communication and introduces its Internet banking services to deaf customers.

Daiwa's Point Program

Daiwa's Point Program awards customers with points based on their transactions, which can be exchanged for products and cash vouchers or used to make donations to NPOs. Daiwa Securities launched a donation program for the Great East Japan Earthquake using points awarded through the Daiwa Point Program on March 18, 2011. Customers can donate as little as one point to the cause. Their donations were provided in full to victims of the earthquake through the NGO Japan Platform.



Improving customer service quality at sales branches

Many different types of customers visit Daiwa Securities' sales branches. This means that employees interacting with customers at its sales branches must have high-caliber service skills with an emphasis on attentiveness to the customer, in addition to specialized knowledge of the market and products.

Daiwa Securities provides hospitality training when employees first enter the company to help them learn about its hospitality standards, which go beyond simply providing service. In addition to basic

training, the company gives more practical training involving role plays of various situations. In addition to group training, the company gives regular verification tests on an ongoing basis using its e-learning system. Daiwa Securities' head office staff conduct on-site checks every six months and provide guidance to achieve even higher quality.

Initiatives Make Use of Customer Views

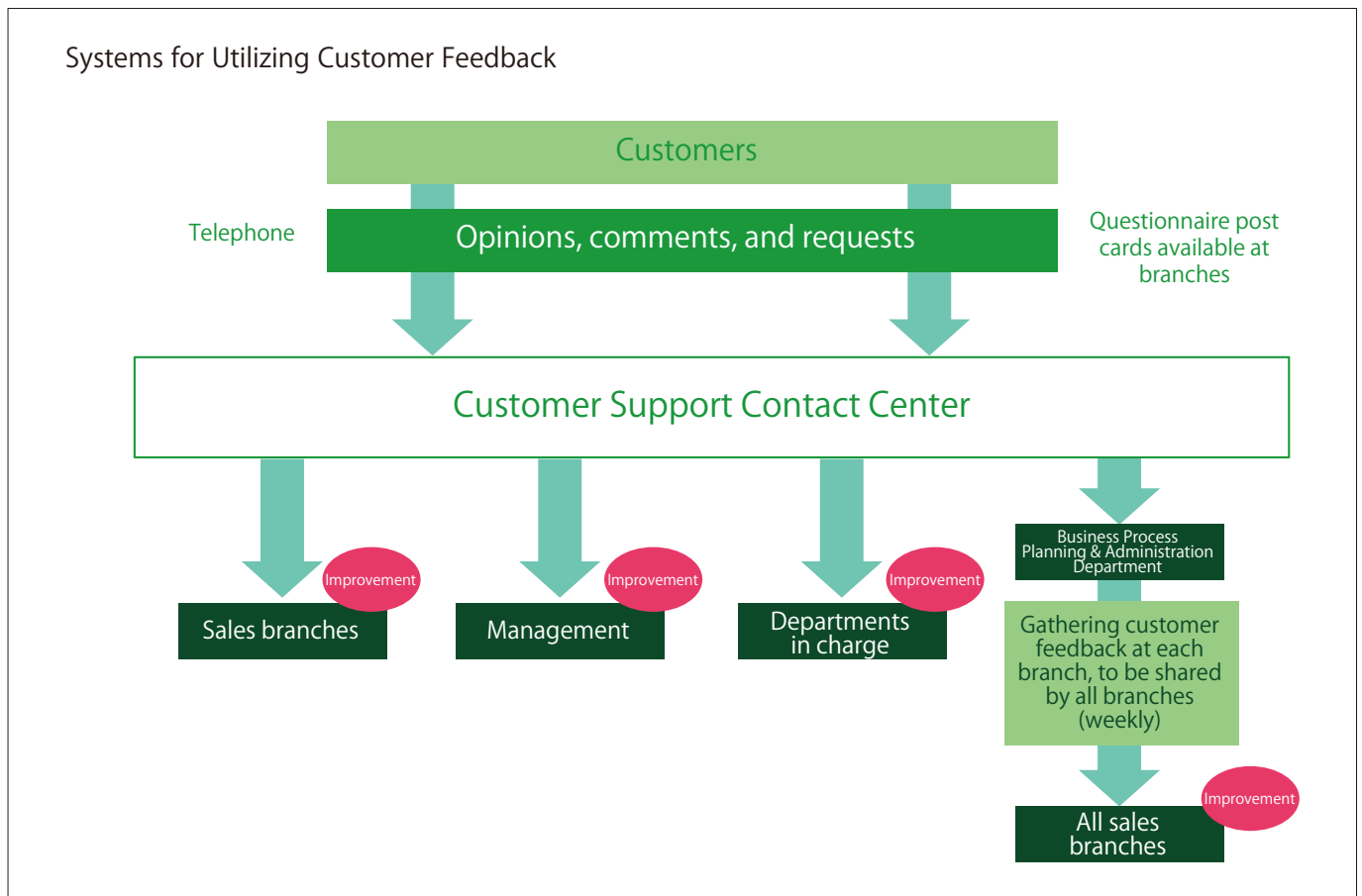
Call Center initiatives

Daiwa Securities' Call Center is staffed by 450 telephone service representatives (TSRs)* who take orders, describe products, and handle queries about clerical procedures or requests for sales literature. The Call Center is one of the main channels supporting the company's business model, which is driven mostly by the Daiwa Consulting and Daiwa Direct transaction channels.

At the Call Center, employees have direct contact with customers, and so the Center plays a critical role in areas such as transaction channels, customer support and marketing that can lead to improved operations through customer feedback. The company implements training and regular level checks for TSRs* in order to maintain and improve call center operations to meet the demand for high-quality service.

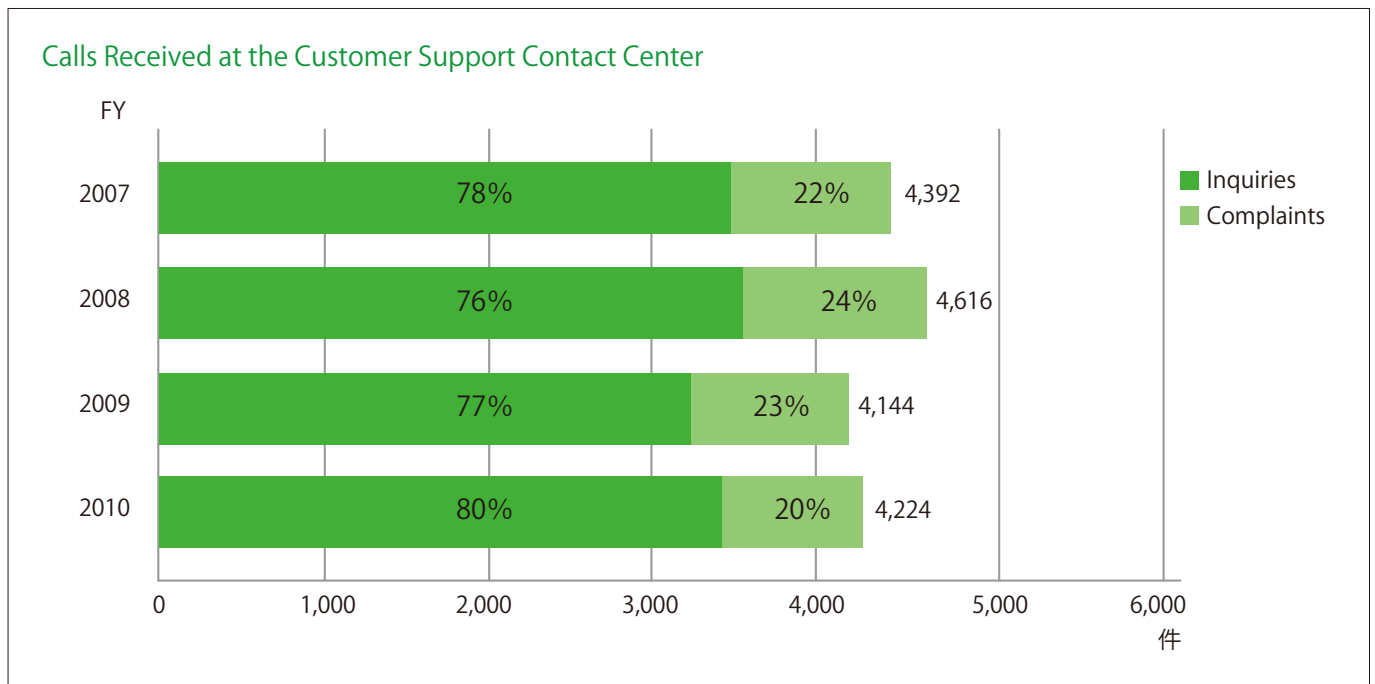
The Center uses the customer inquiries and opinions that it receives to analyze data and identify each cause when there are problems. By providing feedback and information to Daiwa Securities' head office and sales branches, the company seeks to improve services and customer interaction and raise customer satisfaction.

* TSR (Telephone Service Representative) is the name typically used in Europe and the US to refer to telephone operators with specialized knowledge.



Calls received at the Customer Support Contact Center

Daiwa Securities' Customer Support Contact Center also handles customer feedback. The Center shares the customer feedback it receives with Daiwa Securities' sales branches and head office and responds promptly and appropriately. The volume of calls and complaints received at the Center in fiscal 2008 increased compared to the previous fiscal year, which was primarily attributable to the deterioration of market conditions. However, in fiscal 2009 and 2010, the volume of calls and complaints has been declining. The Center takes customer feedback seriously, and the entire company works together to improve customer service.



Relationship with Shareholders and Other Investors

Approach and Basic Stance

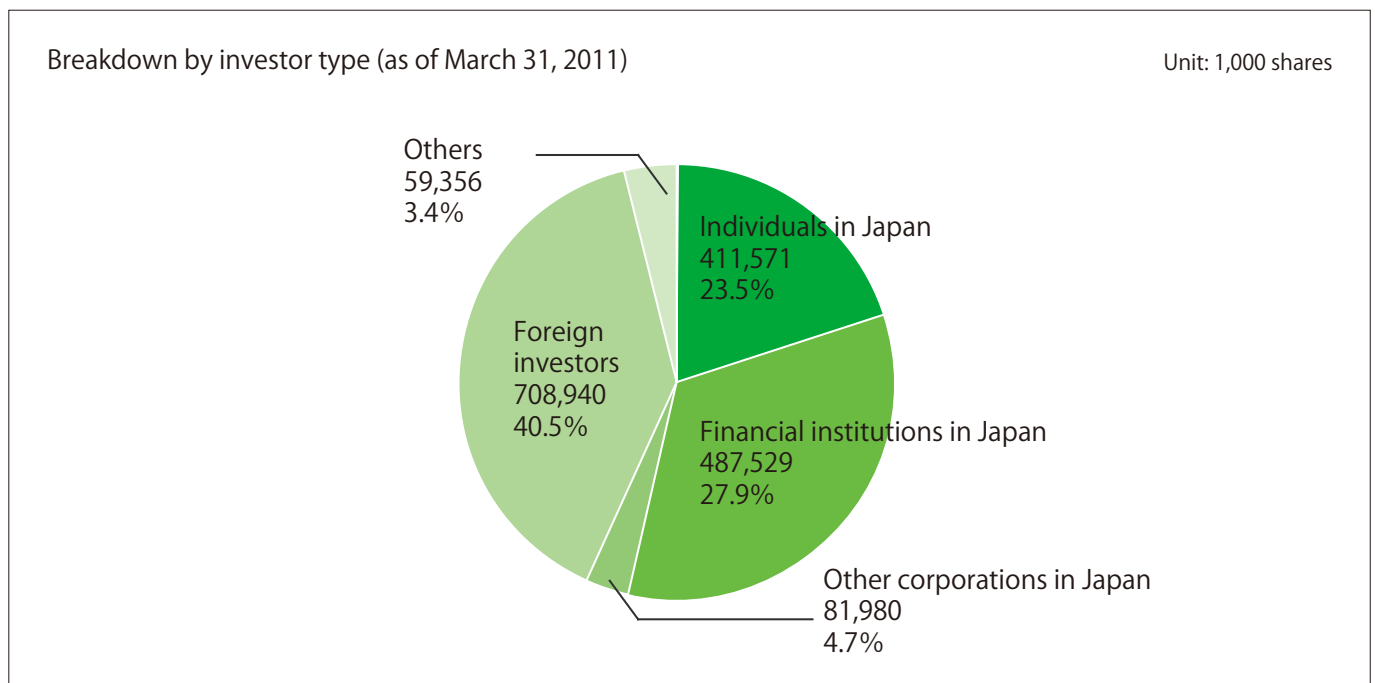
The Daiwa Securities Group works hard to stay in good communication with shareholders and other investors. As part of our "from saving to investment" policy in Japan, we believe that increasing the number of retail investors is part of the Daiwa Securities Group's social responsibility. Accordingly, we work to provide all investors with helpful information that is easy to understand.

Shareholder Composition

As of March 31, 2011, 40.52% of the shareholders of Daiwa Securities Group Inc. were foreign investors, up 2.30 points from the end of the previous fiscal year. In addition, the share of individual investors increased 1.47 points to 23.53%. These increases were likely due to the augmentation of the shareholder reward program carried out at the end of September 2010.

Stock information

<http://www.daiwa-grp.jp/english/ir/shareholders/index.cfm>



Dividend Policy

Daiwa Securities Group Inc. aims to continue improving value for shareholders, which includes distribution of profit. In principle, dividends are paid semiannually at a pay-out ratio of approximately 30% based on consolidated financial performance. Daiwa Securities Group Inc. also looks for ways to increase returns to its shareholders in various ways, including share buybacks when it has sufficient accumulated capital to pursue further growth.

Communication with Shareholders

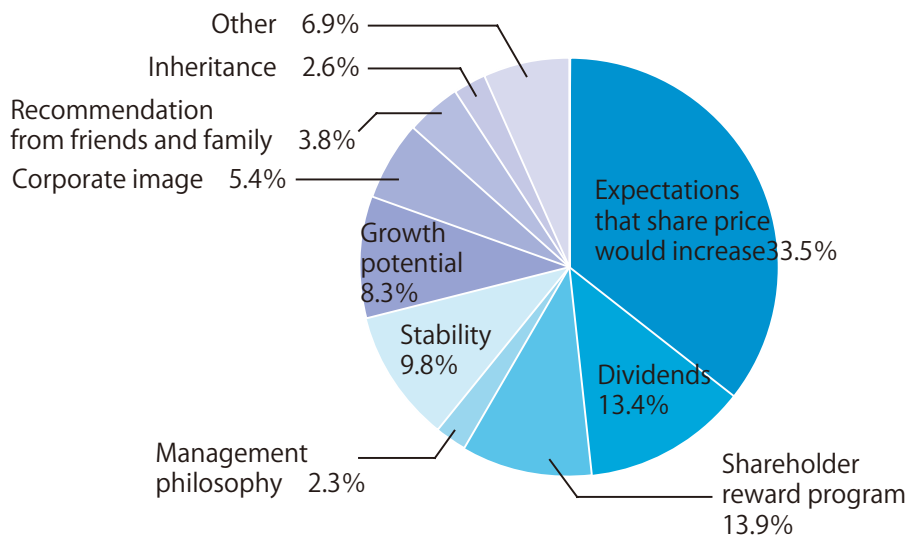
The general meeting of shareholders is an opportunity for direct communication with shareholders. To encourage higher attendance, since 2006 regular general meetings of shareholders have been held on Saturdays. A total of 2,075 shareholders attended the 74th regular general meeting of shareholders held on June 25, 2011 in Tokyo.

Daiwa Securities Group Inc. will strive to make its communications more accessible by, among other initiatives, renewing its website to facilitate ease of access for shareholders.

