

Daiwa Securities Group
CSR Report
2012

Building a Sustainable Society



What we can do

What will the world be like when these babies become adults?
The precious faces of these infants—all children of Daiwa Securities Group executives and employees—express our hopes for the future. At the Daiwa Securities Group, we are determined to take responsibility as individuals and to do our part as a company to create a sustainable society living in happiness and in harmony with an unspoiled Earth.

Message from the President and CEO



“New” Daiwa Securities and “New” Medium-Term Management Plan

On April 1, 2012, Daiwa Securities Co. Ltd. merged with Daiwa Securities Capital Markets Co. Ltd., opening a new chapter in the Daiwa Securities Group’s history. This merger will reunite the Retail operations of Daiwa Securities with the Wholesale activities of Daiwa Securities Capital Markets for the first time since 1999, when the Group adopted a holding company structure. We have concluded that this re-unification is an essential step in our effort to “establish a robust business structure.” Indeed, we see it as one of the most important decisions in the 110-year history of the Daiwa Securities Group. Preparatory work to merge the two companies and a project to revise the Group’s organizational structure has been under way since early 2011. The consolidation and streamlining project aims to eliminate all the inefficiency and duplication that developed over the 13 years during which operations were managed separately, while aggressively cutting costs, especially in the Wholesale business, to address today’s highly competitive business environment. These efforts have already lowered break-even levels dramatically. In this way, we are laying a firm foundation on which the Daiwa Securities Group can write a new chapter in its history. As the “new” Daiwa Securities begins operations, we will strive to create the efficient management structure and powerful sales capabilities needed to succeed as a comprehensive, full-service securities company.

In the year since I was appointed CEO, I have been constantly impressed by the vast management resources possessed by the Daiwa Securities Group. In the past, the qualities that have allowed the Group to thrive were not ambitious M&A-based strategies but, rather, the importance that Daiwa places on developing a corporate culture committed to excellence. The unity and reliability of this organization are the Group’s most valuable assets.

Even when considering the broad sweep of its 110-year history, I believe that FY2012 will go down as a historic year for the Daiwa Securities Group. To guide the “new” Daiwa Securities as it enters the next phase of its evolution, we have formulated a “new” Medium-Term Management Plan—“Passion for the Best” 2014. This plan, which commenced in April 2012, contains the Group’s roadmap for the next three years. I take pride in having the opportunity to contribute to this important transition and I would like to thank all Daiwa Securities Group stakeholders for their support as we strive to build a sustainable corporate structure and pursue a new phase of growth.

September 2012

Takashi Hibino

President and CEO
Daiwa Securities Group Inc.

Message from the Chairman



Over the 110 years since it was founded, the Daiwa Securities Group has contributed to economic growth and the progress of society, through its activities in capital and financial markets. Since it was established in 1902, the Group has been noted for the loyalty and dedication to corporate principles that employees and executives demonstrated—qualities that have carried Daiwa Securities through eleven decades of external change and reform. We have cultivated a corporate culture in which employees and executives consistently place cooperation and contributions to the success of the Group ahead of their own personal gain.

This sort of loyalty is a critical element in the growth and health of a business organization. I view it as the most important source of the Daiwa Securities Group's competitiveness—an "invisible asset" that prompts employees and executives to seek ways to improve their workplace and which discourages actions that might hurt the company, thus facilitating internal control policies. In addition, a company can continuously invest in the advancement and training of the workforce to enhance its own long-term security, as it can depend on the unceasing efforts of talented, motivated personnel.

These bonds of loyalty run in both directions. The Daiwa

Securities Group aims to be a company that employees want to work for. Management strives to earn the trust of employees, and to create a work environment that promotes cooperation, camaraderie and pride in one's work. Cooperation in turn contributes to greater efficiency, effective teamwork in pursuit of shared goals, and a spirit of determination that is impossible to quantify. I believe that the merger of Daiwa Securities Co. Ltd. and Daiwa Securities Capital Markets Co. Ltd. to create a "new" Daiwa Securities will promote even greater cooperation and teamwork among business divisions, create a unified spirit among the employees and executives, and further refine our efforts to create value.

Today, the very purpose and role of a financial company is changing to reflect changes of the society. Nevertheless, I am confident that the unchanging values and strong loyalty of Daiwa Securities Group employees will serve us well, as we try to draw on traditions from the past and build bridges to the future. I have no doubt that the Daiwa Securities Group will continue to play an important role in Japan's capital and financial markets and to provide continued value to the societies in which we operate.

Shigeharu Suzuki

Chairman of the Board
Daiwa Securities Group Inc.

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.

In "CSR Report 2012", we aim to explain in good faith our activities about environment, society and governance (ESG) along with annual report 2012. We also aim to view an integrated report that contemplates further enhance non-financial information. We added new activities on our efforts to Socially Responsible Investment (SRI), because we wish to convey to many stakeholders that the way money is used is key to resolving society's problems such as climate change and poverty.

We post our CSR report 2012 only in the website by PDF, since we published an annual report 2012 which contains essential parts of our ESG activities.

This CSR report is edited based on the guidelines of the global reporting initiative (GRI)* and ISO26000.

* 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 4). 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 2011 (April 1, 2011 to March 31, 2012). The report also includes information on events and activities carried out prior to fiscal 2010, as well as those scheduled to take place during fiscal 2012.

Date of Publication

October 2012 (The previous report was published in August 2011; the next report is planned for August 2013).

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◆ A reorganization of group companies

The Group decided to merge Daiwa Securities Co. Ltd. with Daiwa Securities Capital Markets Co. Ltd. on April 1, 2012, reuniting Retail and Wholesale operations for the first time in 13 years. As the "new" Daiwa Securities Co. Ltd. opens a new chapter in its history.

It aims to strengthen the group total solution capacity by integrating both expertises.

This report uses both "Daiwa Securities Co. Ltd." and "Daiwa Securities Capital Markets Co. Ltd." to describe FY2011 activities.

Daiwa Securities Group Profile

Corporate Data

- **Name**
Daiwa Securities Group Inc.
- **Head Office**
GranTokyo North Tower
9-1, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-6751, Japan
- **Tel**
(81) 3-5555-1111
- **Established**
December 27, 1943 (Founded 1902)
- **President and CEO**
Takashi Hibino
- **Capital**
¥247.3 billion
- **Number of Employees (consolidated)*1**
14,432
- **Number of consolidated subsidiaries**
60
- **Number of equity-method affiliates**
5
- **Shares issued and outstanding**
1,749,378,772

(As of April 1, 2012)

*1 As of March 31, 2012

*2 As of June 30, 2012

Description of the Daiwa Securities Group's Businesses

The Daiwa Securities Group is a comprehensive financial services firm with a strong domestic base nationwide and a global network of operating offices covering 20 countries and regions. The primary businesses at the core of the Group are Retail, Wholesale, and Asset Management. The Group offers expert advice and service to meet customer's diverse needs.

1. Retail Division

Through its domestic network of 120 branches*2, a call center, and the Internet, Daiwa Securities offers two retail services, Daiwa Consulting and Daiwa Direct, which provide a wide range of financial products and services as well as support for customer asset management, mainly for individuals and unlisted companies.

2. Global Markets Division

This business, engaged in sales and trading, provides brokerage of securities and other financial products mainly for institutional investors.

3. Global Investment Banking Division

This business offers support for corporations and financial institutions in business expansion to finance and capital strategies, by assisting financing activities.

4. Asset Management Division

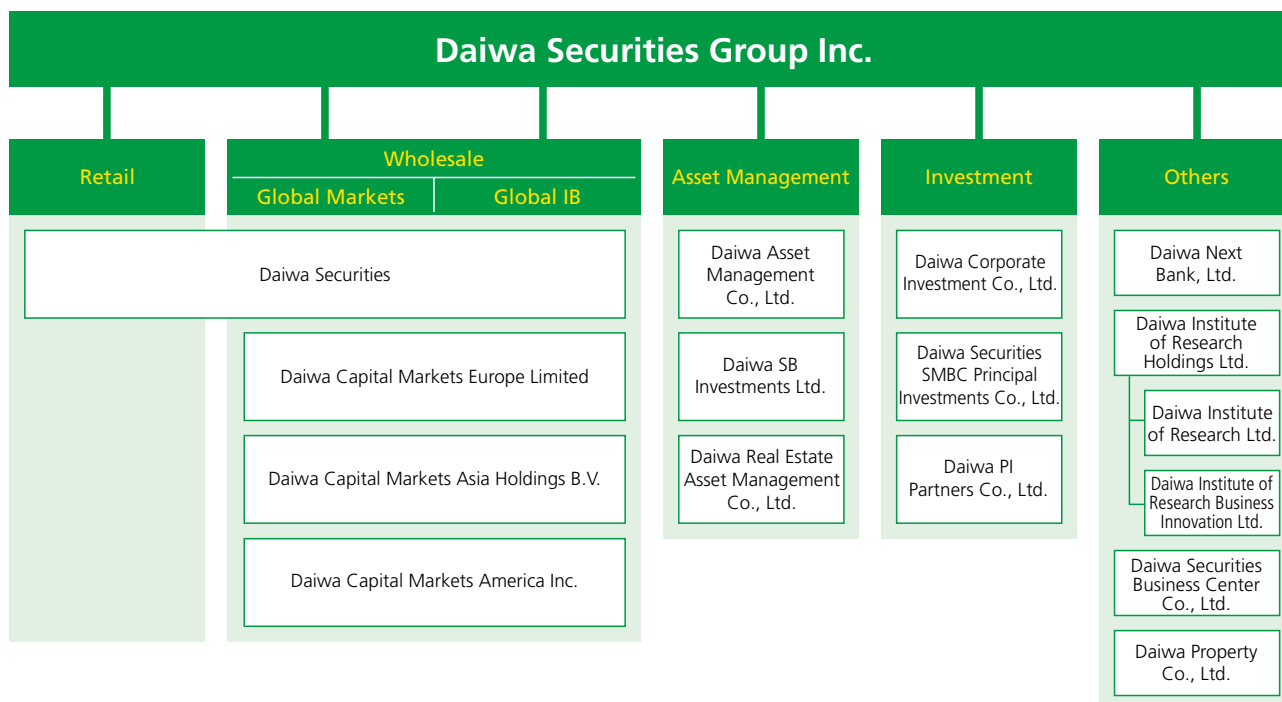
This business creates and manages stock, bond, and private investment trusts, and provides other investment management services for real estate investment trusts, pensions, and other funds.