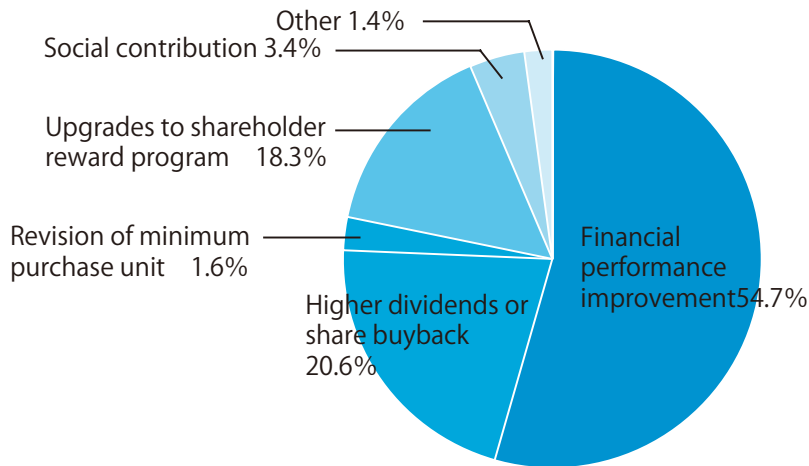
Questionnaire for Shareholders

The Daiwa Securities Group regularly gives a questionnaire to shareholders with a view to reflecting their opinions in management and IR activities. We utilize the results to good advantage in business activities, leading to improvements such as higher satisfaction with the shareholder reward program.

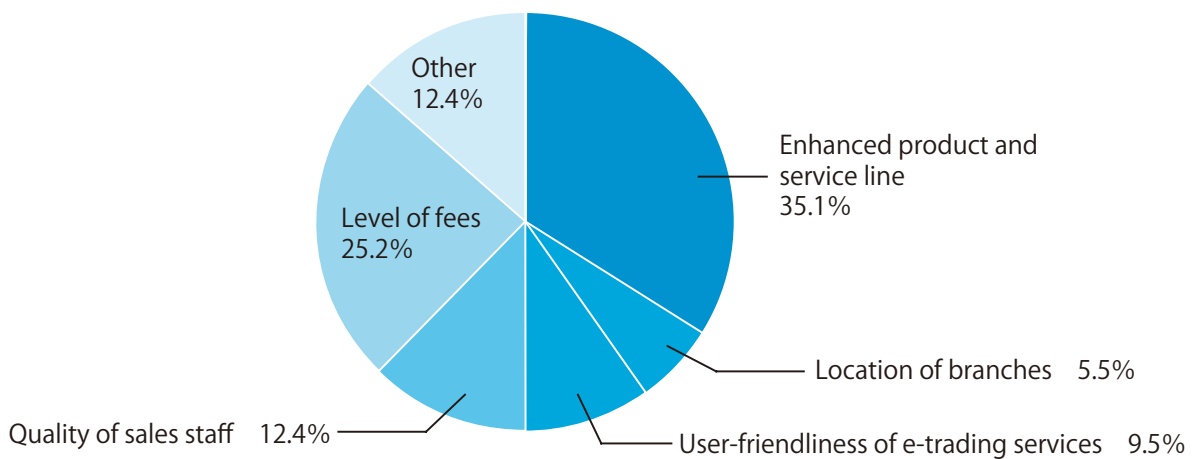
Q.Why did you acquire shares in Daiwa Securities Group Inc.?



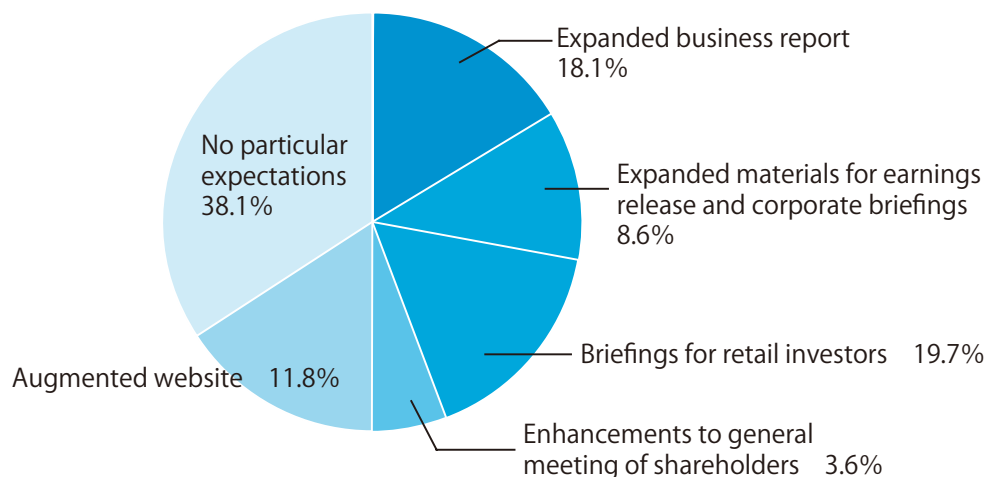
Q.What do you expect from the Daiwa Securities Group in the future?



Q.What service improvements would you like to see at Daiwa Securities?



Q.How would you like to see information disclosure and communication augmented in the future?



Investor Relations

IR briefings are held regularly for institutional investors and analysts, where top executives describe the business environment, earnings and future business strategies. In our overseas IR activities, we also endeavor to communicate directly by visiting overseas institutional investors, for example.

We also strive to enhance the accessibility and ease of understanding of the information and content on our IR website by compiling information pertinent to individual investors in particular and making it easy for readers to follow up on the information they are interested in. We are also using a wide range of methods to reinforce communication with a wide range of investors.

Investor Relations

<http://www.daiwa-grp.jp/english/ir/index.cfm>

Shareholder Reward Program

Beginning in September 2010, we enhanced our shareholder reward program while continuing our reward program catalogue. We added more shareholder reward categories and made it easier for shareholders to apply to the program.



Relationship with Executives and Employees

Approach and Basic Stance

The Daiwa Securities Group believes that maximizing the motivation of every executive and employee will improve customer satisfaction and thus enhance shareholder value. We aspire to be a corporate group where executives and employees are highly motivated and their families and friends share in their pride to be part of the Group. We take a range of measures to achieve this goal.

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 principles and expresses the basic philosophy and mental attitudes valued by the corporate culture since the foundation of the Group. "Daiwa Spirit" is shared with 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, 2009			As of March 31, 2010			As of March 31, 2011		
		Employees	Financial advisors	Temporary employees ¹	Employees	Financial advisors	Temporary employees ¹	Employees	Financial advisors	Temporary employees ¹
Japan	Male	8,281	181	-	8,212	124		7,940	98	-
	(Career track ²)	7,662	-		7,535	-		7,337	-	-
	(Managers)	3,919	-		3,872	-		3,760	-	-
	Female	4,812	378	-	4,838	303		4,608	222	-
	(Career track ²)	2,184	-		2,412	-		2,541	-	-
	(Managers)	139	-		159	-		162	-	-
	Japan total	13,093	559	1,553	13,050	427	765	12,548	320	634
Overseas	1,572	-	35	1,973	-	127	2,442	-	192	
Total	14,665	559	1,588	15,023	427	892	14,990	320	826	

¹ Temporary employees are part-time hires; the figure shown here is the average number of such employees over the year. Most temporary employees are women, but this figure includes some men as well.

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 to stay with the Group from hiring to retirement. 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 2011, the Group hired 446 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 the Group's strategy to strengthen our business in Asia, Daiwa Securities Capital Markets in particular is bolstering its workforce in Asia. Our hiring policy in Japan also takes in to account candidates' linguistic skills to secure personnel who will be able to perform on the global stage.

Number of New Graduates Hired by the Daiwa Securities Group

(persons)

		April 2009	April 2010	April 2011
Career-track employees/regional career-track employees ¹	Male	388	159	245
	Female	328	173	200
Operations personnel (or staff)	Male	7	4	0
	Female	110	1	1
Total		833	337	446

* 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.

Workforce Statistics

	2008	2009	2010
Average annual salary ¹	¥7.06 million	¥7.47 million	¥8.50 million
Average age	37.1	36.4	37.1
Average number of years of service	10.7	11.0	12.2

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

¹ Average annual salary includes bonuses and other remuneration.

Recruitment of previous years' graduates

In fiscal 2011, we began hiring university graduates who had graduated up to three years earlier. We hope to secure diverse personnel by recruiting year-round so that such graduates can be employed soon after receiving tentative job offers, regardless of whether they have prior work experience. These recruits receive the same level of training as new graduates.

Support for the success of veteran employees

The Daiwa Securities Group offers 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)			
	2007	2008	2009	2010
No. of employees hired under the Daiwa Master System	14	36	53	58

Note: This data pertains to three Group companies.

Recruitment of people with disabilities

The Daiwa Securities Group has around 200 employees with disabilities working in a wide range of roles at its headquarters, in sales branches, and in call centers.

The group started recruiting new graduates with disabilities as regular employees (general office staff) in fiscal 2008 and in fiscal 2011, broadened recruitment into the career-track employee, regional career track employee, and customer service employment streams. We actively increased recruitment opportunities, holding briefings about the company for new graduates, participating in career expos, and implementing job placement support programs for disabled university students.

Once people with disabilities are hired, we provide support for career advancement, for example creating opportunities for them to enter the career-track and regional career-track employment streams.

The Daiwa Securities Group began hiring new graduates with disabilities as regular employees beginning in fiscal 2008. We hired 7 new graduates with disabilities in April 2008, 15 in April 2009 and 5 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)

	(%)			
	2007	2008	2009	2010
Employment Rate for Persons with Disabilities	1.87	1.87	2.01	2.08

* 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 fundamental skills needed for their jobs, but also that they learn about the Group's corporate philosophy and commitment to CSR.

We continue to undertake initiatives to improve 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 the future.

Of course, we also 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.

Education and training system

The Daiwa Securities Group educates employees by providing training tailored to each position, based on the Group's shared policies. Each company provides its own training in light of the different skills required depending on the company's focus. However, the Group also strives to foster cross-cutting ties and a feeling of solidarity by increasing the number of joint training sessions for the Group and opportunities for employees from Group companies to gather together while also raising the effectiveness of the training.

For example, the Group offers selective management training for managers through programs such as the Daiwa Management Academy and Daiwa Leadership Program, and also provides joint training for mid-level employees to acquire business skills with programs designed to enhance their skills in the areas of presentation, coaching, negotiation, communication, logical thinking and facilitation.

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.

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 helps employees raise their TOEIC scores. We offer a test support system, 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. The number of Group employees taking the TOEIC exam more than doubled in fiscal 2010 over the previous fiscal year.

In addition, Daiwa Securities aims to have all employees acquire Associated 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. In addition, 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	2008	2009	2010
Number finishing program (cumulative)	210	228	248
Eligibility for Daiwa Leadership Program: Deputy general managers			
Fiscal year	2008	2009	2010
Number finishing program (cumulative)	507	537	568

* This data pertains to 11 Group companies.

Achievements of Participants in Business Skill Training

(persons)

Fiscal year	2008	2009	2010
Number finishing program (cumulative)	1,013	1,348	1,916

* This data pertains to 3 Group companies.

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

Persons Earning Credentials

(persons)

Period tabulated	March 31, 2009	March 31, 2010	March 31, 2011
Credentials	No. of persons obtaining	No. of persons obtaining	No. of persons obtaining
Associated Financial Planner (AFP)	2,997	3,739	4,981
Certified Financial Planner (CFP)	279	309	360
Security Analyst	1,372	1,345	1,414
Chartered Financial Analyst (USA credential)	47	45	43
Licensed Tax Accountant	20	19	22
Variable Insurance Sales Credentials	6,384	6,271	6,209
Project Manager	-	142	159
IT Passport	-	202	381
Overseas MBA program graduate, etc.	176	169	165

* 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 2010, 8 out of 114 applications were successful. There have been a total of 904 applicants since 2000, and a total of 146 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. Since fiscal 2009, 682 non-career-track employees have moved to career-track and regional career-track positions.

Successful Applicants in Internal Recruiting System

(persons)

Held	Positions offered	No. of applicants	No. of successful applicants
FY2000 summer	Analysts, fund managers	12	2
FY2000 winter	Overseas postings	71	6
FY2001 summer	Analysts, fund managers, venture capitalists, investment information, principal finance specialists	58	7
FY2002 summer	Fund managers, M&A, derivatives, overseas postings, internal wholesalers, satellite broadcasting castors, etc.	60	7
FY2003 summer	Retail and corporate and institutional sales, analysts, derivatives, venture capitalists, internal wholesalers, dealers, traders	81	18
FY2003 winter	Analysts, money managers, SMA consultants, sale, proposals and planning, dealers, traders, derivatives, business consultants, pension consultants	60	16
FY2004 summer	Compliance, product development, M&A, research, analysts, venture capitalists, fund managers	63	13
FY2005 spring	Compliance, product development, investment advisors, M&A, principal finance specialists, analysts	87	24
FY2005 fall	Corporate and institutional sales, product development, overseas postings	40	9
FY2006 spring	SMA consultants, retail and corporate and institutional sales, product development, analysts, dealers	38	10
FY2006 fall	Corporate and institutional sales, traders, principal finance specialists	47	6
FY2007 spring	Corporate and institutional sales, underwriting	29	3
FY2007 fall	SMA consultants, corporate and institutional sales, underwriting, fund managers, overseas postings	43	8
FY2008 fall	Analysts, traders, institutional investor sales, overseas posting, venture capitalists	54	6
FY2009 fall	Retail and corporate and institutional sales, overseas posting	47	3
FY2010 summer	Overseas postings	67	3
FY2010 fall	Overseas postings, research, fund managers	47	5
Total		904	146

* 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 multi-faceted evaluation system for managers in which subordinates and related departments assess job performance in the course of daily operations and gives feedback to the manager. This is intended to deepen self-awareness and mutual understanding and improve the Group's overall productivity. This system also takes compliance-related performance into account.

In fiscal 2009, we revised the Group's human resources system. Our aim is to provide a benefits program that motivates employees at all stages of their careers, from entry and mid-level to veteran employees, to reach the next stage and attain positions with greater responsibilities. We will continue working to ensure that our personnel evaluation system is equitable by clarifying 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 sense of worth by devoting themselves wholeheartedly in both their lives and their work. This commitment enables each person to realize his or her potential, and also ensures values diversity in the workforce. This conviction drives the Group in its pursuit of working styles that enable work-life balance and its efforts to create an environment in which both men and women can work in a variety of ways.

Not only do we seek to establish a system that enables diverse work styles, but we also work to change employee awareness by encouraging employees to leave work before 7:00 pm and take all their paid holidays and by welcoming family visits to the workplace. We will continue promoting initiatives designed to attract the kind of high-caliber employees who build an enterprise that achieves great performance.

Encouraging women to succeed

We are trying to appeal more to women's individual interests, by introducing thriving female employees as role models in internal publications and providing opportunities for cross-company communication, in order to increase the number of women in management positions. These efforts have resulted in five female directors joining the board and women heading up about 10% of branches since fiscal 2009. The number of women transferring to the career-track employee and regional career-track employee streams has also increased significantly.

In recent years, there has been a sharp increase in female employees aspiring to advance their careers by switching to career-track and regional career-track positions. In fiscals 2009 and 2010, 682 female employees moved to career-track positions.

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.

Working Hours and Paid Vacation Usage Rate

Fiscal year	2006	2007	2008	2009	2010
Annual regular working hours (hours)	1845.0	1837.5	1837.5	1830.0	1837.5
Average monthly overtime hours (hours) ¹	26.2	25.2	21.3	22.1	24.0
Paid vacation usage rate (%)	36	37	57	56	54
Paid vacation usage rate (%) (including special summer vacation) ²	45	47	64	60	58

* 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)

		2006	2007	2008	2009	2010
Number of employees taking childcare leave ¹	Female	150	209	245	304	358
	Male	2	4	14	16	25
Number of employees taking nursing care leave	Female	3	6	2	5	5
	Male	0	3	1	0	1

* This data pertains to all consolidated Group companies.

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

Major New Programs and Revised Programs in Fiscal 2010

Program name	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.

Main Initiatives for Work-Life Balance and the Female Employee Support Plan

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.

* Number of employees using the program at four Group companies (three Group companies and Daiwa Property): 69

Female Employees and Managers at the Daiwa Securities Group

(%)

	March 31, 2008	March 31, 2009	March 31, 2010	March 31, 2011
Percent of employees who are female	36	36.8	37.1	36.7
Percent of managers who are female	3.1	3.4	3.9	4.1

* This data pertains to all consolidated Group companies.

Initiatives to improve employee health

The Daiwa Securities Group believes that employee health is an indispensable asset for both the company and society. Accordingly, the Personnel Departments, General Health Development Centers and health insurance associations work closely together to improve employee health.

The Group has set up a system that enables employees to confirm the results and analysis of their regular health checkups and full medical checkups online. The Group also uses in-house magazines and the intranet to provide employees with health information. Moreover, it also offers a walking program, a program encouraging employees to undergo cancer exams, and a smoking cessation program, and encourages female employees to have breast cancer and uterine, ovarian, and cervical cancer exams, and to get the cervical cancer vaccination. Beginning in fiscal 2009, employees whose health checks found problems receive a follow-up confirmation form (known as a "yellow paper") enclosed with the results of the regular health checkup. Those employees are required to visit a medical facility within two weeks and submit this form to a General Health Development Center with the doctor's comments. As a result, the majority of such employees now visit medical facilities.

The Daiwa Securities Group has set up General Health Development Centers at the main Group offices. At the centers, in-house doctors provide medical services, while industrial physicians and health nurses provide consultations on general health. Psychiatrists and clinical psychotherapists offer consultations

on mental health issues.

As a result of these efforts, employees' health awareness is high, and 99% of employees receive regular health checkups. We gave presentations on these results at symposiums held by the Ministry of the Economy, Trade and Industry and the Tokyo Metropolitan Government. Other companies were interested in our approach.

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.

Human Rights Awareness

In light of our Corporate Principles and the United Nations Global Compact (which the Daiwa Securities Group joined in January 2010, a frontrunner in the industry), we aspire to further improve our corporate culture, which emphasizes respect for human rights in our basic principles, and are further reinforcing human rights awareness activities.

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 in 1984. 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.

Basic policy for initiatives addressing human rights and social integration issues

- (1) The Daiwa Securities Group supports and complies with the protection of human rights as advocated internationally and does not infringe on human rights within the limits of its influence.
- (2) The Daiwa Securities Group educates and instructs Group employees with accurate information on human rights and social integration issues.
- (3) At the same time, the Group views human rights and social integration issues as our own problem, not somebody else's problem, and fosters a sensitivity that enables empathy with the pain of others.
- (4) We provide an equitable working environment free of discrimination that values people.
- (5) Each employee is a member of society unburdened by prejudice.

Revised in May 2011

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 2010 we conducted a questionnaire on work-life balance. 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)

(persons)

Fiscal year	2006	2007	2008	2009	2010
Employees' union membership	6,078	6,969	7,666	7,915	7,590

* Of the 9 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 9 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; 4,345 families participated in fiscal 2010)

Relationship with Society

Approach and Basic Stance

At the Daiwa Securities Group, good corporate citizenship means working together with the local community and engaging in consistent collaboration with NPOs and NGOs to foster sustainable development. We carry out diverse corporate citizenship initiatives under the following four key categories.

1. Education and research activities in the fields of economics and finance
2. Encouraging Volunteerism among Executives and Employees
3. Support for culture and the arts
4. Assistance to communities on both the local and the international level through foundations and NPOs

Corporate Citizenship Initiatives and Expenditures

Expenditure (Unit: ¥1,000)

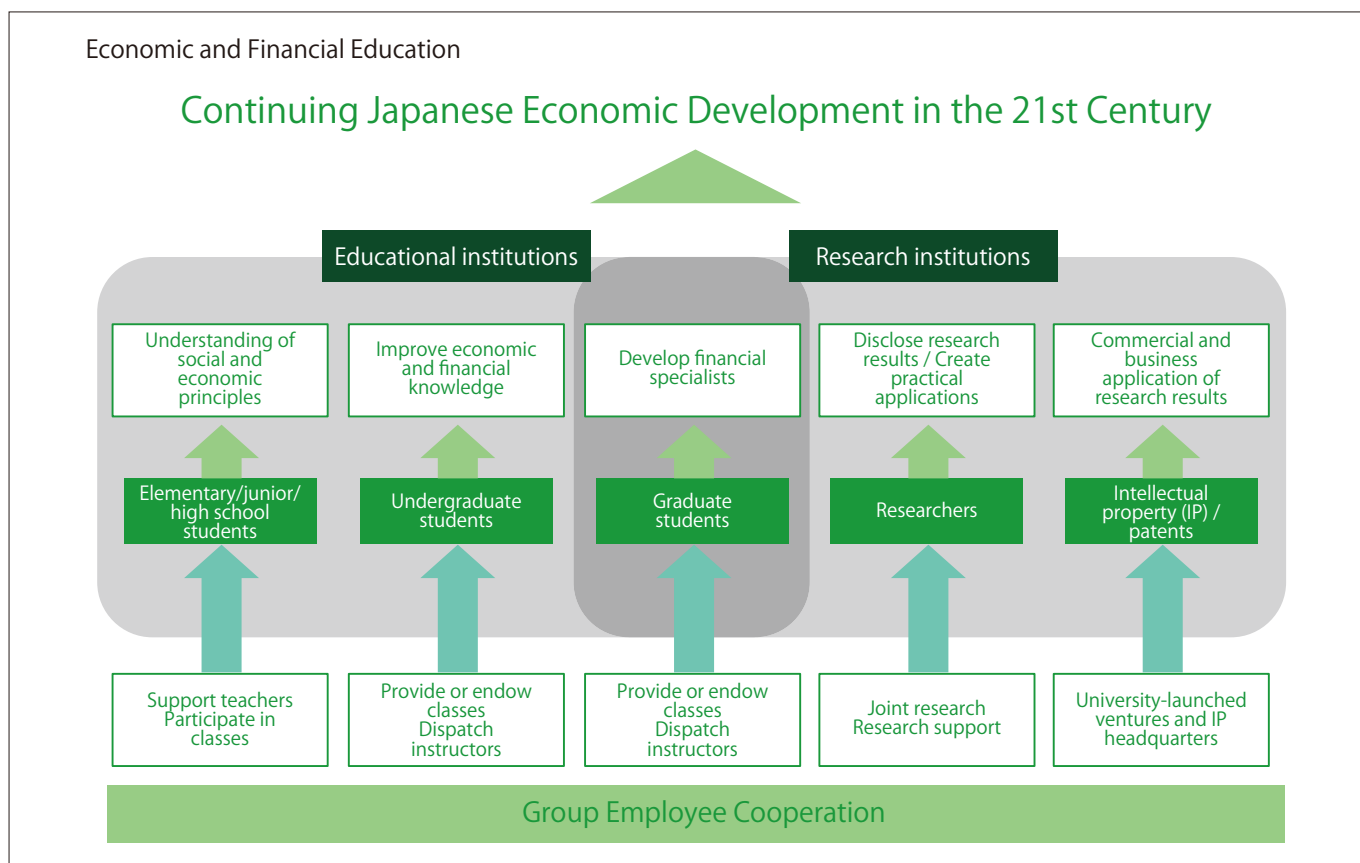
Type of Activity	Main Activities in FY2010	FY2008	FY2009	FY2010	
1. Education and research activities in the fields of economics and finance					
Initiatives for elementary, junior and senior high school students	Student Company Program (SCP), Finance Park, etc.	214,283	163,767	49,849	
Academia-business cooperation and initiatives for universities, graduate schools and the public	Endowed lectures, co-sponsorship of symposiums and forums				
2. Encouraging volunteerism among executives and employees					
Self-planned programs	Hands-on environmental experience on Mount Takao, sign language course, etc.	6,475	4,962	7,464	
Joint programs	Administration of events such as environmental lectures				
3. Support for culture and the arts					
Support for culture and the arts	Sponsorship of Meijin Title Match for <i>shogi</i> (Japanese chess) and Honinbo Tournament for <i>go</i> (a strategic board game)	530,000	313,500	410,132	
4. Assistance to communities on both the local and the international level through foundations and NPOs*					
Foundations	Daiwa Securities Foundation	324,424	246,685	277,827	
	Daiwa Securities Health Foundation				Support for volunteer activities in the fields of stay-at-home seniors, people with disabilities, children's issues, etc.
	Daiwa Anglo-Japanese Foundation (UK)				Health, medical care and welfare-related aid
Assistance Programs	The Daiwa Securities Group Tsunami Reconstruction Fund	324,424	246,685	277,827	
	Daiwa SRI Fund Financial Assistance Program				Promotion of mutual understanding between Britain and Japan, acceptance of foreign students
	Daiwa Eco Fund Financial Assistance Program				Ongoing reconstruction support for disaster-affected areas caused by the December 2004 Sumatra Earthquake and Indian Ocean Tsunami
Disaster relief, sponsorship fees, etc.					
		Memberships for various member groups			
Total		1,075,182	728,914	745,272	

* Data for previous fiscal years has been revised to include financial support given for the Daiwa Anglo-Japanese Foundation's assistance programs.

* Past data for Daiwa Securities Foundation has been revised.

1. Education and Research Activities in the Fields of Economics and Finance

The Daiwa Securities Group makes the most of the knowledge and expertise in economics and finance which it has accumulated in the course of its business. We are engaged in business-academia collaboration, and also support economic education programs in junior and senior high schools. Our vision is that economic and financial education would help young people gain the capacity to shape the future.



Primary joint programs with Junior Achievement Japan, an NPO that provides economic education for youth

(1) Finance Park (Experiential Life Planning Program)

Junior Achievement Japan was established in Shinagawa, Tokyo in June 2005 with the aim of helping junior and senior high school students develop life-planning skills. Daiwa provides funds to open facilities and set up simulated shops, and it also provides personnel. In January 2007, Junior Achievement Japan opened an office in Kyoto. As of March 31, 2010, a total of 23,936 students had taken part in action programs that teach students how to think for themselves and make solid decisions.



Finance Park



(2) Student Company Program (Experiential Company Management Program)

In this six-month hands-on corporate management program, high school students set up a "company" in their schools and operate it through all phases, from raising capital to recruiting personnel and handling the accounting, manufacturing and sales. The Daiwa Securities Group has been collaborating with the Student Company Program (SCP) at Ritsumeikan Senior High School since fiscal 2003. By fiscal 2010, Daiwa had dispatched 18 employees on over 83 occasions as outside directors to offer advice on the preparation of financial data and on company management. As of March 2011, 174 students



Student Company Program

have acquired the basic skills needed to earn a living by learning about corporate management, how the world works, the difficulties of decision making, the pressure of the bottom line, accountability and the importance of leadership and teamwork.

(3) Global Leadership Forum for Junior and Senior High School Teachers

This is a training program organized by Junior Achievement Japan for junior and senior high school teachers, which started in 2001. At this forum, teachers discuss the state of the global economy and brainstorm about how education should develop in the 21st century, stimulated by lectures given by guests from a wide range of perspectives, panel discussions, and case studies. The Daiwa Securities Group sponsored the forum from 2003 to 2007, and has cooperated continuously in related events. By fiscal 2010, a total of 3,182 teachers had participated in the forum.

(4) Council for Economic Education Japan (CEE-Japan)

CEE-Japan was established in January 2009 with the goal of providing economic education programs for school teachers. The Daiwa Securities Group is CEE-Japan's main sponsor, providing not only the inaugural funds but also ongoing support, together with seven other influential companies. Under a partnership between Junior Achievement Japan and the Council for Economic Education in the US, we seek to implement programs tailored for schools in Japan.

In June 2010, we completed the economy and finance text, *Life is a Series of Choices*. This text was developed so that teachers could instruct students in workshops on economic concepts in a way that would be easy for them to understand. In August, methods for using this text were introduced at the Global Leadership Forum for Teachers 2010, which drew about 450 participants. In January 2011, 22 teachers attended a two-day workshop in Shinagawa, and 30 teachers attended a two-night, three-day workshop held in February with guest lecturer Professor Tawni Ferrarini from Northern Michigan University. Boards of Education in other regions also held workshops, attracting 75 teachers. By the end of March 2011, a total of 577 teachers had participated in workshops and forums.

Results in Economic and Financial Education

Activity	Description	Started	Participants
Support for the Student Company Program (SCP)*	A program that gives high school students hands-on experiences with corporate management by simulating real-world business conditions	September 2003	174
Support for Finance Park*	Personal finance planning workshop teaching students about society and economics by managing household finances.	June 2005	23,936
Sponsorship of JA's mainstay Global Leadership Forum for elementary, middle, and high school teachers*	Case studies on recent developments in the global economy	July 2001	3,182
Support for operation of Japan Council for Economic Education (CEE-Japan)	Promoting use of Life is a Series of Choices hands-on economics textbook for economic education of teachers	January 2009	577

* Programs of Junior Achievement, the world's largest non-profit organization promoting economic educational activities for youth

Daiwa JFS Youth Sustainability College

The Daiwa Securities Group has held a series of endowed lectures for students in a partnership with NPO Japan For Sustainability (JFS) for four years, from October 2006 to September 2010. The lectures are funded by Daiwa Eco Fund Trust fees.

A subject is chosen as the theme for each year's lectures, with the four-year program giving the participant an overall picture of sustainability. In the monthly lectures, people active on the cutting edge of their field, including university professors, researchers, corporate managers, businesspeople, NPO/NGO leaders and government administrators, present the concepts and practice of sustainability to students in a succinct and clear manner. The lectures are translated into English and distributed to 191 countries and regions around the world through the JFS website.

After the lecture, participants enjoy an introduction to "sustainable mail order and online purchasing practices" with an opportunity to sample fair trade products and sweets made at social welfare facilities. The four-year program concluded in September 2010. Following up on this program, a new social business college was opened the following month.

Daiwa JFS Youth Sustainability College

<http://www.japanfs.org/en/pages/022654.html>

Holding "Social Business College" lectures

The idea of social businesses, which aim to resolve specific problems affecting society as well as to generate sustainable profits, has gained attention. However, social businesses themselves are not yet widely known. At the Daiwa Securities Group, we regard providing a forum for discussion of sustainable business models and financing as highly important. In October 2010 we began the "Social Business College" series of lectures for university students and adults.

We hold the lectures in cooperation with Music Securities, a



First Social Business College lecture

next-generation financial business providing financing to social businesses via the Internet, and we publish the proceedings and case studies on our website.

<http://www.daiwa-grp.jp/csr/citizen/support/college/backnumber.html> (available only in Japanese)

The second lecture, held on December 7, was conducted by Eriko Yamaguchi, CEO, Motherhouse. Ms. Yamaguchi spoke frankly about making bags—of a quality acceptable to customers in advanced nations—in the developing nation of Bangladesh (which was not being reached by international aid) and her efforts to establish the company's brand. The lecture was received enthusiastically, with the audience empathetic and asking real questions about Motherhouse's business model.

Future lectures will also highlight social businesses with a unique business model. We plan to hold over twelve lectures during the two years of the series, ending in September 2012.

1st: October 28, 2010

Lecturer: Natsuko Shiraki, President, HASUNA Co., Ltd.

2nd: December 7, 2010

Lecturer: Eriko Yamaguchi, CEO, Motherhouse Co., Ltd.

3rd: February 14, 2011

Lecturer: Yoshiteru Takemoto, CEO, tobimushi Inc.

Describing how money relates to daily life, and the philosophy of finance

Finance is closely intertwined with our daily lives. We come into contact with it every day, for example, through banks, securities companies, insurance companies, and state pensions. Despite this, there are likely few people concerned about the ways money entrusted to financial institutions (deposits, insurance, shares, pension reserves) is used.