5. Investment Division

This business invests in areas such as private equity, venture capital opportunities, business regeneration, monetary receivables, and real estate using its own funds or through the formation of investment funds.

6. Others

The Daiwa Securities Group provides information via research reports and other documents, management consulting, IT services, and other offerings to institutional investors, corporate clients, financial institutions, and public organizations in Japan and overseas.



Daiwa Securities Group Corporate Principles and Key Issues

The Daiwa Securities Group’s mission is to contribute to the development of society and the economy through daily operations, including wealth management for investors and support for the financial strategies and other aspects of corporations and public institutions. Deepening the bond of trust we share with our stakeholders, including customers, shareholders, employees and society, is essential to the accomplishment of our mission and sustainable growth together with society.

Corporate Principles of the Daiwa Securities Group

Building trust

The trust and approval of customers forms the very foundation of the Daiwa Securities Group. The Group will always place the needs of customers first, and strive to develop the advanced, specialized skills to offer them the most attractive products and services of any securities group.

Placing importance on personnel

The source of the Group’s competitiveness lies in the capabilities of its employees. The Group will promote the creativity of employees by offering them a challenging and self-directed working environment that encourages their abilities and appropriately rewards their contributions.

Contributing to society

The Daiwa Securities Group will seek to benefit the economy and society through the development of healthy financial markets. In addition to scrupulously observing both regulations and internal policies, the Group will strive to maintain a high sense of morality and duty, endeavoring to continue contributing to the sustainable growth of the societies in which we operate.

Maintaining healthy earnings results

The Group will always seek to develop healthy business operations and to increase corporate value for the benefit of shareholders. By providing customers with attractive products and services, the Daiwa Securities Group will seek to generate strong profits and healthy returns for shareholders.

Key Issues for Daiwa Securities Group

To achieve its corporate principles and realize a sustainable society, the Group seeks to initiate even more effective CSR activities. Based on the requests and opinions we have received from our stakeholders thus far, we have addressed the following key issues:

1. Leveraging financial capabilities to contribute to a sustainable society

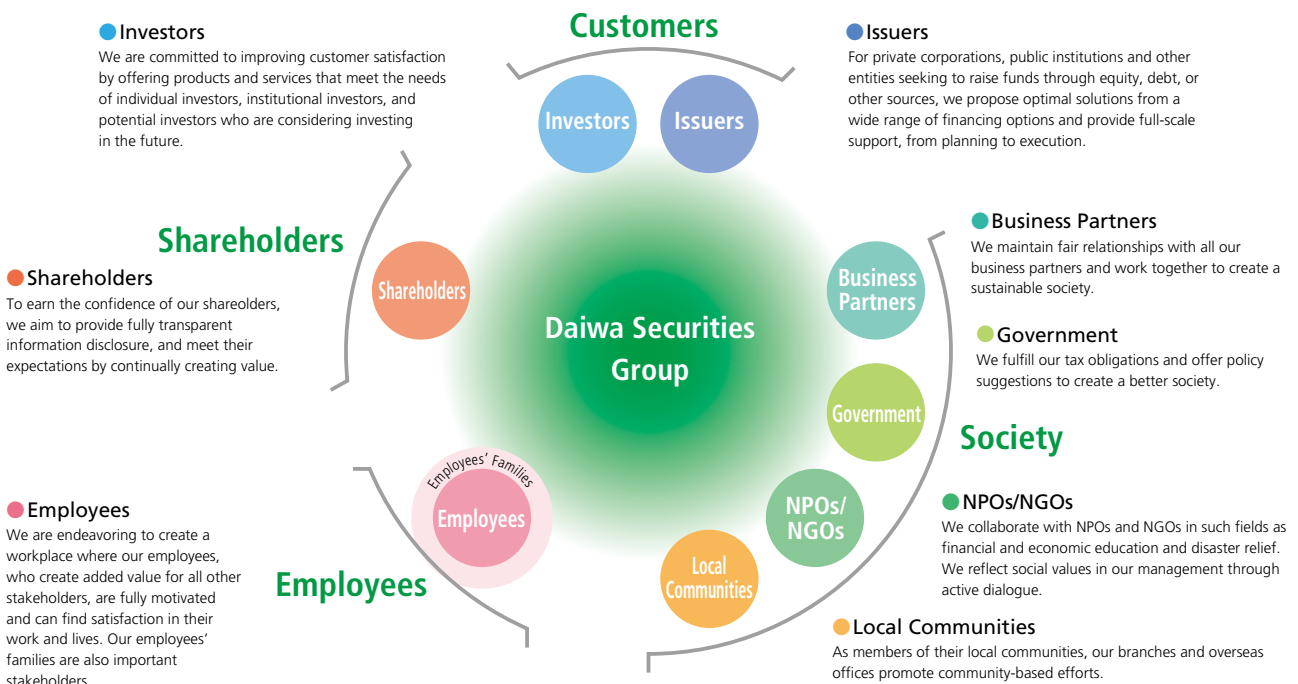
2. Developing sound financial and capital markets for the next generation

Human resources are the key to addressing these issues. We believe keeping each and every one of our executives and employees motivated and proud of their work is essential for tackling these key issues.

In addition to these two CSR issues, the Group strives to create a rewarding workplace in which our executives and employees can take pride.

To achieve its corporate principles, the Daiwa Securities Group anchors its CSR activities in these goals.

Daiwa Securities Group Stakeholders



Management Report

Social Responsibilities of the Financial Service

Approach and Basic Stance

The mission of the financial service companies is to contribute to the development of society and the economy through daily operations that help build investors' wealth and support financial strategies across the private and public sectors. We at the Daiwa Securities Group 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 Service

The financial service company such as Daiwa Securities Group 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 work 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. Human rights, labor and environments are issues in a society. Financial service industry has a social responsibility and a key role in contributing a sustainable development in countries, regions, communities and industries by creating a flow of money through financial and capital markets in promoting circulation of blood in the economy.

External Initiatives Using Financial capability 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 PRI*2 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 a set of six principles launched by the UNEP Finance Initiative and the UN Global Compact in April 2006. This initiative asks corporate investors to incorporate ESG into their investment decision-making practices.



*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.

CARBON DISCLOSURE PROJECT

*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. Signatory members are required to implement these principles with a top management commitment.



*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. It aims to achieve numerical goals in eight fields such as Poverty alleviation, education and public healthcare and so on by 2015.

● **Daiwa Securities Group: Principles for Financial Action Toward a Sustainable Society (Principles for Financial Action for the 21st Century)**

The Principles for Financial Action for the 21st Century were drawn up by a committee comprising representatives from a range of Japanese financial institutions that was tasked with drafting a Japanese version of Principles for Environmental Financial Action. This was based on a recommendation issued by the Japanese environment ministry's Central Environment Council with the objective of promoting environmental finance. Signatory institutions endeavor to embed ESG into their activities to the extent that their business context allows. The Group was involved in the establishment of these principles from the drafting stage to laying out the final framework. The Daiwa Securities Group and Daiwa Asset Management signed up in November 2011.

Daiwa Securities Group Initiatives

● **Daiwa Institute of Research: Strengthening ESG research**

The year 2011 saw ESG take on a more prominent presence within the Daiwa Institute of Research. The Environment and CSR Research Section, which had been established in August 2010 as part of the Capital Markets Research Department, was upgraded to a department in its own right (renamed the Environmental Research Department in April 2012). The Institute's website publishes reports on topics such as environment/energy issues, governance, SRI, and corporate disclosure of ESG information.

● **Daiwa Asset Management: Research structure**

Since March 2010, fund managers and analysts across operations and research departments have been leading the development of new research systems at Daiwa Asset Management. It is necessary to evaluate from a long-term perspective the corporate values born out of nonfinancial initiatives such as those seeking to reduce environmental burdens or consider the social impact of activities. Daiwa Asset Management seeks to improve the accuracy of company valuations by trying to clarify the purpose of using nonfinancial performance indicators in company valuations. In fiscal 2011, we gathered information on research methods used by external research institutes and engaged in debates concerning how these could be applied to our company valuations and investment research processes.

● **Daiwa Asset Management established investment policy against cluster munitions producers**

Since the implementation of the Oslo Convention on Cluster Munitions in August 2010, Daiwa Asset Management, as an asset management company operating in a signatory country, has followed the principles outlined below when investing in or otherwise dealing with cluster munitions producers.

1. Do not include the securities of cluster munitions producers in active funds. Promptly sell those already included.
2. In exercising voting rights associated with shares issued by cluster munitions producers, vote in favor of any shareholder proposals to withdraw from, or scale down, cluster munitions production.