We undertake various educational activities to inform investors and depositors that money has meaning and the power to move society and companies to action. We use lectures at high schools and universities as well as various bodies' venues for communicating with the public to teach financial literacy and the philosophy of finance, broadening understanding of SRI.

We actively engaged in financial education in fiscal 2010, holding lectures for students and working adults (at community colleges and the Junior Chamber International Osaka) on a sustainable society and the significance of money.

Examples of Financial Education Activities in Fiscal 2010

Date held	Participants	Themes
May 14	Employment Study Group, Ministry of Health, Labour and Welfare	Realities of SRI
November 5	Junior Chamber International Osaka	Future of money
November 10	Hitotsubashi University	CSR and capital providers
November 12	Seminar for community college	Sustainable society and social responsibility for seniors
November 17	Sakai High School	Future of money

Talk on the future of money at Future Expo

The Daiwa Securities Group had a stand featuring impact investing at the Future Expo 2010 for the Blue Planet held November 4-6, 2010 by the Junior Chamber International at the Osaka International Convention Center. At a panel discussion on "SRI—Innovations Creating Sustainable Money Flows," Mariko Kawaguchi, Managing Director of CSR Promotion, Corporate Communication Department, Daiwa Securities Group, acted as moderator, and Satoru Yamamoto, Director, Product Planning Department, Daiwa Securities, participated as a panelist discussing the future of money. Participants' reactions such as, "It was the first time I heard that money can be used to change society," and "I would have thought of a more useful way to use my money if I had heard these things when I was a child," reiterated the importance of our educational activities.



Introducing impact investing at the Future Expo

2.Encouraging Volunteerism among Executives and Employees

At the Daiwa Securities Group, executives and employees participate in volunteer programs and other community action, and these experiences broaden their perspectives and values. This, in turn, has a good influence on both their work and their lives.

Volunteer activities include both activities that the Daiwa Securities Group plans and runs on its own initiative and joint activities undertaken in cooperation with the community and NPOs. We strive to create an environment that makes it easy for executives and employees to volunteer by setting up a recognition program for volunteers, among other incentives. Aiming to encourage as many Daiwa people as possible to participate in corporate citizenship initiatives, we will continue to collaborate with external NPOs, strengthen internal communications about volunteering, and create more opportunities for executives and employees to get involved.

Volunteer Awards

At Daiwa Securities, outstanding activities by executives and employees are recognized with the President's Award. The company also introduced the Volunteer Award in fiscal 2007, which is given twice a year to employees and groups involved in ongoing community volunteer activities. In the second half of fiscal 2009, Daiwa Securities Capital Markets included an award for social contribution activities in its Passion for the Best Awards. Unfortunately, there was no winner of this award in fiscal 2010.

Executives and employees involved in social contribution, donation and recycling initiatives

Group executives and employees organize sign language classes, help clean up after community events and participate in various campaigns for reusing and recycling valuable supplies. One such campaign involves collecting used and unused stamps, prepaid cards, partially used postcards and similar items to donate to NPOs. We will work even harder in the future to encourage executives and employees who are moving as a result of a job transfer to ensure their books and other items can be recycled.

Donations from executives and employees in fiscal 2010 totaled ¥440,094, 8% down from fiscal 2009. The number of people voluntarily taking part in sign language classes increased to 2,322 people in fiscal 2010, a 1.5 % year-on-year decrease, while the number participating in volunteer activities on weekends or after work increased 22% over the previous year to reach 384 people.

Main activities in fiscal 2010

Sign language classes

Since 2000, the Daiwa Securities Group has held sign language classes for beginners in the Tokyo, Osaka and Nagoya regions. These classes are intended to raise understanding of people with hearing impairments and popularize sign language, and are open to the general public as well as the Group's executives and employees. In fiscal 2010, 2,287 people participated nationwide. In the classes, participants who are aiming to reach a higher level are given information and referrals to sign language circles. The company also hopes that ongoing sign language studies will broaden its use.

"If the World Were a Village of 100 People" Workshop

The Daiwa Securities Group joined other companies in sponsoring a workshop entitled "If the World Was a Village of 100 People" at three venues (in Tokyo on September 21, 2010, in Nagoya on February 3, 2011, and in Osaka on February 4, 2011). Participants, including 49 people from the Group, were given a card showing the population breakdown by classification and linguistic roots, and food was distributed to highlight the gaps between rich and poor. This gave participants a personal experience of the world's disparities and diversity.

Neighborhood clean-up events by Daiwa Securities Business Center

Under its good corporate citizenship program, the Daiwa Securities Business Center has, since 2008, carried out clean-up activities covering the area from near the headquarters building to Toyochō Station on the third Friday of every month. Participants believe that keeping streets clean is a way of giving back to the community. This campaign is held from 8:00 am until 8:20 am before office hours start, and it has become a regular event.

Moreover, the company participated in the first community clean-up organized by the Koto Ward Town Hall. In April 2010, the president and many other executives and employees cleaned the streets from the town hall to the Toyochō Center Building.

The company will continue to participate as much as possible in community clean-up activities, and will work with the communities administering these programs to help keep the streets clean.

3.Support for Culture and the Arts

The Daiwa Securities Group provides ongoing support for a wide range of cultural and artistic activities. For instance, in 2010, we supported the Design to Change the World Exhibition (May-June), where product designs and projects that resolve the variety of issues confronting people living in developing countries were displayed, as well as the Global Festa Japan 2010 (October), an event introducing efforts to achieve the UN Millennium Development Goals (MDGs), one of which is to halve global poverty by 2015.

The Group was also the special sponsor of the Twenty-Second Central Contest for Book Review Painting for the seventeenth year, a tradition that began with the sixth contest. This contest for

elementary, junior and senior high school students awards prizes by age group to drawings that express their impressions of a book they have read. Exhibits of the winning drawings were held at 12 Daiwa Securities branches.

We also support traditional Japanese cultural forms such as shogi and go. In addition to sponsoring the top title matches in shogi and go, the Meijin Title Match (shogi) and the Honinbo Tournament (go), since 2005, the Group is also the special sponsor of the Daiwa Securities Cup shogi and go Internet tournament. In shogi, we support the Saikyo Tournament and the Women's Saikyo Tournament. In go, we support four tournaments: the Open, the Ladies and Grand Champion Internet Tournament, as well as the Amateur Championship. These matches take place on the Internet year-round, and viewers can also watch the matches in real time on the Internet. The matches, which begin at 8 p.m. on weekend evenings, attract a strong following among not only Japanese fans but also shogi and go enthusiasts in other countries.

New series of television commercials, "Playing for Change"

"Playing for Change" is a musical project that aims to create motivation, build connections and make peace in the world through music.

Mark Johnson, a producer and engineer working primarily on the West Coast of the United States, launched this project. The experience inspired him to bring musicians from around the world into this performance and connect the world through music.

Over 100 musicians from around the world who were virtually unknown at the time collaborated in this project. Well-known music appealing to all generations and the project's original music were arranged to be performed together by these global musicians, resulting in a project that has moved many people.

Part of the project's revenue goes to the NPO The Playing For Change Foundation (PFCF), which uses the money to provide necessities to refugees in India and Nepal and to establish music schools and art schools in South Africa, among other projects.

The Daiwa Securities Group, recognizing that the "building connections around the world" concept advocated by this project is consistent with its goal of providing financial services that link its customers to the world, is using footage from the project in its television commercials.



4. Financial Assistance to Communities on Both the Local and the International Level through Foundations and NPOs

Daiwa Securities Health Foundation

The Daiwa Securities Health Foundation was established in 1972, in commemoration of the Group's 30th anniversary, to support medical research. Since 1973, the Daiwa Securities Health Foundation has supported 30 outstanding research projects focusing on improving the health, medical care and welfare of middle-aged and older people. It has disbursed ¥30 million in grants of ¥1 million each year. Fiscal 2010 marked the 37th year of this program, with a cumulative total of 1,012 recipients receiving ¥977 million in total.

In addition, the Foundation decided to disburse ¥10 million in reconstruction assistance to support research by individuals and organizations such as universities, institutions and hospitals into topics

such as medical activities in disaster areas and disaster medical care.

■ Daiwa Securities Health Foundation (available only in Japanese):

<http://www.daiwa-grp.jp/dsh/index.html>

Daiwa Securities Foundation

The Daiwa Securities Foundation was established in 1994 in commemoration of the Group's 50th anniversary, with the mission of building a better world. The Foundation provides yearly grants for volunteer activities in the fields of welfare and medicine, and carries out educational activities to encourage volunteerism. These activities are intended to improve the public welfare by fostering an environment conducive to volunteer activities. By fiscal 2010, the Foundation had given a cumulative total of ¥557 million in Volunteer Activities Grants to 2,400 organizations.

In fiscal 2011, in particular, the Foundation provided ¥35 million in Disaster Volunteer Activities Grant to support organizations and groups involved in volunteer work responding to the Great East Japan Earthquake.

■ Daiwa Securities Foundation (available only in Japanese):

<http://www.daiwa-grp.jp/dsf/index.html>

The Daiwa Anglo-Japanese Foundation in the UK

The Daiwa Anglo-Japanese Foundation is a UK charity that was established in 1988 with a generous benefaction from Daiwa Securities for the purpose of supporting a closer relationship between Britain and Japan. Principle activities include the following:

- (1) Making grants available to individuals, institutions and organizations to promote ties between the UK and Japan in all fields of activity
- (2) Enabling British and Japanese students and academics to further their education by providing opportunities for joint research and supporting exchanges and other bilateral initiatives
- (3) Awarding of Daiwa Scholarships for British graduates to study and undertake work assignments in Japan
- (4) Organizing a year-round program of events to increase the understanding of Japan in the UK

Daiwa Foundation Japan House, the London-based headquarters, acts as a center for Anglo-Japanese relations in Britain by offering a wide range of seminars, exhibitions and book launches as well as meeting rooms for Japan-related activities and facilities for visiting academics. The Foundation is represented in Japan by its Tokyo Office, which provides local assistance to Daiwa Scholars (foreign students), administers grant applications from Japan and collaborates with other institutions that promote Anglo-Japanese relations. Since its inception, 135 students have been accepted from the United Kingdom. In addition, the Foundation has provided grants for a total of 2,517 projects, with grant-in-aid exceeding ¥2,075 million (as of March 2011).

The Foundation has also decided to establish a £250,000 scholarship fund for Japanese students whose schoolwork and lives were affected by the Great East Japan Earthquake and are seeking to study for a period at an educational institution in the UK.

■ The Daiwa Anglo-Japanese Foundation in the UK:

http://www.dajf.org.uk/index_j.asp

Daiwa Securities Group Tsunami Reconstruction Fund

We established the Daiwa Securities Group Tsunami Reconstruction Fund on March 9, 2005 to provide recovery assistance to regions damaged in the Sumatra Earthquake and Indian Ocean Tsunami which occurred on December 26, 2004. Beginning in fiscal 2005, this fund provides long-term support for recovery over a ten-year period, disbursing ¥10 million annually for a total of ¥100 million. Established within the Asian Community Trust (ACT), the Daiwa Securities Group Tsunami Reconstruction Fund provides grants to local NGOs that offer assistance in the fields of mental health care for children, utilization of microfinance and provision of education opportunities for children in Indonesia, Sri Lanka and India, the three countries hardest hit by this disaster. Leveraging expertise in their respective areas, Asian Community Center 21 (ACC21), which functions as the executive office for ACT, undertakes program selection and activity monitoring, while the Sumitomo Trust & Banking Co., Ltd., acts as the custodian of this fund.

There are three key characteristics to this fund. First, it provides long-term recovery assistance measures rather than offering temporary donations. Second, it utilizes financial systems to provide assistance through charitable trusts, microfinance and other avenues. And finally, the monitoring done by ACC21 makes it possible to assess every detail of the activities being conducted.

■ The Asian Community Trust:

<http://www.acc21.org/act/english/act-aen-index.html>

Donations from SRI Fund's Trust Fees

Daiwa SRI Fund Financial Assistance Program

The Daiwa SRI Fund Financial Assistance Program gives grants to Japanese NPOs that provide support in fields involving human life (the human security field).

Rather than supporting general projects and events, the program supports the human resource development of the NPOs that administer such activities. Aiming to build the capacity of NPO staff to address daily human security issues, the program subsidizes personnel and education costs. It is operated in collaboration with the NPO Civil Society Initiative Fund with donations from the trust fees of the Daiwa SRI Fund.

■ Fiscal 2011 recipients of the Daiwa SRI Fund Financial Assistance Programs (available only in Japanese):

<http://www.civilfund.org/fund23.html>

Support for Kopernik

Kopernik is a US-based NPO established in 2009 with the aim of improving quality of life and reducing poverty in developing countries; it went into full operation in Japan in 2010. Kopernik has developed a scheme that enables contributors in developed countries to select NPOs in a developing country and a product that they need (simple water purifiers, solar lamps, etc.) to donate. The status of the activities carried out by the NPOs receiving the donation is shown on the website, and the transparency of the donation's use is ensured.

Some of the donations made by the Daiwa Eco Fund are used to cover Kopernik's administrative costs. Daiwa Asset Management and Daiwa Securities select the products and the recipients to receive donations in light of their consistency with the principles of the Daiwa Eco Fund. The way the donation will be used is clear and NGOs active on the ground can be supported directly, which means that we can give back to the community efficiently and accurately.

Support for ISEP

The Institute for Sustainable Energy Policies is an independent non-profit research organization established in 2000 with the aim of realizing sustainable energy policy. The organization is carrying out natural energy projects funded by citizens, such as Japan's first locally-financed wind turbine, named Hamakaze-chan.

Donations from trust fees of the Daiwa Eco Fund were used to pay for the cost of preparing the Renewables Japan Status Report 2011, published by the organization in March 2011. This report earned high praise from related government agencies, researchers, universities and NPOs, and we are confident that supporting its ongoing publication is a very worthwhile endeavor.

Daiwa CI Biodiversity Conservation Fund (DCBCF)

The Daiwa CI Biodiversity Conservation Fund was established in November 2007 to work with the global environmental NGO Conservation International (CI) to carry out biodiversity conservation activities in the vicinity of World Natural Heritage sites in seven countries that have been selected from 34 areas called biodiversity hotspots.* The Daiwa CI Biodiversity Conservation Fund is operated with donations from the trust fees of the Daiwa Eco Fund.

* Hotspot: Places where biodiversity is rich but greatly threatened (34 places). This term was coined by British biologist Norman Myers in 1988 to designate areas that should be given priority in conservation and preservation efforts.

Daiwa-Russell-GEF Asia Project to Support the Transfer of Environmental Technology

The Daiwa-Russell-GEF Asia Project involves the compilation and distribution of handbooks containing basic technologies from among those environmental technologies possessed by Japan that can be fully developed and operated using the materials and human resources of developing countries. The project is operated in cooperation with the Global Environmental Forum, operates a project funded from the trust fees of the Russell Global Environmental Technology Fund. In September 2010, the project issued the Handbook on Sewage Treatment Technology for Developing Countries, using Thailand as a model.

Public Engagement

Participation in Multi-stakeholder Forum on Social Responsibility as steering committee member

The Multi-stakeholder Forum on Social Responsibility for a Sustainable Future, in which many bodies participate as equals, was established in 2008 with the aim of building a coordinated response to problems in society that cannot be solved by government alone. Katsuya Kikuchi, Senior Fund Manager, Daiwa Asset Management, participates in the forum, which includes business and consumer associations, labor unions, NPOs and NGOs, and government, as a representative of the financial sector and steering committee member (as of March 2011). In the forum's first two years, discussions centered on factors needed to create a safe and stable sustainable society. Hereon, the forum plans

to devise a coordinated strategy to create a safe and sustainable future and work on concrete actions spanning four issues: developing social infrastructure to nurture humanity, creating a society in which everyone can live together, participating in the resolution of global-scale problems, and developing sustainable communities.