● **Socially Responsible Investment (SRI) Funds**

SRI funds evaluate and select potential component stocks and bonds for their social and environmental efforts, ethics, and other nonfinancial performance, as well as the level of sales and profit. These include eco-funds, for which nonfinancial criteria are limited to environmental performance or which invest exclusively in companies operating environment-related businesses. Investing in such funds enables investors to indirectly support countries and firms actively engaged in environmental conservation efforts and CSR activities via the financial market.

Total net assets held in the Daiwa Securities Group's SRI funds stood at ¥90.6 billion at the end of March 2012 (Source: Daiwa Fund Consulting).

● **Impact Investing**

Impact Investing differs from SRI in that it places emphasis on investments directly affecting society. It is a way to allocate assets solely to activities targeted at resolving social issues such as poverty and environmental issues, in combination with generating economic gains.

As a financial institution, we have supported the resolution of problems in society by offering various types of Impact Investment bonds.

Cumulative offerings of Impact Investment bonds in Japan amounted to some ¥563.2 billion at the end of March 2012, of which ¥378.2 billion, or 67%, was arranged by the Daiwa Securities Group (Source: Daiwa Securities).

● **JICA Bonds: Connecting developing countries and retail investors**

Japan provides a large amount of "yen loans" to emerging economies and developing nations to support infrastructural development and the battle against climate change and infectious diseases. The Japan International Cooperation Agency (JICA) had traditionally procured the funds for these long-term, low-interest loans by issuing so-called JICA bonds to institutional investors. In December 2011, JICA bonds were issued to retail investors for the first time. This financial product is akin to a bridge connecting developing countries with the funds of Japan's retail investors, enabling them to use their personal assets to support developing countries in the form of yen loans.

In connection with the issuing of these bonds, we organized a seminar and an exhibition at the JICA Global Plaza to present the Group's CSR activities.

● **Green Bonds purchased by regional banks and universities**

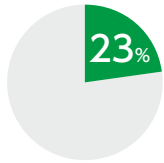
World Bank green bonds support projects addressing the issue of global warming in developing countries. To date, a total of \$3 billion in green bonds has been issued to investors throughout the world. The types of projects that may be supported by World Bank green bonds include renewable energy installations, funding for new technologies that reduce greenhouse gas emissions, reforestation, watershed management, and flood protection.

Fiscal 2011 saw Japan's local banks and educational institutions investing in these bonds, which were arranged by Daiwa Capital Markets.

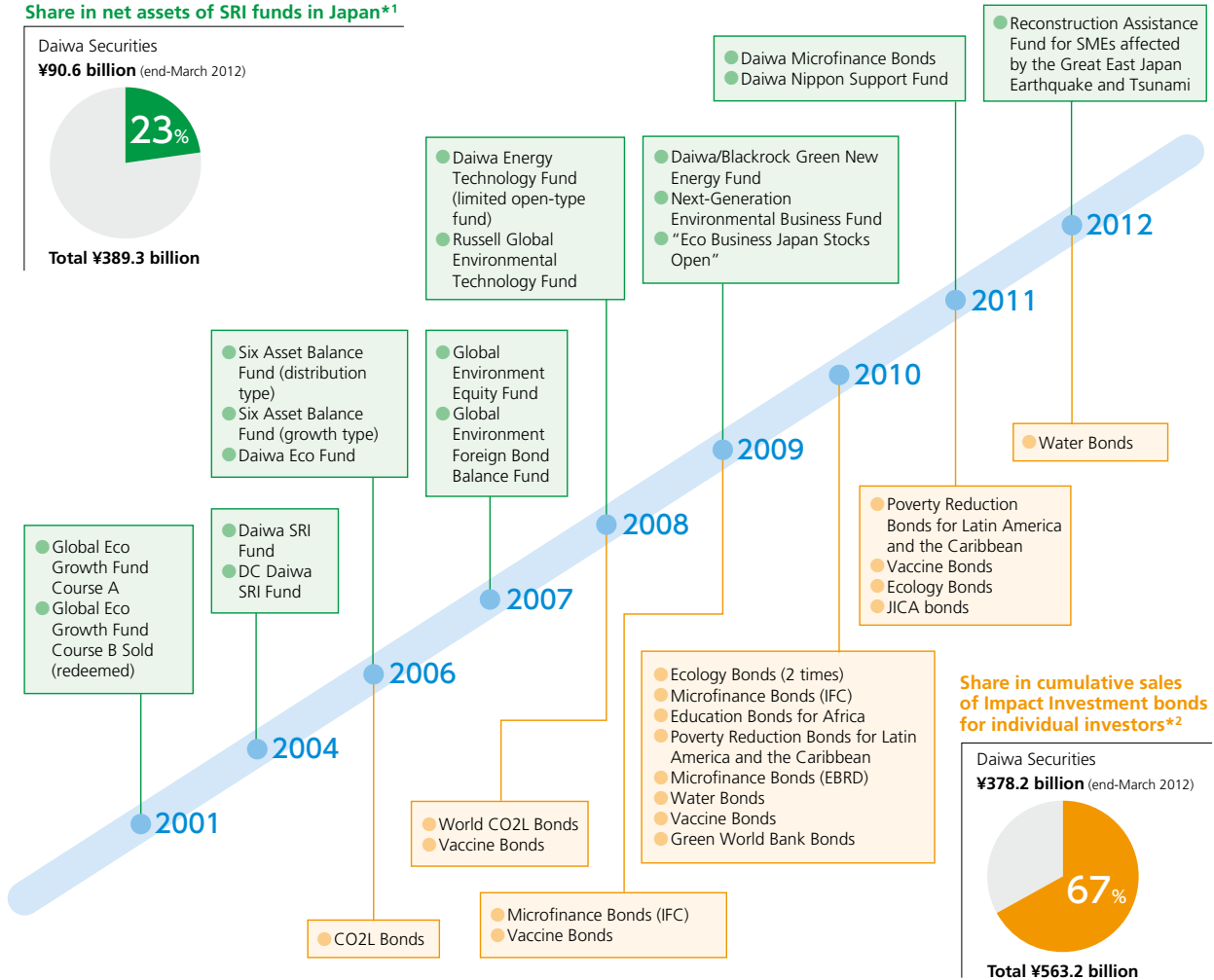
Daiwa Securities Group's History of SRI Funds and Impact Investment Bonds

Share in net assets of SRI funds in Japan*1

Daiwa Securities
¥90.6 billion (end-March 2012)

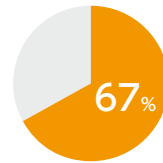


Total ¥389.3 billion



Share in cumulative sales of Impact Investment bonds for individual investors*2

Daiwa Securities
¥378.2 billion (end-March 2012)



Total ¥563.2 billion

*1 Based on Daiwa Fund Consulting Co.Ltd. *2 Based on Daiwa Securities

Management Report

CSR Management

Approach and Basic Stance

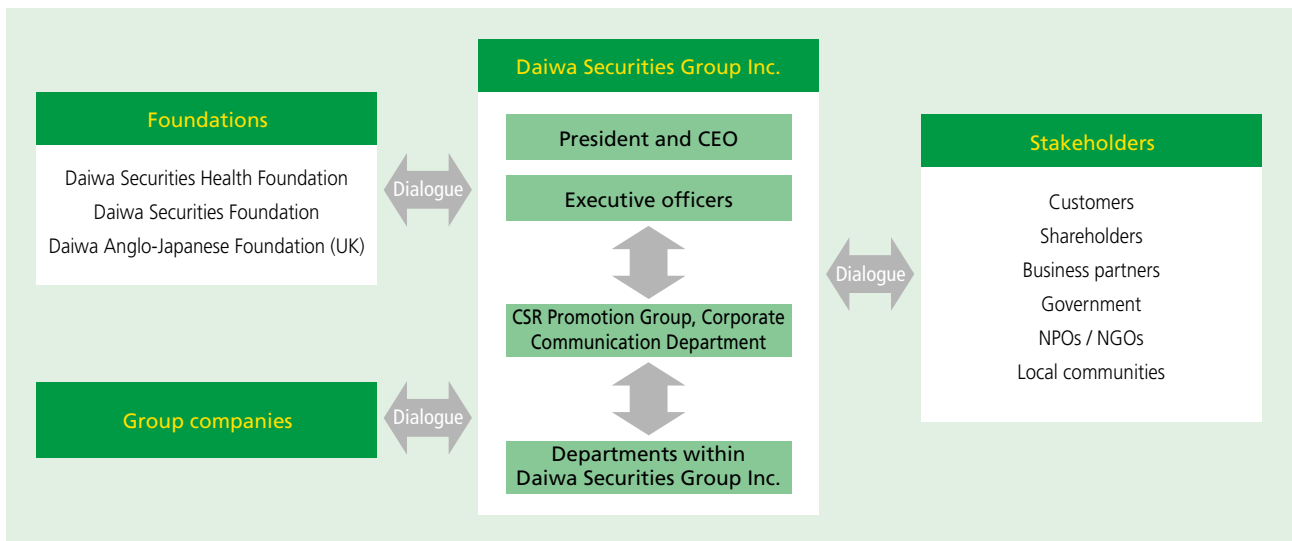
Daiwa Securities Group’s vision is to become Asia’s leading financial services group possessing and leveraging a solid business platform in Japan. With the goal of making this vision a reality, we have begun implementing a new three-year mid-term management plan, “Passion for the Best 2014.” This plan involves ensuring that all executives and employees are bringing a constant awareness of environmental, social, and corporate governance (ESG) to their daily tasks and engaging in active dialogue with stakeholders to further awareness of CSR and to make us better able to address key CSR issues. We are also creating systems to encourage related departments to work together to address key CSR issues.

CSR Promotion System

The CSR section of the Corporate Communication Department at Daiwa Securities Group Inc. compiles information in external and internal meetings and actively holds dialogues to ensure that feedback from a wide range of stakeholders is reflected in the Group’s activities. As well as through CSR lectures during the Group’s new hire

training, information on CSR is shared in department head meetings and departmental liaison meetings, thus promoting awareness of CSR throughout branches across Japan and major overseas sites and building systems for cooperation. 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 Dialogue” (only selected dialogues are available in English).

CSR Promotion System



Management Vision

"To become Asia's leading financial services firm possessing and leveraging a solid business platform in Japan."

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 "To become Asia's leading financial services firm possessing and leveraging a solid business platform in Japan."

A new Medium-Term Management Plan- "Passion for the Best" 2014

In April 2012, the Daiwa Securities Group unveiled a new Medium-Term Management Plan entitled "Passion for the Best" 2014 to achieve one of its Corporate Principles, "Maintaining healthy earnings results".

Its management vision is to become a leading financial services firm in Asia while possessing and leveraging a solid business platform in Japan. To meet this objective, we will have to establish a robust earnings structure capable of generating profits even in times of economic stress. In addition, the Group must achieve sustainable growth by linking Japan and the growth of Asia. These two objectives form our basic management policies.

Medium-Term Management Plan- "Passion for the Best" 2014

FY2012
Turnaround

FY2013
Growth

FY2014
Expansion

Basic Policy I: Return to profitability by pursuing management efficiencies

(Focus of execution in the first fiscal year)

- Steadily implement the plan to reduce SG&A
- Realize greater organizational efficiencies by shifting personnel from the middle-and-back offices to the front divisions

Basic Policy II: Achieve client based high-quality earnings growth

- Drastically expand our client base in Japan by investing management resources in the Retail and Asset Management businesses
 - Expand stable earnings by increasing investment trusts and deposit balances-
- Strengthen revenue capacity centered around the launch of the "new" Daiwa Securities
 - Step up approaches to high net worth individuals and the middle market-
- Rebuild our Wholesale business
 - Re-strengthen the brokerage business and build an efficient global network-

CSR Issues: Performance and Targets

Rating indicates self-evaluation of fiscal 2011 results:

◎ = success (significant), ○ = success (moderate), △ = additional effort needed, × = not achieved.

Key Issue 1 Leveraging Financial Capabilities to Contribute to a Sustainable Society

Targets for Fiscal 2011	Results for Fiscal 2011	Rating	Targets for Fiscal 2012
<ul style="list-style-type: none"> Expand design and sales of Impact Investment products relating to earthquakes, the environment, poverty, and other issues in Japan and abroad 	<ul style="list-style-type: none"> Established a reconstruction assistance fund for SMEs affected by the Great East Japan Earthquake and Tsunami Developed and provided Impact Investment products 	○	<ul style="list-style-type: none"> Develop and sell SRI and Impact Investment products Enhance provision of CSR and SRI information
<ul style="list-style-type: none"> Enhance disclosure of environment and CSR information to investors 	<ul style="list-style-type: none"> Reorganized and enhanced disclosure of ESG information 	○	<ul style="list-style-type: none"> Continue to provide reconstruction assistance for the Great East Japan Earthquake

Key Issue 2 Developing Sound Financial and Capital Markets for the Next Generation

Targets for Fiscal 2011	Results for Fiscal 2011	Rating	Targets for Fiscal 2012
<ul style="list-style-type: none"> Continue alliances with Japanese and foreign universities and continue the Social Business College (participation target of 80 people per lecture) 	<ul style="list-style-type: none"> Seven lectures on CSR and SRI at universities Held Social Business College (six times) 	○	<ul style="list-style-type: none"> Contribute to economic and financial education
<ul style="list-style-type: none"> Bolster environment and CSR research conducted by group research departments 	<ul style="list-style-type: none"> Upgraded environment and CSR research section to research group so as to bolster environment and CSR research (Daiwa Institute of Research) 	○	—
<ul style="list-style-type: none"> Hold seminars and forums for ordinary customers (at least 3) 	<ul style="list-style-type: none"> Held event in association with JICA Held event to commemorate 10th anniversary of sign language classes (with sign language interpretation) Sponsored event organized by Iwate prefecture: The Great East Japan Earthquake and Tsunami-Iwate reconstruction forum 	○	<ul style="list-style-type: none"> Hold seminars and forums for customers (at least three)

CSR Management

Targets for Fiscal 2011	Results for Fiscal 2011	Rating	Targets for Fiscal 2012
<ul style="list-style-type: none"> Maintain dialogues with specialists in specific themes and strengthen relationships with departments and sections responsible within group (target of at least 12 dialogues) 	<ul style="list-style-type: none"> Held "CSR Dialogues" (five times) Put in two panelists for TBLI conference Asia 2011 	△	<ul style="list-style-type: none"> Hold dialogues with specialists on specific themes Strengthen relationships between related departments and sections within the Group

Corporate Governance

Targets for Fiscal 2011	Results for Fiscal 2011	Rating	Targets for Fiscal 2012
<ul style="list-style-type: none"> Maintain healthy business by disclosing adequacy of capital 	<ul style="list-style-type: none"> Published a quarterly report on health of business as stipulated by law, demonstrating to the public the Group's higher consolidated capital adequacy ratio standards compared to other companies, and showing that the Group is financially sound. 	◎	—
<ul style="list-style-type: none"> Increase awareness of crisis management system for disasters 	<ul style="list-style-type: none"> Increased awareness within the Group of crisis management system by implementing training on checking employee safety together with emergency drills 	○	<ul style="list-style-type: none"> Strengthen crisis management system for disasters
<ul style="list-style-type: none"> Reduce group-wide power consumption by 15% in response to power shortage this summer 	<ul style="list-style-type: none"> Reduced electricity consumption during the summer months in excess of respective requirements set forth by Tokyo Electric Power Company, Tohoku Electric Power, and Kansai Electric Power Company* Reduced electricity consumption during the winter months in areas supplied by Kansai Electric Power Company and Kyushu Electric Power Company* * Electricity-saving measures were also enforced in areas controlled by other electric power companies. Maintained efforts to reduce electricity consumption during periods of lower demand 	◎	<ul style="list-style-type: none"> Continue efforts to reduce electricity consumption

Compliance

	Targets for Fiscal 2011	Results for Fiscal 2011	Rating	Targets for Fiscal 2012
Daiwa Securities	<ul style="list-style-type: none"> Further strengthen self-monitoring of ethics at branches 	<ul style="list-style-type: none"> Strengthened accountability during sales and marketing by establishing a system of checking by superiors, and strengthening cooperation between sales managers, internal control managers, and line managers 	◎	<ul style="list-style-type: none"> Build effective and efficient internal control systems for "new" Daiwa Securities Further improve customer marketing and solicitation systems Raise the quality of internal control systems through inspection Implement the improvement measures set out in the Group's press release dated July 27, 2012, in a swift and steady manner (Investigation Committee's Investigation Report on the Securities and Exchange Surveillance Commission's Recommendations and Daiwa's Improvement Measures)
	<ul style="list-style-type: none"> Strengthen commitment to internal control in all headquarter departments and sections 	<ul style="list-style-type: none"> Enabled horizontal visualization across headquarter departments and sections by integrating compliance functions across three Group companies Developed internal control systems through cooperation with Daiwa Next Bank and Banking Business Office during the launch of bank agency business Strengthened internal control system by appointing a new internal control officer, compliance officer, and so on within the online trading planning department 	◎	
	<ul style="list-style-type: none"> Strengthen commitment to preventing unfair trading 	<ul style="list-style-type: none"> Set up an integrated system for the retrieval of trading data for both Daiwa Securities and Daiwa Capital Markets with the objective of making transaction monitoring more effective Strengthened systems to eradicate organized crime and money laundering by implementing training to prevent these throughout branches 	◎	
Daiwa Securities Capital Markets	<ul style="list-style-type: none"> Create and strengthen a global compliance system Strengthen systems to eradicate organized crime Establish rules relating to the Financial Instruments and Exchange Law 	<ul style="list-style-type: none"> Strengthened global cooperation by requiring monthly compliance reports from overseas companies and developing effective systems to manage classified information by enhancing systems to manage conflicts of interest Developed internal control systems by consolidating within the compliance section the monitoring of crime prevention and legal amendments such as those concerning regulations on short-selling during public offering period Set up system for inspecting all emails sent to personal email addresses 	◎	

Information Disclosure

Targets for Fiscal 2011	Results for Fiscal 2011	Rating	Targets for Fiscal 2012
<ul style="list-style-type: none"> Actively disclose information, including non-financial content, demonstrating the unique or differentiating features of the Group (continued) 	<ul style="list-style-type: none"> Clearly communicated to shareholders, investors, media, and so on details of the new basic company policy instituted following April's appointment of a new president, by giving specific details of progress at the management strategy briefing session 	◎	<ul style="list-style-type: none"> Focus on conveying information on the "new" Daiwa Securities Inc. and the "new" mid-term management plan
<ul style="list-style-type: none"> Carry out cost-conscious, efficient IR activities (continued) 	<ul style="list-style-type: none"> Reduced costs without compromising on information volume by printing multiple pages on a single sheet and minimizing printing costs in external IR documents such as annual reports and business reports 	◎	<ul style="list-style-type: none"> Implement cost reductions and optimization regarding IR tools
<ul style="list-style-type: none"> Improve and make effective use of IR channels (continued) 	<ul style="list-style-type: none"> Disseminated information in a straightforward manner to shareholders and investors by providing a clear explanation of the management strategy that was announced at the management strategy briefing session in external IR documents such as annual reports and business reports 	◎	<ul style="list-style-type: none"> Implement IR activities that appeal to investors' every need