Daiwa Aid after the Great East Japan Earthquake

We extend our deepest condolences to the victims of the earthquake that took place on March 11, 2011. The following is a report on our donations to help reconstruction and provide aid to affected areas and the direct support the Daiwa Securities Group is providing, as well as our future plans.

■Donations

¥100 million (Daiwa Securities Group)

¥30 million each to Iwate, Miyagi, and Fukushima prefectures

¥10 million to Ibaraki Prefecture

■Subsidies for volunteer activities

¥35 million (Daiwa Securities Foundation)

¥5 million (¥1 million each) to disaster volunteer centers in Iwate, Miyagi, Fukushima, and Ibaraki prefectures, and Sendai City

¥30 million in grants to disaster volunteer action groups (maximum ¥500,000 per grant)

Recipients are students and specialist groups engaging in activities needing specialized skills.

■Subsidies for research into disaster medicine

¥10 million (Daiwa Securities Health Foundation)

¥10 million (maximum ¥1 million per grant) to universities, research centers, hospitals, and other individuals and groups engaged in research into disaster medicine or medical care in the disaster-stricken areas of the Tohoku region and Ibaraki, Miyagi, and Chiba prefectures.

■Daiwa Foundation Tohoku Scholarships

£250,000 (Daiwa Anglo-Japanese Foundation)

The foundation has decided to establish a £250,000 scholarship fund for students from the Tohoku region whose educational or other circumstances were affected by the earthquake.

■Daiwa Point Program

Donations through point exchange

(Daiwa Securities)

¥7.18 million raised by 7,005 participants

(as of April 30, 2011)

Used to support reconstruction in affected areas through NPO Japan Platform.

■Charity collection

(Daiwa Securities Group)

¥40.57 million raised from executives and employees in Japan and abroad (as of April 27, 2011)

Used for reconstruction of affected areas and to support victims through Japan Platform and the

Japanese Red Cross Society.

■ Policy Proposal

(Daiwa Institute of Research)

The Daiwa Institute of Research announced a proposal for the establishment of a reconstruction fund and a reconstruction solidarity tax.

■ Proposal for Establishment of Reconstruction Fund and Reconstruction Solidarity Tax to Finance Rehabilitation after Great Earthquake of Unprecedented Scale (available only in Japanese)

<http://www.daiwa-grp.jp/data/current/press-2955-attachment.pdf>

■ Support through financial products

The Daiwa Securities Group is giving a portion of trust fees from the Daiwa Nippon Ouen Fund (Phoenix Japan)¹ to earthquake victim support groups.

The group is also supporting finance aspects of the massive reconstruction funds and developing impact investment financial products.

¹ Daiwa Nippon Ouen Fund (Phoenix Japan): Japanese stock fund offered by Daiwa Asset Management. Invests only in Japanese stocks to support strong Japanese companies and invigorate the Japanese economy.

■ Future support

Interest in building a sustainable economy has grown since the earthquake and accident at the Fukushima Daiichi Nuclear Power Plant brought into focus sustainable energy and regional economies that take into consideration the surrounding environment and communities. We strive to offer companies and investors information spanning a wide range of perspectives such as the environment and CSR.

There are many additional ways, such as the Daiwa Institute of Research's policy proposal, for the Daiwa Securities Group to contribute through capital markets.

We plan to share our experiences in the reconstruction of Sumatra, using knowledge gained in our project supporting reconstruction after the 2004 tsunami².

We also plan to encourage employee's activities long-term by providing employee volunteer information through our intranet.

² Daiwa Securities Group Tsunami Reconstruction Fund

■ The Asian Community Trust:

<http://www.acc21.org/act/english/act-aen-index.html>

Initiatives Outside Japan

Participation in Wall Street Run & Heart Walk 2010 in the US

The Wall Street Run & Heart Walk 2010 is a charity event held to support the American Heart Association, which is engaged in efforts to prevent and treat cardiovascular disease and stroke. Cardiovascular disease and stroke are the first and third most common causes of death, respectively, in the US, with almost 1 million deaths per year attributable to these causes.

On June 24, 2010, 15 employees of Daiwa Securities Group in



Participation in charity run

the US and their families joined several thousand staff from other financial institutions for this event. They entered the 5km run through Manhattan neighborhoods, and everyone completed the run.

New groups selected for support in fiscal 2010 in London

Daiwa Securities Capital Markets Europe's Charity Committee selected two organizations to support in fiscal 2010.

The first is Great Ormond Street Children's Hospital, which is famous world-wide for its pediatric medical care. The company will also support Little Havens, a hospice for children that offers respite care, eases symptoms, and provides end-of-life care to children not expected to reach adulthood due to life-threatening illness.

The Charity Committee sets up a system for funding, donations and staff enabling the company to accurately support needs. In fiscal 2010, events will be held throughout the year to support these two organizations.

Environmental Initiatives

Approach and Basic Stance

The natural environment is the very foundation of human life, so protecting it is essential to sustainable societies. We strive to help resolve environmental issues through our business by investing in the development of products that can reduce society's environmental impact, and also by making investments that help to make environmental technologies and infrastructure more widely available. We are working to establish a system that efficiently collects data on Daiwa's environmental impact. We are also focused on raising employees' environmental awareness to empower them to reduce environmental impact in daily business operations.

Environmental Management

All Daiwa Securities Group companies carry out environmental management. In the monthly meetings of the Environmental Management Council, the managers from each company work together by compiling data and exchanging information.

The Daiwa Institute of Research Business Innovation has earned ISO14001 certification. Initially this certification was only for the telecom business, but the scope was expanded to cover the entire headquarters of the company beginning in April 2010. We use forums such as councils to consider ways in which we can continue to develop group-wide environmental management systems.

We will continue to reduce energy consumption and track data on CO₂ emissions, use of copy paper and paper for forms, the amount of waste generated, and recycling amounts, and continually work to reinforce our efforts.

CO₂ Emissions

Energy consumption at the Daiwa Securities Group's domestic offices (on a CO₂ emissions basis) rose 4.7% in fiscal 2010 compared with fiscal 2009. This was primarily due to Japan's revised Act on the Rational Use of Energy, which now requires that data include the electricity, gas and crude petroleum used in air conditioning by tenants in office buildings in Japan which are subject to the revised Act (Daiwa Securities Headquarters building, Eitai Daiya Building, and Osaka Mitsui Bussan Building, and Daiwa Securities branches). Calculated as before, electricity consumption would have decreased 1.6% from the previous year.

Electricity consumption at overseas offices increased due to the increase in the number of offices covered by changes in the report boundary, but electricity consumption per office decreased 9.7% from the previous fiscal year.

Energy Consumption

FY	2006	2007	2008	2009	2010
Domestic offices					
Electricity (1,000 kWh)	88,728	92,659	97,722	104,750	108,628 ¹
Natural gas (1,000 m ³)	691	644	517	423	696 ¹
Gasoline (kiloliters)	1,046	1,032	1,029	1,062	1,137
Heavy oil (kiloliters)	34.1	23.7	4.3	1.4	8.6 ¹
Diesel fuel (kiloliters)	0.1	0	0.1	0	0.2
Overseas offices					
Electricity (1,000kWh)	-	7,718	11,640	11,130	13,137

¹ Energy consumption increased significantly due to Japan's revised Act on the Rational Use of Energy, which now requires that data include tenant energy consumption for air conditioning in the three office buildings and other facilities in Japan which are subject to the revised Act.

* This data pertains to consolidated Group companies.

* At overseas offices, only electricity consumption was calculated.

CO₂ Emissions from Energy Consumption

(Unit: 1,000 kg-CO₂)

FY	2006	2007	2008	2009	2010
Domestic offices					
Electricity	49,244	51,426	54,236	58,136	60,289 ¹
Natural gas	1,438	1,339	1,075	880	1,448 ¹
Gasoline	2,427	2,396	2,389	2,465	2,639
Heavy oil	101.6	70.6	12.8	4.1	25.7 ¹
Diesel fuel	0.2	0	0.3	0	0.6
Total for domestic offices	53,211	55,232	57,713	61,486	64,403
Overseas offices					
Electricity	-	4,283	6,460	6,177	7,291
Total for domestic and overseas offices	-	59,515	64,137	67,662	71,694

¹ Energy consumption increased significantly due to Japan's revised Act on the Rational Use of Energy, which now requires that data include tenant energy consumption for the air conditioning for the three office buildings and other facilities in Japan which are subject to the Act. CO₂ emissions in fiscal 2010 totaled 57,197 thousand kg-CO₂ for electricity consumption for which the Group has full-year figures.

* Shows data for consumption of electricity, gas, gasoline, heavy oil and diesel fuel at domestic offices and electricity consumption at main overseas offices converted to CO₂ emissions (1,000 kg).

* For all years and regions, the emissions coefficient used for converting to CO₂ emissions is based on the ministerial ordinance related to the calculation of greenhouse gas emissions arising from the business activities of specified emitters (Ministry of Economy, Trade and Industry and Ministry of the Environment, Ordinance No. 3, March 2006).

CO₂ emissions per employee is calculated by dividing the Daiwa Securities Group's total emissions by the number of domestic employees, and increased 400kg year on year. This is because the revised Act on the Rational Use of Energy now requires the inclusion of data on electricity, gas and crude petroleum use by office building tenants.

CO₂ Emissions per Employee (Domestic)(Unit: 1,000 kg-CO₂)

FY	2006	2007	2008	2009	2010
Per employee	4.5	4.3	4.2	4.6	5.0
Number of domestic employees	11,924	12,943	13,652	13,477	12,868

Other Environmental Impacts

Changes in Potable Water Consumption

Potable water consumption

(Unit: 1,000 kl)

FY	2006	2007	2008	2009	2010
Consumption volume	274	268	243	198	177

* This data pertains to consolidated Group companies.

Volume of copy paper / forms used

We facilitated the transition to a paperless office by appointing an employee to be in charge of the paperless transition at Daiwa Securities Group Inc. and holding paperless meetings in fiscal 2010. As a result of these endeavors, the volume of copy paper used fell about 23% from the previous fiscal year. Moreover, about 39% (based on monetary value) of the copy paper used consisted of Green Procurement Network (GPN) compatible products.

Volume of Copy Paper / Forms Used

(Unit: 1,000 kg)

Company	FY2008	FY2009	FY2010
Copy paper ¹			
Daiwa Securities Group Inc.	11	13	11
Daiwa Securities	395	400	325
Daiwa Securities Capital Markets	150	140	132
Daiwa Institute of Research Group	116	122	77
Daiwa Asset Management	49	45	50
Daiwa Business Center	39	39	35
Daiwa SB Investments	30	27	28
Daiwa Property	4	3	3
Daiwa Sanko	2	4	3
Daiwa Corporate Investment	11	9	6
Other	30	15	22

Copy paper total	837	818	691
Paper for forms ²			
Daiwa Securities	118	87	8
Daiwa Securities Capital Markets	123	47	32
Paper for forms total	241	134	41
Grand total	1,079	952	732

* This data pertains to consolidated Group companies.

1 The data for copy paper is calculated using data on the amounts purchased centrally for the Group companies by Daiwa Sanko. Paper purchased centrally accounts for about 90% overall.

2 The data on paper for forms reflects only the forms generated by the Group data centers and does not include forms generated by outsourcing.

Changes in Waste Generated and Recycling Volume

Amount of paper waste generated in fiscal 2010 dropped 2.0% year on year. Non-paper waste generated fell 5.7%. The recycling rate of paper waste was 3.0% up year on year.

Changes in Waste Generated and Recycling Volume

FY		2005	2006	2007	2008	2009	2010
Paper waste	Amount generated(1,000 kg)	1,470.3	1,451.6	1,343.4	883.6	766.5	750.8
	Recycling rate(%)	82	83	85	88	93	96
Non-paper waste	Amount generated(1,000 kg)	391.8	415.8	456.4	354.4	356.1	335.9
	Recycling rate(%)	27	21	23	15	33	33

* Calculated based on the Reuse Plan for Large-Scale Buildings Used for Business, as specified by each local government.

Initiatives to Reduce Environmental Impact

Upgrades to building equipment to conserve energy

When Daiwa Securities upgrades equipment such as air conditioners, power supply units, power conversion equipment, and water supply and drainage units in its branches, the company requires that products meeting the highest ("top runner") standards are adopted to ensure that equipment with low environmental impact is installed. "Top runner" standards were recommended in Japan's Act on the Rational Use of Energy, which requires that manufacturers clear benchmarks ensuring that energy-saving products are manufactured. The "top runner" concept calls for manufacturers to strive to improve their technologies and create products and equipment that surpass the energy efficiency of products and equipment currently on the market.

Eco activities expanded (Daiwa Securities Business Center)

The Daiwa Securities Business Center started the Eco Promotion Committee in 2008 and began to work on eco initiatives. Each year, the Business Center sets its own targets for reducing electricity use and paper use to raise awareness among individual employees and motivate them to create and implement

ingenious solutions. In fiscal 2010, the third year, the Daiwa Securities Business Center set a target of reducing paper use by 10% over the previous fiscal year and achieved a 9.1% reduction, but paper use has been cut by a cumulative 28% since this program started.

Information on the volume of paper ordered, electricity consumption and hours of electricity consumption, as well as status updates on internal initiatives, are listed monthly, quarterly, biannually and every fiscal year on the intranet as part of the company's efforts to raise awareness of employees.

Shortening work hours by encouraging executives and employees to leave before 7:00 p.m.

Encouraging executives and employees to leave the office before 7:00 p.m. in the interest of work-life balance means that lights and heating/cooling are needed for shorter periods. This, in turn, helps to reduce environmental impact.

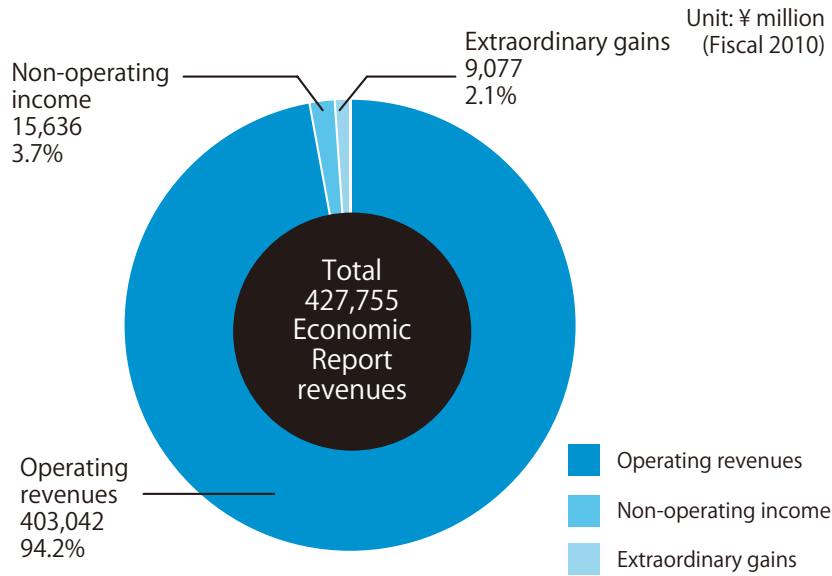
Economic Report

Delivering Economic Value to Stakeholders

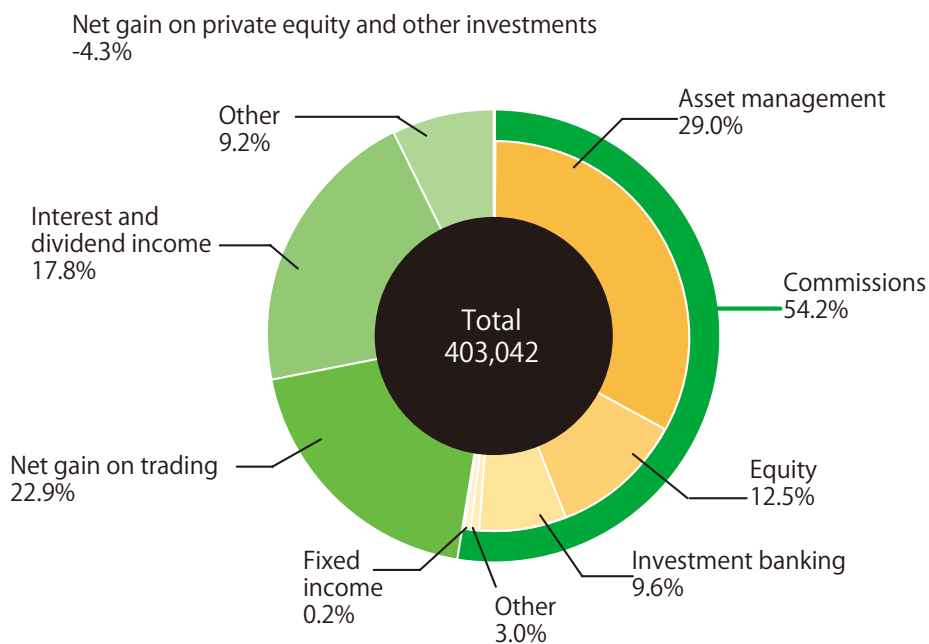
Revenues in the Economic Report

For the purpose of this Economic Report, revenues represent the total of all revenues received by the Daiwa Securities Group (consolidated) in fiscal 2010—operating revenues, non-operating income and extraordinary gains. In fiscal 2010, operating revenues accounted for 94% of revenues.