Relationship with Shareholders and Other Investors

Targets for Fiscal 2011	Results for Fiscal 2011	Rating	Targets for Fiscal 2012
<ul style="list-style-type: none"> Take actions to expand shareholder reward program (continued) 	<ul style="list-style-type: none"> Enhanced the shareholder rewards program by providing a clearer introduction to the reward program catalogue and adding frozen foods, products related to earthquake relief, and monetary donations to the rewards product selection. This resulted in a record high number of applications for reward products. 	◎	—

Relationship with Customers

Targets for Fiscal 2011	Results for Fiscal 2011	Rating	Targets for Fiscal 2012
<ul style="list-style-type: none"> Actively pursue post-sales follow-up (continued) 	<ul style="list-style-type: none"> Held investor seminars on the 5th of every month, providing information on overseas and Japanese markets on an ongoing basis Held impromptu seminars when the market fluctuated, such as seminars on the foreign currency market when the yen appreciated significantly and follow-up seminars when the value of trust funds depreciated Presented current status and forecasts for customers' investment trusts in graphic format via the Daiwa Online Trading "notice box" Held New Spring Investment Forum in January 2012 across all branches, with about 6,330 customers attending Continuously provided up-to-date information by publishing daily market reports and fund management companies' fund reports on our website 	◎	<ul style="list-style-type: none"> Post-sales service
<ul style="list-style-type: none"> Improve customer-interface skills of branch counter staff (continued) 	<ul style="list-style-type: none"> Implemented regular verification tests using our e-learning system Head office staff conducted twice-yearly on-site checks and guidance across all sites Continuously shared and disseminated information on the intranet 	◎	
<ul style="list-style-type: none"> Develop professional workforce that combines expertise and loyalty (continued) 	<ul style="list-style-type: none"> Focused on business skills training, encouraged and supported staff in obtaining credentials, and enhanced foreign language training 	◎	

Relationship with Executives and Employees

Targets for Fiscal 2011	Results for Fiscal 2011	Rating	Targets for Fiscal 2012
<ul style="list-style-type: none"> • Improve customer-interface skills of branch counter staff (continued) • Develop professional workforce that combines expertise and loyalty (continued) 	<ul style="list-style-type: none"> • Ongoing skills training and cross-Group training opened up to more Group companies • Delivered group training and e-learning training for new hires and implemented campaigns for each product • Continued to develop a working environment conducive to high motivation • Revised system for supporting acquisition of credentials • 5,255 and 452 staff obtained AFP and CFP certifications respectively • Showed an increase in staff trying to improve language skills (1,418 took the TOEIC test) 	○	<ul style="list-style-type: none"> • HR development through targeted recruiting and appointing • Demand high levels of specialist skills to merit customers' trust • Create a working environment conducive to high levels of motivation among all employees
<ul style="list-style-type: none"> • Achieve a far-reaching work-life balance program (continued) 	<ul style="list-style-type: none"> • Worked to change employee awareness by encouraging employees to leave work before 7 p.m., welcoming family visits (3,868 family members participated), and encouraging staff to take childcare leave (408 staff members did) • Increased awareness of systems (e.g., revised and circulated guidelines on returning to work among managers; broadcast information internally to staff; showed an increase in visitors to revamped Daiwa WLB Station) • Increased numbers using the Job Location Change system (cumulative total of 82) 	○	
<ul style="list-style-type: none"> • Accelerate appointment of female managers who will assume leadership roles in the Japanese financial industry (continued) 	<ul style="list-style-type: none"> • Increased number of female managers (170 at end of fiscal 2011) • Increased number of female staff aspiring to advance their careers (total of 659 female staff members transferred to career-track employee or regional career-track employee streams between fiscal 2009 and fiscal 2011) • Female employee success promotion team considered additional measures 	○	

Relationship with Society

Targets for Fiscal 2011	Results for Fiscal 2011	Rating	Targets for Fiscal 2012
<ul style="list-style-type: none"> • Raise employees' interest in volunteering, including in earthquake relief efforts, and improve provision of appropriate information regarding volunteering 	<ul style="list-style-type: none"> • Published information on internal volunteer activities as well as those planned by external groups on the intranet 	○	<ul style="list-style-type: none"> • Raise awareness of volunteering—including earthquake relief work—among staff and strengthen dissemination of appropriate information
<ul style="list-style-type: none"> • Enhance volunteering system 	<ul style="list-style-type: none"> • Reached a consensus with employee unions on "volunteer leave" and currently working toward its introduction 	△	<ul style="list-style-type: none"> • Enhance systems to enable employees to get involved in voluntary work
<ul style="list-style-type: none"> • Improve coordination with employee unions 	<ul style="list-style-type: none"> • As a result of dialogue with employee unions: Coordinated with charity events, encouraged union members to get involved in voluntary work, and developed cooperative relations working toward introduction of systems to promote volunteering 	○	<ul style="list-style-type: none"> • Strengthen coordination with employee unions • Promote programs that the whole Group can get involved in

Environmental Initiatives

Targets for Fiscal 2011	Results for Fiscal 2011	Rating	Targets for Fiscal 2012
<ul style="list-style-type: none"> • Introduce new environment management system 	<ul style="list-style-type: none"> • Introduced new energy data management system to get a quicker overview of energy use across Japanese branches 	○	<ul style="list-style-type: none"> • Further exploit energy data management system
<ul style="list-style-type: none"> • Enhance energy conservation efforts 	<ul style="list-style-type: none"> • Renewed air conditioning units in Osaka branch building • Reduced intensity of lighting to appropriate levels • Switched off the lights on signs and stock-price boards • Set photocopiers to energy-saving mode • Promoted use of double-sided printing and printing multiple pages on one sheet • Promoted the clear desk and clear screen policy • Separated office waste and reused resources 	◎	<ul style="list-style-type: none"> • Strengthen energy conservation efforts

Management Report

Corporate Governance

Approach and Basic Stance

The Daiwa Securities Group clearly separates the supervisory and executive functions of management to create a highly transparent and objective corporate governance system. The Group is pursuing a management structure that improves the efficiency of head office operations and maximizes synergies between the Group companies. Under this structure, employees responsible for head office functions also perform similar roles for securities subsidiaries, in addition to the corporate executive officers of Daiwa Securities Group Inc.

Features of the Corporate Governance System

In 1999, the Daiwa Securities Group became the first listed Japanese company to adopt a holding company structure. Since then, we have been pursuing a highly transparent and objective corporate governance system that maximizes synergies between Group companies while showcasing the independence and unique expertise of each Group member. In June 2004, Daiwa Securities Group Inc. made a transition to a "Committee System" of corporate governance and accelerated the decision-making process by transferring a substantial portion of authority from the Board of Directors to corporate executive officers. In addition, we strengthened the supervisory functions of management by increasing the number of outside directors and establishing the Nominating Committee, Audit Committee, and Compensation Committee. The representative directors of the major Group companies also serve as corporate executive officers of the holding company, thereby allowing them to efficiently implement individual business strategies based on Group strategies.

The Nominating Committee met three times in FY2011 to discuss the composition of the Board of Directors and its effect on corporate governance, the basic policy for nominating candidates for directorships, and the selection of these candidates. The Nominating Committee selects candidates for directorships in light of the Group's selection standards for the appointment of directors. These standards include criteria that ensure the independence of outside directors. The Audit Committee met 12 times during FY2011. The committee evaluated the activities of directors and corporate executive officers, audited documentation including financial statements and business reports, and prepared an audit report for the period under review. The Compensation Committee met six times in FY2011 to discuss compensation policy and determine the compensation of each director, and also studied a Group-wide incentive plan aimed at improving consolidated earnings results. The Board of Directors met 10 times during FY2011 and outside directors had a 98% record of attendance.

Corporate Governance System at Daiwa Securities Group



Web Report on Corporate Governance (available only in Japanese)

Executive Compensation More Closely Linked to Performance

Compensation for directors and corporate executive officers is determined by the Compensation Committee. It generally has three components; basic compensation, performance-

based compensation, and stock-price-linked compensation. Comprehensive criteria used in calculating performance-based compensation include consolidated ordinary income and ROE, as well as other factors such as which of the management goals outlined in the Medium-Term Management Plan have been met.

Compensation Paid to Directors and Corporate Executive Officers of Daiwa Securities Group Inc. in FY2011

Amounts based on resolution of the Compensation Committee	Directors		Corporate Executive Officers		Total	
	Recipients	Amount	Recipients	Amount	Recipients	Amount
	9 persons	¥107 million	14 persons	¥424 million	23 persons	¥531 million

Notes: 1. No performance-based compensation was paid in this fiscal year.

2. The above compensation amounts include a total of ¥94 million in stock acquisition rights granted as stock options to directors and corporate executive officers.

3. Compensation paid to the six outside directors totaled ¥80 million.

4. Seven directors also served as corporate executive officers; their total compensation is included in the "Corporate Executive Officers" category.

Internal Control System and Internal Audit

In recognition that management is responsible for maintaining an effective internal control system to ensure the sound and proper execution of business, the Group, under the main initiative of Daiwa Securities Group Inc., has established a system for managing the Group's major business risks.

The Group also maintains this internal control system for ensuring "business effectiveness and efficiency," "reliable financial reporting," "compliance with laws related to business activities," and "asset preservation." The Internal Audit Department verifies the internal control system.

This department, established independently from all other departments and reporting to a full-time corporate executive officer, ensures internal audits to act as an important function of raising Group value through the creation of sound and efficient internal controls. The department's internal auditing plans and the results of internal audits are reported to and approved by the Group Internal Audit Committee, which is directly under the control of the CEO of Daiwa Securities Group Inc.

The department also reports the results of internal audits to an Audit Committee. This Audit Committee, comprised of members of the Board of Directors of Daiwa Securities Group Inc., in turn has the authority to conduct internal audits in collaboration with the Internal Audit Department and have the department perform its research. The Internal Audit Department directly audits major Group companies. Major Group companies also have internal auditing departments of their own, which are subject to monitoring and alignment by the Internal Audit Department.

The Group's internal audits, in following a common Group internal audit policy and audit plan formulated on a risk-by-risk basis, are managed and monitored primarily by the Internal Audit Department. The internal audits that Group companies perform are monitored and directly audited as required by the Group in view of the status of control over the Group and collaboration within the Group. The Group seeks to raise corporate value by conducting internal audits that pay special attention to the legal and regulatory compliance and risk management position of Daiwa Securities Co. Ltd. and the Group's overseas securities business sites as a global financial instruments business operator, and Daiwa Next Bank, Ltd. as a bank.

To maintain oversight and ensure the proper and efficient conduct of Group internal auditing activities, the Internal Audit Department holds periodic meetings and collaborates in auditing activities with the internal auditing segment of each Group company, and maintains contact and coordination with the Group's Audit Committee and accounting auditor.

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.

Preventing conflict-of-interest transactions between group companies

Conflict-of-interest transactions 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 as well as Board meeting. 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.

Management Report

Compliance

Approach and Basic Stance

The Daiwa Securities Group's corporate principles identify "building trust" and "contributing to society" as among the most important goals of our business operations. We believe that compliance is necessary to "build trust." The goal of the Group's compliance activities is not merely to "comply with laws and regulations," but to earn the trust of customers, the market, and society.

The Daiwa Securities Group's Approach to Compliance

The Daiwa Securities Group is constantly taking steps to educate and train executives and employees to uphold external regulations, exercise self-discipline and appropriate conduct, and thereby maintain high ethical standards to fulfill its role in society. We aggressively conduct compliance training programs for our employees. These programs commence as soon as employees join the Group and continue through regularly scheduled training sessions throughout their career, thus ensuring that every employee is aware of, and thoroughly understands, compliance issues. As the Group pursues new business ventures in areas where the regulatory structure is still incomplete, employees are trained to approach all matters with strong self-discipline and legal awareness, refer to existing legal precedents whenever possible, and always adhere to accepted social norms of proper behavior.

In FY2011, Group companies continued to hold training related to insider trading regulations from FY2010. Furthermore, the Group promoted the integration of head office functions in pursuit of efficiency by consolidating the overlapping functions within Daiwa Securities Co. Ltd., Daiwa Securities Capital Markets Co. Ltd., and Daiwa Securities Group Inc. The consequent unification of management structures of the companies enabled the Group to strengthen its compliance systems further.

Initiatives the Group took to eliminate any and all relations with corporate racketeers and other antisocial groups involved collecting information on their increasingly sophisticated methods by working in close contact with mainly police organizations and legal experts, and enhancing the Group's various outward procedures for scrupulously severing contact with such undesirable groups. As a result, a system of cooperation among Group companies to perform checks preventing the outflow of funds to antisocial forces is now in place.

Web Basic Policy on Avoiding Any Involvement with Criminal Elements (available only in Japanese)

Compliance Initiatives at Daiwa Securities Co. Ltd.

Daiwa Securities Co. Ltd. is taking measures, under the compliance program, to ensure the effective operation of its internal control system in order to ensure strict compliance with laws and regulations.

Measures taken in FY2011 included strengthening the selfcorrecting mechanism of sales branches, an internal control system for head office departments as a whole, a structure to prevent unjust trade practices, and a compliance system that is being used on a global basis. In FY2012, the Company will formulate the following three compliance programs aimed at bolstering internal control systems further, in moving us towards meeting our management targets.

1. Program for building effective and efficient internal control systems
2. Program for further improving customer sales and marketing manners
3. Program for raising the quality of internal control systems through thorough inspection

We will implement the improvement measures set out in the Group's press release dated July 27, 2012, in a swift and steady manner (Investigation Committee's Investigation Report on the Securities and Exchange Surveillance Commission's Recommendations and Daiwa's Improvement Measures)

Web Investigation Committee's Investigation Report on the Securities and Exchange Surveillance Commission's Recommendations and Daiwa's Improvement Measures (available only in Japanese)

Management Report

Risk Management

Approach and Basic Stance

While the Daiwa Securities Group pursues profitability and growth, it also recognizes the importance of accurately identifying, evaluating, and effectively controlling the various risks associated with its business operations. Our objective is to steadily improve corporate value by maintaining a sound financial base and profit structure by properly balancing risks and returns and by implementing effective risk control and management.

Basic Risk Management Policy

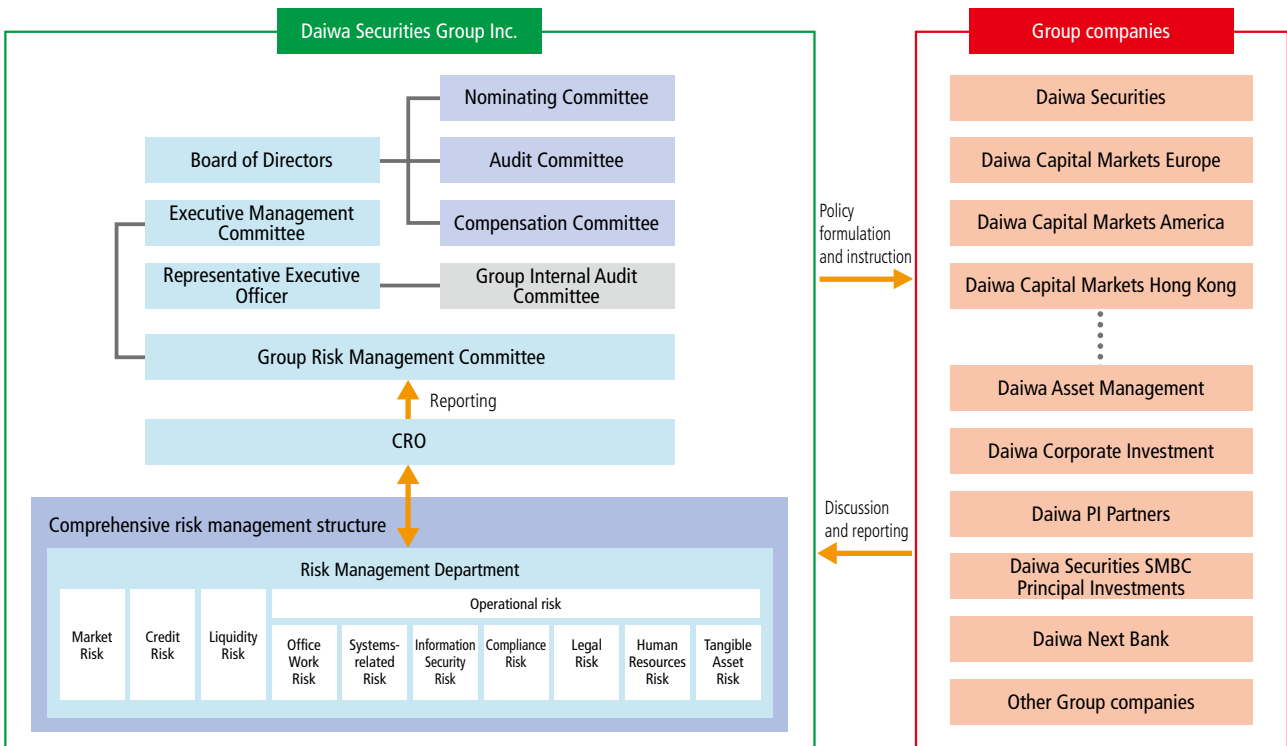
The Daiwa Securities Group Inc. has established “basic risk management regulations” governing all activities by the Group companies to manage risk in order to ensure that they conform to the following basic policies:

1. Management shall demonstrate an active concern for risk management.
 2. A risk management system shall be established to address the specific characteristics of risk faced by the Group.
 3. Management shall, through the aforementioned comprehensive risk management structure, ascertain the aggregate risk faced by the Group and enhance capital adequacy accordingly.
 4. All risk management processes shall be clearly identified.
- Limits are set for each type of risk so as to control risk within an amount suitable for the management strength of the Group.

Types of Risks

The Daiwa Securities Group faces various risks in the course of its business activities. The Group therefore believes that it is important to properly identify, evaluate, and manage these risks in order to maintain healthy financial and earnings structures. Daiwa Securities Group Inc. engages in risk management to clearly identify risks based on the respective Group company’s business characteristics and risk profile. The types of risks that have been deemed important to manage include market risk, credit risk, liquidity risk, operational risk, and reputation risk.