Revenue Breakdown in the Economic Report



Operating Revenue Breakdown



Outline of Operating Revenues

Commissions

The three main categories of commissions, which account for 54.2% of revenues in the Economic Report, are described below.

1. Equity and fixed income commissions

Commissions earned on the purchase or sale of stocks, bonds and other securities by individual or institutional investors.

2. Asset management commissions

Commissions earned on sales of investment trusts and fees charged for placing and managing individual or corporate customers' assets held in trust.

3. Investment banking commissions

Underwriting commissions charged when corporate customers issue stocks or bonds to raise funds, and advisory fees for M&A, etc.

Net Gain on Trading

These are profits that arise from the sale of securities the Group has in its own account, or when the Group buys from or sells to its clients in the context of their business dealings.

Net Gain on Private Equity and Other Securities

Net gain on private equity and other securities describes gains resulting from the purchase or sale, or unrealized gains or losses, on securities acquired for investment, and from the sale of investment limited partnerships, etc.

Interest and Dividend Income

Interest and dividend income describes income earned from interest on securities held, dividends, and from transactions of lending or borrowing securities.

Distribution of Economic Value to Stakeholders

Economic value for the purpose of this Economic Report is calculated as revenues minus interest expenses (less interest paid), the cost of sales, selling, general and administrative expenses (less personnel costs, taxes, and expenditure for corporate citizenship activities), non-operating expenses (less interest paid), and extraordinary losses.

Executives and Employees

The distribution of economic value to executives and employees is the figure for personnel expenses (including reserves for salaries and bonuses, as well as welfare program costs and social insurance contributions). Daiwa has built a fair compensation system that is highly acceptable to all, in order to improve employee motivation and maximize the value provided to all stakeholders.

Society

Regardless of the ups and downs of the business cycle, we aim to provide stable funding for our corporate citizenship activities. See "Corporate Citizenship Initiatives and Expenditures" in the "Relationship with Society" section for a breakdown of these expenditures.

Shareholders

In fiscal 2010, the Group paid an interim dividend of ¥3 per share and a year-end dividend of ¥3 yen per share, for a total annual dividend of ¥6 yen per share.

Creditors

The Group pays interest to creditors.

Government

According to the Daiwa Securities Group's financial accounting, the tax amount paid is the sum of current income taxes, deferred income taxes, and other taxes and duties including consumption tax.

Minority Shareholders

This is the profit and loss returned to the minority shareholders of the Daiwa Securities Group companies.

Changes in Distribution of Economic Value to Stakeholders

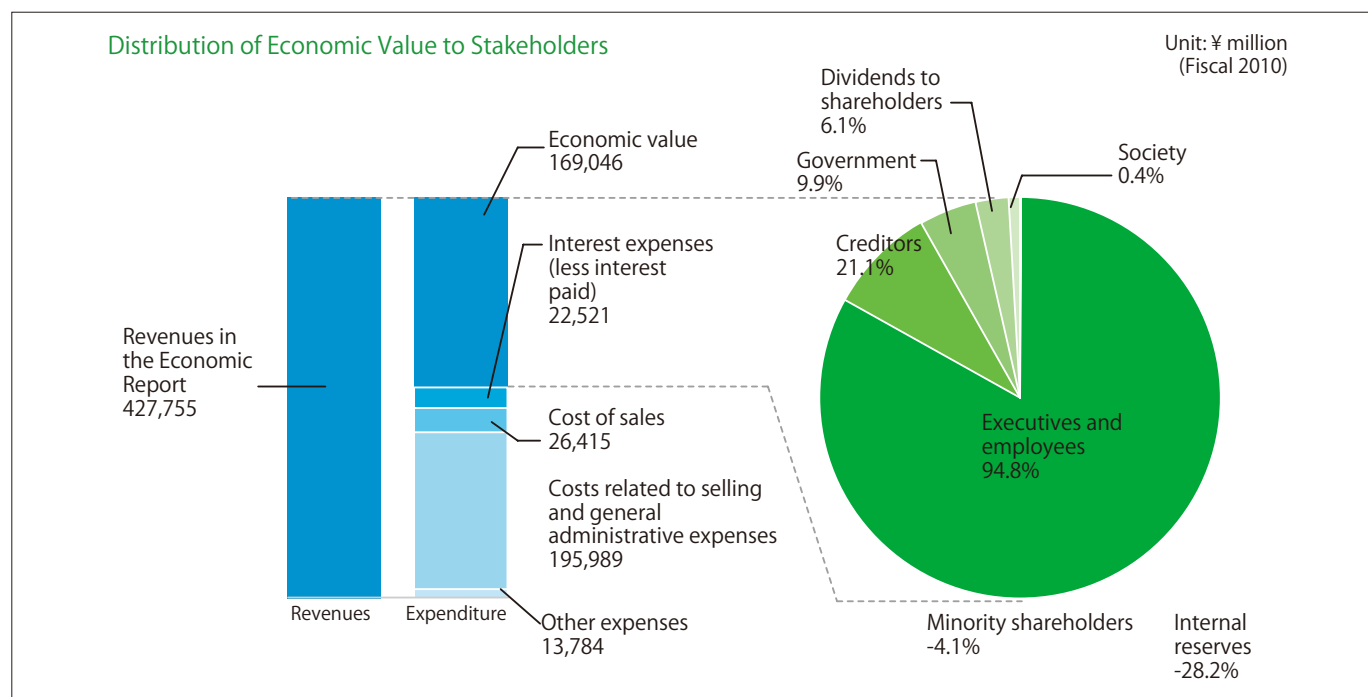
(Unit: ¥ million)

Stakeholders	2006	2007	2008	2009	2010	Tabulation method
Executives and employees	163,379	156,661	141,600	169,950	160,234	Personnel costs within selling and general administrative expenses
Society	909	962	924	618	653	Expenditure for corporate citizenship activities (details) *Excludes expenditure for Daiwa Anglo-Japanese Foundation
Dividends to shareholders	39,072	29,919	10,770	22,730	10,386	Interim and year-end dividends for the fiscal year
Creditors	47,024	53,630	44,923	29,030	35,642	Interest expense and interest paid on non-operating expenses
Government	77,895	48,102	-11,620	57,587	16,755	Income taxes, resident and business taxes, deferred income taxes, other taxes and duties
Minority shareholders	23,746	-5,233	-60,580	4,089	-6,907	Minority shareholder profit/loss
Internal reserves	53,652	16,492	-95,809	20,699	-47,717	Balance after deducting dividends for the term from net income for the fiscal year
Total economic value	405,677	300,533	30,208	304,703	169,046	Total of the above

Comparison of Economic Report and Consolidated Financial Statements

(Unit: ¥ million)

		2006	2007	2008	2009	2010
Economic Report	Economic Report revenues	931,845	838,703	428,318	548,941	427,755
	Economic value	405,677	300,533	30,208	304,653	169,046
Consolidated financial statements	Operating revenues	917,307	825,422	413,936	537,915	403,402
	Net income/loss	92,724	46,411	-85,039	43,429	-37,331



Third-party Opinion

Approach and Policy on Third-party Opinion

At the Daiwa Securities Group, we believe that it is important to have external stakeholders evaluate our activities and provide advice so that we can continue to improve our CSR initiatives. For this reason, every year we ask for the opinion of a third party, an outside stakeholder, when we publish the CSR report.

Toshihiko Goto has shared his opinions of the 2011 report. Mr. Goto is Chief Executive of the NPO Sustainability Forum Japan.

We will study and share his opinions both internally and externally to improve our activities. This feedback will be reflected in our future initiatives and in the CSR reports for subsequent fiscal years.

Third-party Opinion

The Japanese people are thinking entirely differently about how best to approach national, economic and social issues since the Great East Japan Earthquake struck on March 11. We have indeed entered a period of paradigm shift. For the business world to adapt and be responsive to changes like these is the very definition of CSR, and the financial services industry is expected to be fully engaged and contribute to the protracted reconstruction ahead of us.

At the same time, the emerging markets and developing countries that will be important business targets going forward are entering a completely new stage in CSR. The launch of the ISO 26000 guidance standard on social responsibility in November 2010 was symbolic of this progress. It was developed with the participation of experts from 99 countries, mostly emerging and developing nations, but I am afraid that Japanese companies are still moving too slowly on ISO26000.

The Daiwa Securities Group is endeavoring to take its employees' awareness to the next level with cutting-edge initiatives such as SRI funds and impact investment bonds. However, the social responsibilities (SR) in emerging economies and developing countries are extremely varied and wide-ranging. Staff, including at subsidiaries, outside of Japan must not only be aware of SR through products, but must also address SR issues independently in the area where they work. It is basically impossible for CSR staff at the head office to respond directly to every issue—rather, an adequate response requires a system that involves all employees. Ideally, every employee would take the initiative in addressing the seven core subjects of the ISO 26000 in their private lives as well as in their work. These seven core subjects are organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development. I believe that the functions of the head office's CSR division should be at the center of strategic management, and now is the time when the Daiwa Securities Group, and many other Japanese companies, must rethink their approach, reconsidering how they will build such functions and how they will improve CSR capacity on the frontlines. I also think that this can lead to business opportunities. The Group's current CSR initiative that encourages more employees to take up volunteer activities is a very effective way to enhance CSR capacity.



Toshihiko Goto
Chief Executive, NPO
Sustainability Forum Japan.

I think that, as a general statement of intent, the president's message takes the high road, but the key is the extent to which specific measures are established and implemented.

The editorial policy states that the report focuses on areas the Daiwa Securities Group particularly wishes to communicate in an easy-to-understand highlight edition. This is a completely different concept from typical reports, and certainly represents a noteworthy effort. In this report, the Group focuses on SRI, and I think this is appropriate since this is part of the Group's core business and its status as a leader in this field. However, as noted in the report, SRI accounts for a very small percentage of overall investing in Japan, with a three-digit difference compared to the US and Europe. I hope that the Daiwa Securities Group will develop an indicator for assessing the extent to which SRI concepts are being realized in its mainstream business overall.

The Daiwa Securities Group has decided to convey comprehensive information based on the GRI in its full edition. The issue of how the highlight edition and the full edition can be used together and how the synergies can be enhanced has yet to be clearly addressed.

While the report states that it aims to convey comprehensive information based on the GRI Guidelines, it highlights descriptions by stakeholder. These descriptions by stakeholder are typical of the Japanese format and are not used much internationally. However, a link to a comparison chart with the GRI Guidelines is provided to satisfy both the domestic and international audiences. I also appreciate that explanations of technical terms are provided even in sections only available in the full edition.

Of note, the Daiwa Securities Group has revised its basic policy on human rights. However, it seems to continue to focus on discrimination. The Ruggie Report has provided the direction and guidance for human rights in ISO 26000 and the new OECD Guidelines for Multinational Enterprises, revised in May 2011. In his role as the United Nations Special Representative of the Secretary General on human rights, Professor John Ruggie presented this report to the UN Human Rights Council. Human rights are defined very broadly in the UN's "protect, respect and remedy" framework, proposed in the Ruggie Report. Awareness of human rights that enables people to empathize with another person's pain is important as a personal quality, but the key issue is to be aware of the kinds of human rights problems happening around the world. I believe that the Group's basic policy will have to be revised again soon to reflect this.

In regard to environmental issues, building a sustainable society has been at the top of the agenda of every Japanese organization since the disasters of March 11. I have great hopes that the Daiwa Securities Group will establish its 2020 goals and 2050 vision.

As I wrote at the beginning, CSR is entering a new stage. The key terms are due diligence, stakeholder engagement, human rights and ethics, and the value chain, but I did not see these terms appearing often in this report. I believe that the Daiwa Securities Group should use this key language, particularly in times of such intense change.

Finally, the Daiwa Securities Group does not yet have a basic policy on the environment, a document which every global enterprise should have. I recommend that the Daiwa Securities Group promptly consider formulating its own.

Response to Third-party Opinion

We truly appreciate Mr. Goto's evaluation of our activities, which represent our strategy to expand in Asia, based on a global framework. By making impact investments one of our key business areas and involving many executives and employees in this area, we are striving to boost familiarity with CSR. We are proud that the Daiwa Securities Group is playing a pioneering role in Japan in this field. That said, we do recognize that we need to make further efforts to reach the level demanded in this global world, as outlined in the ISO26000 and the Ruggie Report. We released our human rights policy this year, and have taken the first step in addressing human rights issues other than discrimination.

In addition, we are considering adopting a new framework for environmental management. As part of our business expansion in Asia, we have also started initiatives to raise employees' sensitivity by providing information on social problems in countries and communities, hoping that this would lead to business such as impact investment. These are all important CSR issues as well as fields in which our efforts have lagged, so we have decided to put more efforts in this area. We will continue to devote resources to impact investment, and are developing products to aid the recovery from the Great East Japan Earthquake. Still, as Mr. Goto pointed out, this still occupies a modest share of our overall earnings. We will strive to develop indicators and make products like these mainstays for the Group.



Koichi Matsushita
Executive Managing Director

Third-party Evaluations

Dow Jones Sustainability World Indexes Member 2010/11

The Dow Jones Sustainability World Index (DJSI World) is a stock index of companies with sustainable practices selected by Dow Jones & Company, Inc. of the United States and Sustainable Asset Management (SAM) of Switzerland. Daiwa Securities Group Inc. has been included in DJSI World for 12 consecutive years.



FTSE4Good Index

FTSE is a subsidiary of the UK's Financial Times and the London Stock Exchange. It develops global indexes and provides data for investment. Daiwa Securities Group Inc. has been included in the FTSE4Good, an index of socially responsible companies compiled by FTSE, for six consecutive periods since September 2006.



Certified Family-friendly Employer

Shown at right is the certification symbol for family-friendly employers provided by Japan's Ministry of Health, Labour and Welfare's based on the Act on Advancement of Measures to Support Raising the Next Generation of Children. In addition to Daiwa Securities Group Inc. obtaining certification as a family-friendly employer on June 9, 2008. Daiwa Securities, Daiwa Securities Capital Markets, Daiwa Institute of Research Holdings, Daiwa Institute of Research, Daiwa Institute of Research Business Innovation and Daiwa Securities Business Center also received this certification.