Risk Management System



Risk Management System

The Board of Directors of Daiwa Securities Group Inc. has approved "basic risk management regulations." These regulations define basic policies related to risk management, the types of risk that are necessary to be managed, and the executive and department for each major risk. Each subsidiary conducts risk management suitable for the risk profile and size of each business in accordance with these basic policies related to risk management. Daiwa Securities Group Inc. monitors the system and situation of its subsidiaries' risk management. Also, the Group Risk Management Committee, as a sub-committee of the Executive Management Committee of Daiwa Securities Group Inc., receives reports about risk exposures obtained via the aforementioned monitoring of subsidiaries and themes concerning their risk management system and discusses and resolves those issues. In addition, major Group companies regularly hold risk management committees in order to strengthen their risk management.

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 operations*¹ 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.

*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.

Management Report

IT Governance, Disclosure, and Information Security

Approach and Basic Stance

The Daiwa Securities Group aims to provide customers with high value-added products and services quickly, precisely, and reasonably priced. To this end, it uses IT strategically. As an active participant in the financial and capital markets, the Group possesses information resources, including personal information. In order to protect these information resources from outside threats, the Group is working to maintain and improve the level of its information security.

IT Governance System

The Group has established the Group IT Strategy Committee as a subcommittee of the Executive Management Committee. This committee deliberates and makes decisions on such issues as budgets for IT investment and the allocation of IT functions. In regard to IT investment planning, the Group IT Strategy Committee rigorously selects the IT investments necessary for the Group and allocates budgets based on the strategic importance of each investment. Additionally, the Group IT Strategy Committee is strengthening Group IT governance by primarily bolstering the management and control function in connection with managing systems construction projects within the Group.

Disclosure System

The Daiwa Securities Group has formulated the Disclosure Policy, which outlines the Group's basic approach to information disclosure and strives to provide information that is fair, prompt, and appropriate.

Daiwa Securities Group Disclosure Policy

- The Daiwa Securities Group will disclose important financial, social and environmental information about the Group ("Management-related Information") in a prompt, fair and appropriate manner, so that our stakeholders, (including shareholders, investors and the communities we operate in) may understand and maintain realistic expectations of the Daiwa Securities Group.
- The Group will comply with the Financial Instruments and Exchange Act and other laws and ordinances related to securities transactions and the various rules of the financial instruments exchanges on which our stock is listed.
- The Group will strive to disclose information fairly, in terms of both content and timing.
- The Group will utilize various communication channels including presentations, telephone conferences, the Internet and printed materials to disclose information in a manner that is easy for investors to comprehend.
- The Group will keep in mind its responsibility to set an example for other listed corporations, in terms of disclosure, and will strive to promote healthy markets.
- To ensure that these policies are implemented properly, the Group has established "Disclosure Regulations" which include guidelines for disclosing management-related information and standards for establishing a "Disclosure Committee."

Measures for Maintaining Information Security

In order to fulfill its social responsibility as an active participant in the financial and capital markets, as well as gain the trust of customers, the Group has adopted a full spectrum of information security policies at companies throughout the Group to ensure that important personal information received from customers and all other information resources are managed in a secure and appropriate manner. Among the organizational measures that we have adopted is the Information Security Group Minimum Standard, which dictates the basic rules that all companies in the Group must adopt for handling information. In addition to introducing these information security rules at each company, we have appointed a "Chief Information Security Officer" at each Group company to oversee information management activities. A variety of technical and structural measures have also been introduced to enhance security and ensure that Group information resources are managed appropriately, such as office automation through the use of thin clients and high-security access controls at the data center. The online trading systems of Daiwa Securities Co. Ltd. employ highly advanced encryption technology for data transmission and for user ID verification, thereby ensuring that clients are able to use the system safely and securely.

Efforts to Enhance the Level of Information Security

The Group has put in place a self-assessment scheme for employees in order to maintain and build upon the current level of information security across the Group as a whole. Each Group company has formulated further initiatives tailored to meet the information security needs of the products and services they offer. Additionally, in recognition of the importance of human factors in effective information security systems, the Group has introduced training programs to educate all executives and employees in the basics of information security. The programs are offered periodically as group training sessions, as well as through e-learning.

Social Report

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 customers will be contributing to a society by investing in these products, in order to deepen their understanding of these.

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 our website

In addition to the investor seminars that Daiwa Securities holds on the 5th of every month, and the information on overseas and Japanese markets it provides on an ongoing basis, Daiwa Securities holds impromptu follow-up seminars when the market fluctuates sharply, as when the yen appreciated significantly. Over 940 follow-up seminars on investment trusts and foreign currency markets were held between October 2011 and March 2012 across all branches and were attended by over 18,000 people. The "notice box" for users of the online trading section of the Daiwa website presents trends and forecasts for trust funds and exchange rates in a graphic format. In January 2012, Daiwa Securities held its New Spring Investment Forum 2012, with about 6,330 customers attending.

● 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.

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. Their donations were provided in full to those who suffered from 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.

At Daiwa Securities, our goal is to provide a level of customer service that surpasses ordinary hospitality standards. 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 also conduct on-site checks every six months and provide guidance to promote even higher quality.

Initiatives Make Use of Customer Views

Call Center initiative

Daiwa Securities' Call Center is staffed by 480 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.

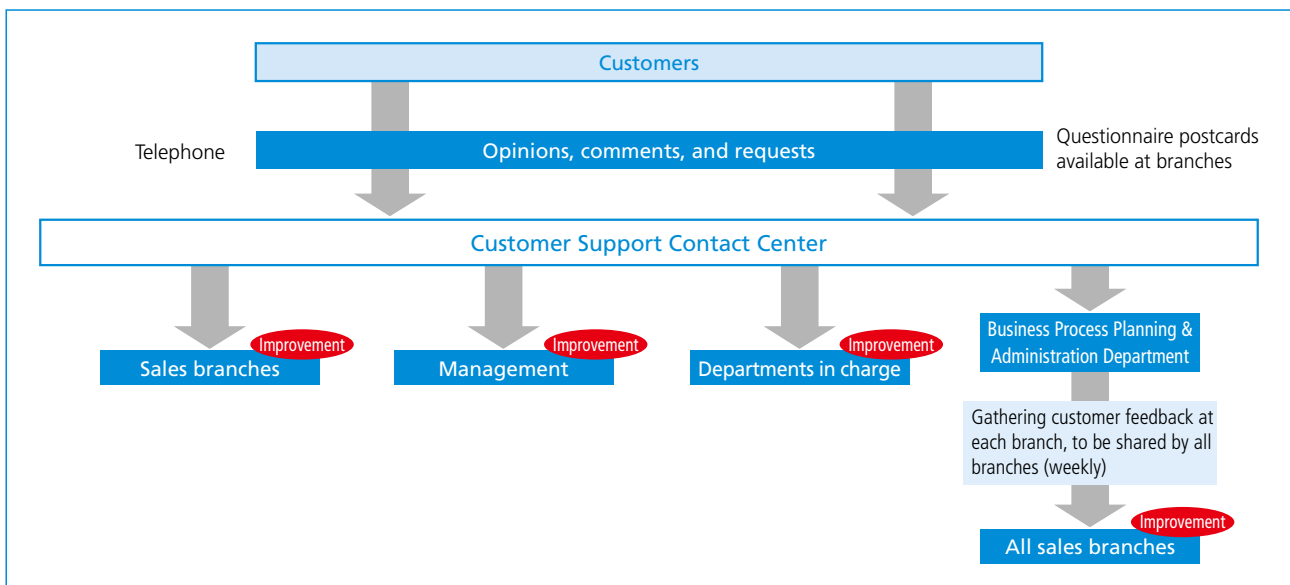
* TSR (Telephone Service Representative) is the name typically used in Europe and the US to refer to telephone operators with specialized knowledge.

Strengthening BCP at our Call Center

Up until August 2011, all of our call center functions were based at a single site (Koto Ward, Tokyo). We have now transferred some of the functions to our Osaka branch building. This means that we now have 480 telephone service points, with 450 in Tokyo and 30 in Osaka.

We are now able to accept emergency orders at sales branches as well as at the new Osaka call center. Having our call center functions split across multiple sites in this way means that we have been able to manage operational risk. We also anticipate that the Osaka call center will serve as a backup during electricity shortages in the Tokyo area.

Daiwa Securities' System for Utilizing Customer Feedback

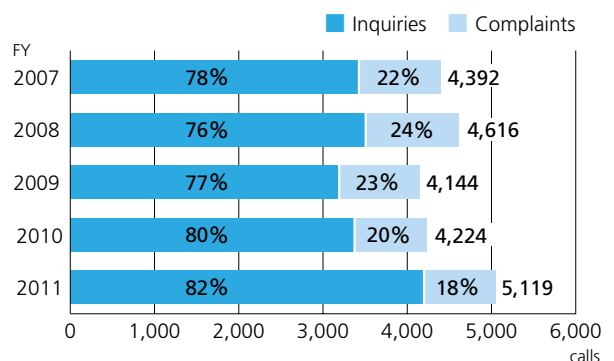


Calls received at the Customer Support Contact Center

Daiwa Securities' Customer Support Contact Center also directly handles customer feedback. The Center shares the customer feedback it receives with Daiwa Securities' sales branches and head office and responds promptly and appropriately.

During fiscal 2011, the Center received 5,119 calls, which represents a higher volume than usual. We have attributed this increase to the additional calls received in relation to the opening of Daiwa Next Bank in May 2011. A total of 552 calls were received concerning Daiwa Next Bank in fiscal 2011, 92% of which were queries and 8%, complaints. The Center takes customer feedback seriously and will continue to work to improve customer service.