Work-Life Balance

The Daiwa Securities Group has earned high praise from a range of external organizations for its initiatives to provide employees with a more supportive work environment that is conducive to work-life balance. In fiscal 2009, the Group won the Ministry of Health, Labor and Welfare Award in the category of corporate promotion of equality and work-life opportunity, as well as the excellence award in the organizational activity category for the Third Work-Life Balance Grand Award, the 2009 Nikkei Childcare Support Award, and the Third Diversity Management Prize in the WLB category. The Group jumped from 63rd place to 7th place in Nikkei Research's rankings of the best company to work for.

CSR Milestones at the Daiwa Securities Group

2011

March	Daiwa Securities begins supporting recovery and reconstruction from the Great East Japan Earthquake with donations, initiatives by its foundations, and a points program.
	Daiwa Research Institute announces the concept for a reconstruction support fund, "Recovering from Unprecedented Disaster: Proposal for Creation of a Reconstruction Fund and Reconstruction Solidarity Tax."
	Daiwa included in the FTSE4Good, an index of socially responsible companies for the 6th consecutive period.
February	Daiwa panelist participates in the Symposium on Diversifying Partnerships between International Cooperation NGOs and Companies.
	"Daiwa Microfinance Fund Forum 2010" held.
	Daiwa Microfinance Fund offered (supporting low-income entrepreneurs launching businesses).

2010

November	Daiwa presents its impact investment initiatives in a booth at the Future Expo 2010 for The Blue Planet (held by the Junior Chamber International).
October	Daiwa supports Global Festa Japan 2010, an international cooperation event focusing on the Millennium Development Goals (MDGs).
	Social Business College opened as a program funded by the Daiwa Eco Fund.
September	Daiwa Securities supports 22nd Central Contest for Book Review Painting held by the Mainichi Shimbun for the 17th straight year.
	Daiwa included in the SRI index, Dow Jones Sustainability World Indexes (DJSI World) for the 12th consecutive year.
August	Education Bonds for Africa underwritten, arranged and distributed (supporting education projects in the African region).
July	"Daiwa Africa Forum 2010: Spreading Education and Healthcare" held.
June	Poverty Reduction Bonds for Latin America and the Caribbean arranged and distributed (aiming to contribute to the reduction of poverty in Central and South America).
	Microfinance Bond arranged and distributed.
May	Daiwa Securities sponsors "Design to Change the World Exhibition-Imagine another life through products."
	Ecology Bonds arranged and distributed (supporting renewable energy and energy efficiency projects in the fight against climate change).
	Two Daiwa panelists participate in the TBLI Conference Asia 2010.
April	Water Bonds arranged and distributed (supporting water-related projects in Asia and the Pacific Region).
March	Third round of Vaccine Bonds offered.
	"Daiwa Water Forum 2010" held
	Daiwa Institute of Research holds seminar on management strategy research, "Society, Economy and Corporate Management in Low Carbon Era—How to Face the Change on a Global Scale."
February	Green World Bank Bonds arranged and distributed (supporting projects addressing the challenge of climate change).
	Daiwa becomes a promotion partner in Cancer Screening Corporate Action, a national project
January	Daiwa signs the United Nations Global Compact (GC).

2009

December	Nikkei Childcare Support Award from Nihon Keizai Shimbun received.
November	Microfinance Bonds arranged and distributed (leveraging bond investment to help reduce poverty).
	Excellence award in the organizational activity category in the Third Work-Life Balance Grand Award received.
October	Ministry of Health, Labor and Welfare Award in the category of corporate promotion of equality and work-life balance received.
	Global Festa Japan 2009, a global cooperation event themed on environmental and climate change issues, co-sponsored.
	"Daiwa Microfinance Forum 2009: Breaking out of Poverty and Developing Local Communities" held.
September	Daiwa ranked 7th overall, and 1st in the securities industry, in the 2009 survey of Companies with Best Working Conditions by Nihon Keizai Shimbun and Nihon Keizai Sangyo Shimbun, and ranked 3rd in the category of "best workplaces for working parents."
July	Daiwa Asset Management participates in the Carbon Disclosure Project (CDP) as a member.
May	China Charity Award received from the All-China Women's Federation, the parent group of the China Children and Teenagers' Fund (CCTF), for the Group's contributions to remediate damage from the major earthquake in Sichuan, China.
	Panelist from the Group participates in the TBLI Conference Asia 2009.
April	Group's new Medium-Term Management Plan, "Passion for the Best" 2011, announced.
	Daiwa Childcare and Nursing Support Desk established for Group employees to consult on childcare and nursing care.
	Daiwa Securities Group Sustainability Report 2008 wins the prize for excellence in the sustainability report category awarded by Toyo Keizai Inc.
February	Second round of Vaccine Bonds arranged and distributed.
	Next-Generation Environmental Business Fund established, offering investments in Japanese companies that have environmental technologies.
January	Japan Council on Economic Education (JCEE) established, with Daiwa as the main sponsor.

2008

December	Daiwa Energy Technology Fund (limited open-type fund) established
October	Daiwa Securities Business Center Co. Ltd. wins the Leading Office for Hiring People with Disabilities Prize in fiscal 2008 at the Award Ceremony for Excellence in Employment of People with Disabilities Association held by the Kiba branch of the Employment Development for Citizens, Tokyo.
September	Daiwa ranked 14th, and 1st in the securities industry, in Nihon Keizai Shimbun's 2008 survey of Companies with Best Working Conditions, the highest ranking to date.
August	Family workplace visits take place throughout the Group.
July	About ¥24 million contributed for the construction of an elementary school in southern Gansu Province to support the recovery efforts in the region affected by the major earthquake in Sichuan, China.
	6 million contributed to the community chests of Iwate and Miyagi prefectures to contribute to Iwate-Miyagi Inland Earthquake disaster relief efforts.
June	Daiwa obtains the Certified Family-friendly Employer designation established by the Ministry of Health, Labour and Welfare.
	World CO2L Bonds, USD-denominated bonds with coupons linked to emissions prices, arranged and distributed.
May	Endowed lectures begin at Peking University.
	Daiwa agrees to support commercialization of iPS cell research at Kyoto University.

April	Daiwa Securities Group Asian Student Scholarship Fund created with the University of Tokyo.
	Russell Global Environmental Technology Fund established, offering investments in global companies with a focus on technology working in the environmental sector.
	Work-Life Balance Promotion Committee and Work-Life Balance Promotion Department established.
	Daiwa participates in the Ministry of Health, Labour and Welfare's model project promoting work-life balance.
	Daiwa ranked 7th in Nikkei Woman's ranking of the Best 100 Companies for Women to Work for in Japan, the highest ranking in the securities industry, and ranked 1st for utilization of women.
March	Vaccine Bonds arranged and distributed, a first in Japan.
	"Vaccine Bond Supporting Immunization for the Children That Are Our Future" seminar held.
	"Daiwa Spirit" formulated, expressing the Group's basic philosophy and attitude to deepen employees' mutual understanding and ensure that all Group employees share the same values.
February	Daiwa Securities Group Inc. participates as a special sponsor in a global environment symposium held jointly by the Tokyo office of the United Nations Development Programme (UNDP)
	Daiwa Securities SMBC and the Daiwa Institute of Research, Ltd. hold the "Eco-innovation: What Industry Needs to Do on Global Warming Issues and Creating a Low-carbon Society" seminar.

2007

November	Daiwa CI Biodiversity Conservation Fund (DCBCF) established in cooperation with the NGO Conservation International (CI) as part of the World Heritage Local Entrepreneurship Program (WH-LEEP).
September	Japanese government issues authorization to Daiwa to undertake four projects to reduce the emission of greenhouse gases in China.
August	Daiwa Asset Management establishes the Global Environment Foreign Bond Balance Fund and the Global Environment Equity Fund.
July	"Cool Biz" policy (open collars and shirtsleeves in the office) implemented group-wide as an initiative to combat global warming.
May	Environmental seminar for customers held titled "Daiwa Environmental Forum 2007: What Is Happening to the Earth Now?"
April	<i>Daiwa Securities Group Sustainability Report 2006</i> wins the Excellence Prize in the sustainability report category awarded by Toyo Keizai Inc.
	Holds CSR seminar for individual investors titled "New Trends in Investing: The Search for Sustainable Growth Companies."
February	<i>Daiwa Securities Group Sustainability Report 2006</i> wins the Sustainability Report Excellence Prize (the President's Award) awarded by the Global Environmental Forum.
January	The Daiwa Securities Group joins the Global 100 (the world's 100 most sustainable companies).
	Daiwa attends World Economic Forum (WEF) in Davos, Switzerland.

2006

November	<i>Daiwa Securities Group Sustainability Report 2005</i> . ranked 34th (1st in rankings for Japanese companies) in the Global Reporters 2006, an international comparative survey.
October	Daiwa presents at the Business School pavilion as a co-sponsor of KidZania Tokyo.
	Daiwa-JFS Youth Sustainability College opened with environmental NPO Japan for Sustainability (JFS) as a grant program of the Daiwa Eco Fund.
September	Daiwa included for the first time in the FTSE4Good, an index of socially responsible companies (included every year since, as of March 2010 review).
May	Daiwa Asset Management Co. Ltd. signs Principles for Responsible Investment (PRI).

April	New Medium-term Management Plan, "Passion for the Best 2008," announced, including the Group's basic CSR strategy.
	<i>Daiwa Securities Group Sustainability Report 2005</i> wins the Excellence Prize in the sustainability report category awarded by Toyo Keizai Inc.
February	CO2L Bonds issued.
	Daiwa Eco Fund established.
January	<i>Daiwa Securities Group Sustainability Report 2005</i> wins 9th Sustainability Report First Prize (Minister of the Environment Award) awarded by the Global Environmental Forum.

2005

November	Daiwa SRI Fund Assistance Program launched to build capacity of NPO staff.
October	Daiwa Securities begins the Daiwa e-members service, enabling customers to request electronic transaction reports.
July	Daiwa Asset Management participates in a GRI G3 project working group to study the usefulness of sustainability reporting from the perspective of finance and investors.
June	Support provided to Finance Park, a hands-on economics education program offered by Junior Achievement Japan.
	Support project for women entrepreneurs launched.
February	Decision taken to offer long-term support for areas devastated by the Sumatra Earthquake and Indian Ocean Tsunami (Daiwa Securities Group Tsunami Reconstruction Fund).
	Daiwa Securities begins Electronic Statement Promotion Project.

2004

November	Daiwa joins the United Nations Environmental Programme Finance Initiative (UNEP FI).
October	SRI fund adopted for Daiwa Securities Group employees' defined-contribution pension plans.
July	CSR Promotion Department established at Daiwa Securities Group Inc.
June	Committee-based corporate governance introduced.
May	Daiwa SRI Fund established, creating a vehicle for socially responsible investment (SRI) in Japanese companies.
March	Disclosure policy established.
	Daiwa Securities Group Inc. becomes a signatory to the Carbon Disclosure Project (CDP).
January	CSR/brand management website launched.

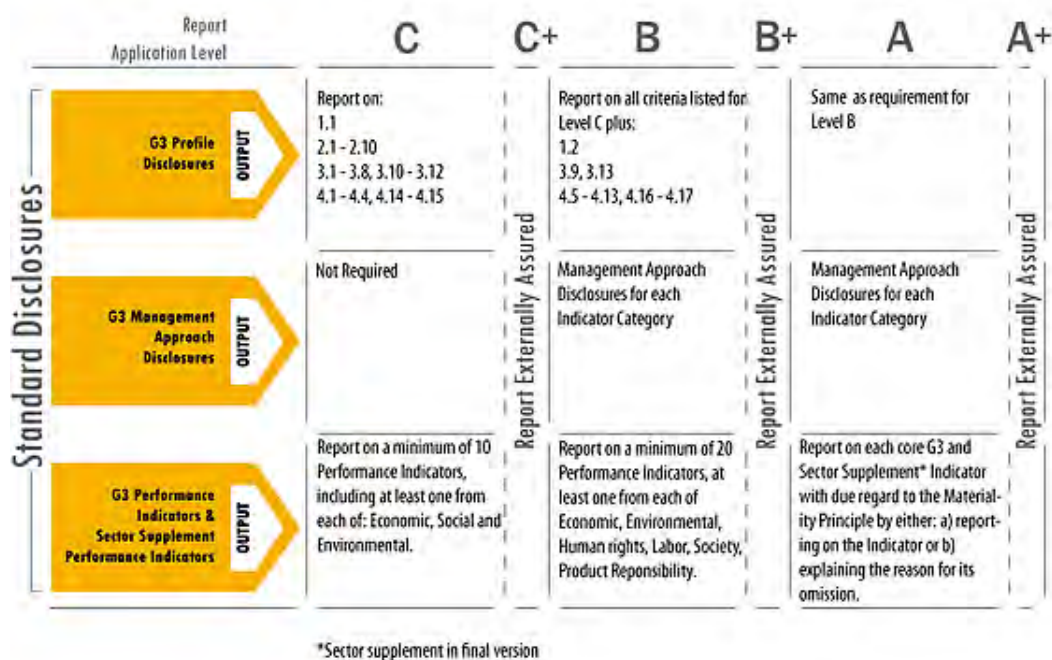
2003

November	Daiwa joins Social Investment Forum-Japan (SIF-Japan).
October	Support begins for the Student Company Program, an experiment-based economic education program offered by Junior Achievement Japan.
	UBS Global Stocks 40 investment trust introduced, creating a vehicle for socially responsible investment (SRI) in global companies.
July	Daiwa Securities SMBC Principal Investments invests in the World Bank's Community Development Carbon Fund.
June	Full compensation to directors and auditors of Daiwa Securities Group Inc. disclosed.
April	New shareholder benefits program introduced.
March	New Group medium-term management plan (fiscal 2003-2005) announced.
February	Management Audit Department established at Daiwa Securities Group Inc.
January	Group-wide Corporate Ethics Hotline introduced.

G3.1 GRI Content Index

GRI Application Levels

In compiling the Daiwa Securities Group Sustainability Report 2011, reference was made to Global Reporting Initiative (GRI) Guidelines (3.1 Edition) and the Financial Services Sector Supplement (2008). The guidelines set out a series of standard levels (GRI application levels) based on regulations outlined therein that companies compiling reports may apply to ensure that their reports are compliant with GRI guidelines. We believe that the Daiwa Securities Group Sustainability Report 2011 meets the reporting standards for GRI Report Application Level B.



G3.1 GRI Content Index

Item		Link
1 Strategy and Analysis		
1.1	Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	Message from the President and CEO
1.2	Description of key impacts, risks, and opportunities.	Message from the President and CEO Dialogue:Leveraging financial capabilities to resolve global issues The Nature of Money and Finance SRI Efforts in Product Development and Sales Teams(Microfinance bonds,Daiwa Microfinance Fund launched) Employee Round Table Discussion: Ways to Promote SRI Daiwa Securities Group CSR(Role and Social Responsibilities of the Financial Industry)
2 Organizational Profile		

2.1		Name of the organization.	Daiwa Securities Group Profile(Company Overview)
2.2		Primary brands, products, and/or services.	Daiwa Securities Group Profile(Description of the Daiwa Securities Group's Businesses) Daiwa Securities Group's Engagement in SRI SRI Efforts in Product Development and Sales Teams(Microfinance bonds,Daiwa Microfinance Fund launched)
2.3		Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Daiwa Securities Group Profile(Description of the Daiwa Securities Group's Businesses)
2.4		Location of organization's headquarters.	Daiwa Securities Group Profile(Company Overview)
2.5		Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Daiwa Securities Group Profile (Workforce Characteristics, Breakdown of Net Operating Revenue by Region)
2.6		Nature of ownership and legal form.	Daiwa Securities Group Profile (Company Overview) Corporate Governance (Corporate Governance System)
2.7		Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Daiwa Securities Group Profile (Workforce Characteristics, Breakdown of Net Operating Revenue by Region)
2.8		Scale of the reporting organization, including: • Number of employees; • Number of operations; • Net sales (for private sector organizations) or net revenues (for public sector organizations); • Total capitalization broken down in terms of debt and equity (for private sector organizations); and • Quantity of products or services provided.	Daiwa Securities Group Profile (Workforce Characteristics, Breakdown of Net Operating Revenue by Region)
2.9		Significant changes during the reporting period regarding size, structure, or ownership including: • The location of, or changes in operations, including facility openings, closings, and expansions; and • Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).	Daiwa Securities Group Profile
2.10		Awards received in the reporting period.	Third-party Evaluations
3 Report Parameters			
Report Profile			
3.1		Reporting period (e.g., fiscal/calendar year) for information provided.	Report Overview (Scope of Report)
3.2		Date of most recent previous report (if any).	Report Overview (Scope of Report)
3.3		Reporting cycle (annual, biennial, etc.)	Report Overview (Scope of Report)
3.4		Contact point for questions regarding the report or its contents.	Inquiries
Report Scope and Boundary			

3.5	Process for defining report content, including: <ul style="list-style-type: none"> • Determining materiality; • Prioritizing topics within the report; and • Identifying stakeholders the organization expects to use the report. 	Daiwa Securities Group CSR (Key Issues for Daiwa Securities Group)
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	Report Overview (Scope of Report)
3.7	State any specific limitations on the scope or boundary of the report.	Report Overview (Scope of Report)
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Environmental Initiatives Relationship with Executives and Employees
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	Environmental Initiatives(Energy Consumption) Relationship with Executives and Employees
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/ acquisitions, change of base years/periods, nature of business, measurement methods).	Not applicable
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Not applicable, because there have been no significant changes since the previous report
GRI content index		
3.12	Table identifying the location of the Standard Disclosures in the report.	This table references GRI content
Assurance		
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	Third-party Opinion
4 Governance, Commitments, and Engagement		
Governance		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Corporate Governance (Corporate Governance System)
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	Corporate Governance (Corporate Governance System)
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Corporate Governance (Corporate Governance System)

4.4		Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Relationship with Shareholders and Other Investors (Communication with Shareholders) Relationship with Executives and Employees (Communication)
4.5		Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Report on Corporate Governance (available only in Japanese)
4.6		Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Corporate Governance (Preventing Conflicts of Interest between Group Companies)
4.7		Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Corporate Governance (Supervisory Function)
4.8		Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Daiwa Securities Group CSR (Daiwa Securities Group Corporate Principles and Key Issues)
4.9		Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Daiwa Securities Group CSR (External Initiatives Using Finance to Resolve Social Issues) CSR Management (Corporate Mission and Principles) Corporate Governance (Corporate Governance System) Compliance (Compliance Framework)
4.10		Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Corporate Governance (Corporate Governance System)
Commitments to External Initiatives			
4.11		Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Corporate Governance (Business Continuity Plan, Information Security Management) Compliance (Compliance Framework)
4.12		Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Fulfilling Our Social Responsibilities as a Financial Institution Daiwa Securities Group CSR (External Initiatives Using Finance to Resolve Social Issues)
4.13		Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: <ul style="list-style-type: none"> • Has positions in governance bodies; • Participates in projects or committees; • Provides substantive funding beyond routine membership dues; or • Views membership as strategic. 	Principal Member Qualifications <ul style="list-style-type: none"> - Nippon Keidanren - Japan Securities Dealers Association - Work-Life Balance Promotion Model Project by the Ministry of Health, Labour and Welfare -The Multi-stakeholder Forum on Social Responsibility for a Sustainable Future
Stakeholder Engagement			
4.14		List of stakeholder groups engaged by the organization.	Daiwa Securities Group CSR (Daiwa Securities Group Stakeholders)
4.15		Basis for identification and selection of stakeholders with whom to engage.	Daiwa Securities Group CSR (Daiwa Securities Group Stakeholders)

4.16		Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Employee Round Table Discussion: Ways to Promote SRI Daiwa Securities Group CSR (Daiwa Securities Group Stakeholders) Relationship with Customers Relationship with Shareholders and Other Investors Relationship with Executives and Employees Relationship with Society
4.17		Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Employee Round Table Discussion: Ways to Promote SRI Relationship with Customers Relationship with Shareholders and Other Investors Relationship with Executives and Employees Relationship with Society
5 Management Approach and Performance Indicators			
Economic			
		Disclosure on Management Approach	Message from the President and CEO Daiwa Securities Group Profile (Operating Revenue and Net Operating Revenue) Delivering Economic Value to Stakeholders
aspect: Economic Performance			
EC1	CORE	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Delivering Economic Value to Stakeholders Relationship with Society (Corporate Citizenship Initiatives and Expenditures)
EC2	CORE	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Message from the President and CEO Daiwa Securities Group's Engagement in SRI
EC3	CORE	Coverage of the organization's defined benefit plan obligations.	2010 Annual Report (Significant accounting policies, P95)
EC4	CORE	Significant financial assistance received from government.	Impact is insignificant
aspect: Market Presence			
EC5	ADD	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Impact is insignificant, due to the nature of our business
EC6	CORE	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Impact is insignificant, due to the nature of our business
EC7	CORE	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	Not reported
aspect: Indirect Economic Impacts			
EC8	CORE	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	SRI Efforts in Product Development and Sales Teams(Microfinance bonds,Daiwa Microfinance Fund launched) Relationship with Society
EC9	ADD	Understanding and describing significant indirect economic impacts, including the extent of impacts.	SRI Efforts in Product Development and Sales Teams(Microfinance bonds,Daiwa Microfinance Fund launched)
Environmental			
		Disclosure on Management Approach	Environmental Initiatives
aspect: Materials			

EN1	CORE	Materials used by weight or volume.	Not applicable
EN2	CORE	Percentage of materials used that are recycled input materials.	Not applicable
aspect: Energy			
EN3	CORE	Direct energy consumption by primary energy source.	Environmental Initiatives (Energy Consumption)
EN4	CORE	Indirect energy consumption by primary source.	Environmental Initiatives (Energy Consumption)
EN5	ADD	Energy saved due to conservation and efficiency improvements.	Environmental Initiatives (CO ₂ Emissions)
EN6	ADD	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Environmental Initiatives (Upgrades to building equipment to conserve energy, Eco activities expanded, Shortening work hours by encouraging executives and employees to leave before 7 p.m)
EN7	ADD	Initiatives to reduce indirect energy consumption and reductions achieved.	Environmental Initiatives (Initiatives to Reduce Environmental Impact)
aspect: Water			
EN8	CORE	Total water withdrawal by source.	Environmental Initiatives (Changes in Potable Water Consumption)
EN9	ADD	Water sources significantly affected by withdrawal of water.	Impact is insignificant
EN10	ADD	Percentage and total volume of water recycled and reused.	Not reported
aspect: Biodiversity			
EN11	CORE	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Not applicable
EN12	CORE	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Not applicable
EN13	ADD	Habitats protected or restored.	Not applicable
EN14	ADD	Strategies, current actions, and future plans for managing impacts on biodiversity.	Relationship with Society (Daiwa CI Biodiversity Conservation Fund)
EN15	ADD	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not applicable
aspect: Emissions, Effluents, and Waste			
EN16	CORE	Total direct and indirect greenhouse gas emissions by weight.	Environmental Initiatives (CO ₂ Emissions)
EN17	CORE	Other relevant indirect greenhouse gas emissions by weight.	Environmental Initiatives (CO ₂ Emissions)
EN18	ADD	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Environmental Initiatives (CO ₂ Emissions from Energy Consumption, CO ₂ Emissions per Employee)
EN19	CORE	Emissions of ozone-depleting substances by weight.	Impact is insignificant
EN20	CORE	NO, SO, and other significant air emissions by type and weight.	Impact is insignificant
EN21	CORE	Total water discharge by quality and destination.	Impact is insignificant

EN22	CORE	Total weight of waste by type and disposal method.	Environmental Initiatives (Changes in Waste Generated and Recycling Volume)
EN23	CORE	Total number and volume of significant spills.	Not applicable
EN24	ADD	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not applicable
EN25	ADD	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not applicable
aspect: Products and Services			
EN26	CORE	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Environmental Initiatives (Initiative to Reduce Environmental Impact)
EN27	CORE	Percentage of products sold and their packaging materials that are reclaimed by category.	Not applicable
aspect: Compliance			
EN28	ADD	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	Not applicable
aspect: Transport			
EN29	ADD	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Not applicable
aspect: Overall			
EN30	ADD	Total environmental protection expenditures and investments by type.	Not applicable
Labor Practices and Decent Work			
		Disclosure on Management Approach	Relationship with Executives and Employees
aspect: Employment			
LA1	CORE	Total workforce by employment type, employment contract, and region, broken down by gender.	Daiwa Securities Group Profile (Workforce Characteristics) Relationship with Executives and Employees (Employees at the Daiwa Securities Group)
LA2	CORE	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Relationship with Executives and Employees (Number of New Graduates Hired by the Daiwa Securities Group)
LA3	ADD	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	Relationship with Executives and Employees (Creating a Workplace Supportive of Work-Life Balance)
LA15	CORE	Return to work and retention rates after parental leave, by gender.	Relationship with Executives and Employees (Employee Welfare System Usage)
aspect: Labor/Management Relations			
LA4	CORE	Percentage of employees covered by collective bargaining agreements.	Relationship with Executives and Employees (Number of Employees' Union Members)

LA5	CORE	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	Not reported
aspect: Occupational Health and Safety			
LA6	ADD	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Not reported
LA7	CORE	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities, by region and by gender.	Not reported
LA8	CORE	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Relationship with Executives and Employees (Mental Health)
LA9	ADD	Health and safety topics covered in formal agreements with trade unions.	Not reported
aspect: Training and Education			
LA10	CORE	Average hours of training per year per employee by gender, and by employee category.	Not reported
LA11	ADD	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Relationship with Executives and Employees (Human Resources Development and Skill Development)
LA12	ADD	Percentage of employees receiving regular performance and career development reviews, by gender.	Relationship with Executives and Employees (Human Resources Development and Skill Development)
aspect: Diversity and Equal Opportunity			
LA13	CORE	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Relationship with Executives and Employees (Employment Rate for Persons with Disabilities, Female Employees and Managers at the Daiwa Securities Group)
aspect: Equal Remuneration for Women and Men			
LA14	CORE	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Not reported
Human Rights			
		Disclosure on Management Approach	Relationship with Executives and Employees (Human Rights Awareness)
aspect: Investment and Procurement Practices			
HR1	CORE	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	We have no operations in areas where there are special concerns about protection of human rights
HR2	CORE	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	We have no operations in areas where there are special concerns about protection of human rights
HR3	CORE	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Relationship with Executives and Employees (Human Rights Awareness)
aspect: Non-Discrimination			
HR4	CORE	Total number of incidents of discrimination and corrective actions taken.	Compliance (Corporate Ethics Hotline)

aspect: Freedom of Association and Collective Bargaining			
HR5	CORE	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Not applicable, due to the nature of our business
aspect: Child Labor			
HR6	CORE	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Our business entails no risk of using child labor
aspect: Forced and Compulsory Labor			
HR7	CORE	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Our business entails no risk of using forced labor
aspect: Security Practices			
HR8	ADD	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Impact is insignificant, due to the nature of our business
aspect: Indigenous Rights			
HR9	ADD	Total number of incidents of violations involving rights of indigenous people and actions taken.	Not applicable
aspect: Assessment			
HR10	CORE	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Not reported
aspect: Remediation			
HR11	CORE	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	Not reported
Society			
		Disclosure on Management Approach	Compliance Relationship with Society
aspect: Local Communities			
S01	CORE	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Impact is insignificant, due to the nature of our business
S09	CORE	Operations with significant potential or actual negative impacts on local communities.	Not applicable
S010	CORE	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Not applicable
aspect: Corruption			
S02	CORE	Percentage and total number of business units analyzed for risks related to corruption.	2010 Annual Report (Risk Management, P58)
S03	CORE	Percentage of employees trained in organization's anti-corruption policies and procedures.	Compliance (Compliance Training)

SO4	CORE	Actions taken in response to incidents of corruption.	Not applicable
aspect: Public Policy			
SO5	CORE	Public policy positions and participation in public policy development and lobbying.	Daiwa Securities Group CSR (External Initiatives Using Finance to Resolve Social Issues) Relationship with Society (Public engagement)
SO6	ADD	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Not reported
aspect: Anti-Competitive Behavior			
SO7	ADD	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	Not applicable
aspect: Compliance			
SO8	CORE	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	Not applicable
Product Responsibility			
		Disclosure on Management Approach	Relationship with Customers Corporate Governance (Information Security Management)
aspect: Customer Health and Safety			
PR1	CORE	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Not applicable, due to the nature of our business
PR2	ADD	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Not applicable, due to the nature of our business
aspect: Product and Service Labeling			
PR3	CORE	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	SRI Efforts in Product Development and Sales Teams Relationship with Customers (Building Even Deeper Trust in Relationships with Customers)
PR4	ADD	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Not applicable
PR5	ADD	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Relationship with Customers (Initiatives Make Use of Customer Views)
aspect: Marketing Communications			
PR6	CORE	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Relationship with Customers (Accountability to customers)
PR7	ADD	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Not applicable
aspect: Customer Privacy			
PR8	ADD	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not applicable

aspect: Compliance			
PR9	CORE	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	Not applicable

■ Sustainability Reporting Guidelines & Financial Services Sector Supplement

Item			Link
Product and Service Impact (Financial Services Sector Specific Disclosure on Management Approach)			
FS1	CORE	Policies with specific environmental and social components applied to business lines.	Daiwa Securities Group CSR CSR Management (Corporate Mission and Principles)
FS2	CORE	Procedures for assessing and screening environmental and social risks in business lines.	Not reported
FS3	CORE	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	Compliance (Systematic Measures to Avoid Involvement with Criminal Elements)
FS4	CORE	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	CSR Management (CSR Promotion System) Relationship with Executives and Employees (Human Resources Development and Skill Development)
FS5	CORE	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	SRI Efforts in Product Development and Sales Teams Relationship with Customers Relationship with Shareholders and Other Investors
Product and Service Impact (Performance Indicators)			
Aspect: Product Portfolio			
FS6	CORE	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector.	Daiwa Securities Group's Engagement in SRI
FS7	CORE	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	Daiwa Securities Group's Engagement in SRI
FS8	CORE	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	Daiwa Securities Group's Engagement in SRI
Aspect: Audit			
FS9	CORE	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	Corporate Governance
Aspect: Active Ownership			
FS10	CORE	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.	Not reported
FS11	CORE	Percentage of assets subject to positive and negative environmental or social screening.	Daiwa Securities Group's Engagement in SRI
FS12	CORE	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting.	Fulfilling Our Social Responsibilities as a Financial Institution (Established investment policy against cluster munitions producers)

Society (Performance Indicators)			
Aspect: Community			
FS13	CORE	Access points in low-populated or economically disadvantaged areas by type.	Not applicable
FS14	CORE	Initiatives to improve access to financial services for disadvantaged people.	SRI Efforts in Product Development and Sales Teams (Microfinance bonds, Daiwa Microfinance Fund launched) Relationship with Customers (Services accessible to diverse customers) Relationship with Society (Daiwa Securities Group Tsunami Reconstruction Fund)
Product and Service Impact (Financial Services Sector Specific Disclosure on Management Approach) Relationship with Society (Daiwa Securities Group Tsunami Reconstruction Fund)			
FS15	CORE	Policies for the fair design and sale of financial products and services.	Relationship with Customers (Building Even Deeper Trust in Relationships with Customers)
Product Responsibility (Performance Indicators)			
Aspect: Product and Service Labeling			
FS16	CORE	Initiatives to enhance financial literacy by type of beneficiary.	Relationship with Society (Education and research activities in the fields of economics and finance) Daiwa Securities Group CSR (CSR Issues: Performance and Targets)

Daiwa Securities Group