Calls Received at the Customer Support Contact Center



Social Report

Relationship with Shareholders and Other Investors

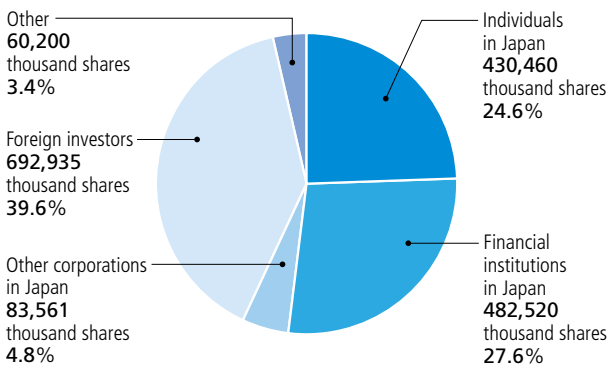
Approach and Basic Stance

The Daiwa Securities Group works hard to stay in good communication with shareholders and other investors. Under a sluggish trend of the “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.

Breakdown of Shareholder

As of March 31, 2012, 39.6% of the shareholders of Daiwa Securities Group Inc. were foreign investors, down 0.9 points from the end of the previous fiscal year. The share of Japanese investors increased 1.1 points to 24.6%. This increase was likely due to the augmentation of the shareholder reward program carried out at the end of September 2010.

Breakdown by investor type (as of March 31, 2012)



[Web](#) Stock information

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

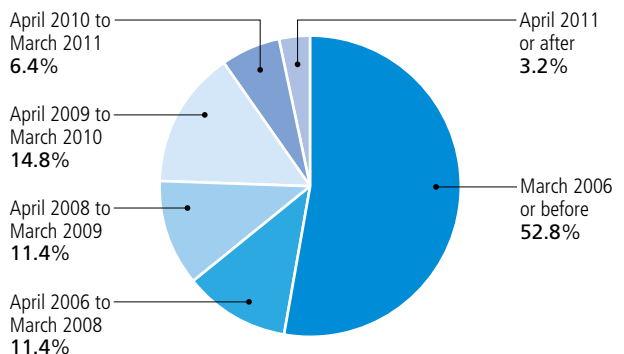
The general meeting of shareholders is an opportunity for direct communication with shareholders. We encourage as many of our shareholders to attend as possible. A total of 1,838 shareholders attended the 75th regular general meeting of shareholders held on June 27, 2012. We have also been trying to increase communication opportunities through measures such as telephone conferences on the same day that we announce the quarterly earnings, spring and fall management strategy briefing sessions, one-on-one meetings with analysts and institutional investors, and paying visits to overseas institutional investors. In addition to this, we have also been enhancing information disclosure on our IR pages and releasing the highlights of our annual and business reports in booklet form for shareholders. Daiwa Securities Group Inc. will continue to strive to make its communications even more accessible and more precise for shareholders.

Questionnaire for Shareholders

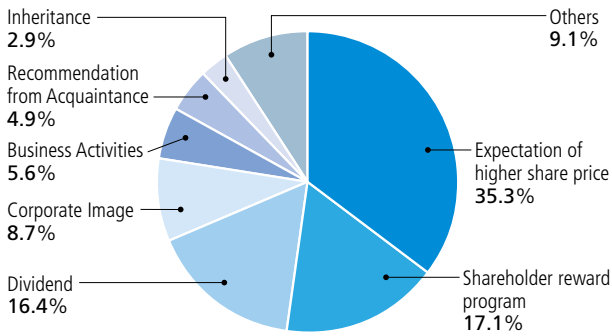
The Daiwa Securities Group regularly gives a questionnaire to shareholders at the end of September with a view to reflecting their opinions in management and IR activities. We utilize the results to good advantage in business activities, leading to improvements such as higher satisfaction with the shareholder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

Results of a questionnaire to shareholders in September 2011

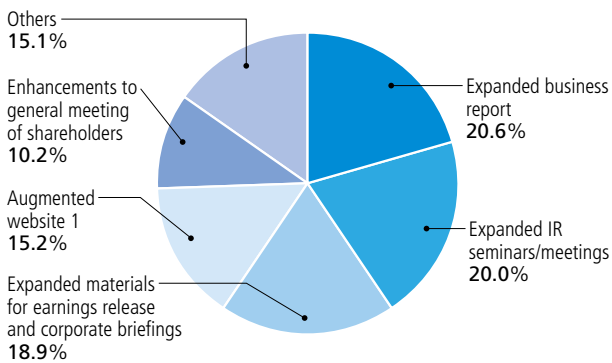
Q When did you become a shareholder for the first time?



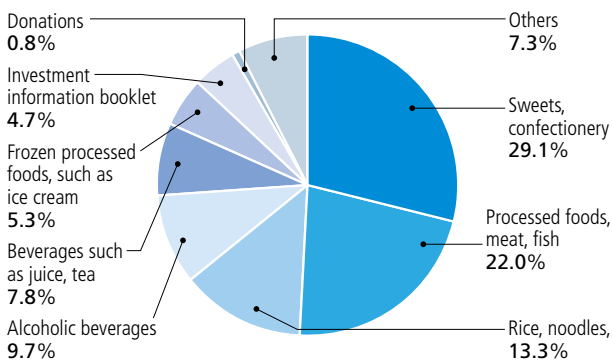
Q Why did you acquire shares in Daiwa Securities Group Inc.? (Multiple answers allowed)



Q How would you like to see information disclosure and communication augmented in the future? (Multiple answers allowed)



Q Which items would you like to see in the next shareholder Reward Program? (Multiple answers allowed)



Web Investor Relations

Shareholder Reward Program

Beginning at the end of September 2010, we enhanced our shareholder reward program while continuing our reward program catalogue. Shareholders qualifying for rewards at the end of March and September are now able to choose to make a charitable donation, as well as opt for our quarterly journal or the Daiwa points program—as well as the traditional local and regional specialties. At the end of March, we will offer shareholders a complementary calendar.



Hometown and regional specialties (Graphics are images)

Social Report

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 consequently enhance shareholder value. We take a range of measures to ensure that all of our executives and employees feel a sense of job satisfaction and that their families and friends share in their pride to be part of the Group.

The Group issues “Daiwa Spirit,” a booklet about what it means to be a Daiwa professional. This was developed based on our corporate principles and expresses the basic philosophy and mindset valued by the corporate culture since the foundation of the Group. We hope that Daiwa Spirit will enhance employees’ sense of unity and togetherness and thus the Group’s overall cohesiveness.

Companies covered by data

Consolidated: Entire Group

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

Group of three companies: Daiwa Securities Group Inc., Daiwa Securities Co., Ltd., and Daiwa Securities Capital Markets.

Employees at the Daiwa Securities Group (Consolidated)

(persons)

		As of March 31, 2010			As of March 31, 2011			As of March 31, 2012		
		Employees	FA* ¹	Temporary employees* ²	Employees	FA* ¹	Temporary employees* ¹	Employees	FA* ¹	Temporary employees* ²
Japan	Male	8,212	124	–	7,940	98	–	7,662	81	–
	(Career track* ³)	7,535	–	–	7,337	–	–	7,076	–	–
	(Managers)	3,872	–	–	3,760	–	–	3,754	–	–
	Female	4,838	303	–	4,608	222	–	4,348	166	–
	(Career track* ³)	2,412	–	–	2,541	–	–	2,374	–	–
	(Managers)	159	–	–	162	–	–	170	–	–
	Japan total	13,050	427	765	12,548	320	634	12,010	247	471
Overseas	1,973	–	127	2,442	–	192	2,175	–	157	
Total	15,023	427	892	14,990	320	826	14,185	247	628	

*1 Financial advisors

*2 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.

*3 Includes regional career-track employees and specialist positions.

Hiring Initiatives

Hiring approaches 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 recruited by the Group, including those 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 2012, the Group hired 354 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, we endeavor to secure personnel who will be able to perform on the global stage.

Number of New Graduates Recruited by the Daiwa Securities Group

(people)

		April 2008	April 2009	April 2010	April 2011	April 2012
Career-track employees/regional career-track employees	Male	551	388	159	245	186
	Female	471	328	173	200	166
Operations personnel (or staff)	Male	1	7	4	0	0
	Female	241	110	1	1	2
Total		1,264	833	337	446	354

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

Workforce Statistics

	As of March 31, 2008	As of March 31, 2009	As of March 31, 2010	As of March 31, 2011	As of March 31, 2012
Average annual salary *	10.32 million	7.06 million	7.47 million	8.50 million	8.11 million
Average age	37.7	37.1	36.4	37.1	39.9
Average number of years of service	11.2	10.7	11.0	12.2	13.7

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

※ 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. In fiscal 2011, the number of all new college graduates recruited by the Group was 17.

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)

	FY2007	FY2008	FY2009	FY2010	FY2011
No. of employees hired under the Daiwa Master System	14	36	53	58	63

* This data pertains to three Group companies.

Recruitment of people with disabilities

The Daiwa Securities Group has around 185 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)

(%)

	FY2007	FY2008	FY2009	FY2010	FY2011
Employment Rate for Persons with Disabilities	1.87	1.87	2.01	2.07	2.09

* 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.

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 crosscutting 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 management training for selected 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 continuing globalization and corporate strategies emphasizing Asia, the Daiwa Securities Group strives to improve employees' communication skills. We help employees raise their TOEIC scores and offer a test support system, such as e-learning, that is accessible to all employees. In addition, we offer more practical conversation classes and recommend e-learning opportunities and English conversation and language schools to intermediate-level learners. Staff members across the Group are offered the chance to take the TOEIC exam every month. In fiscal 2011, 1,418 Group employees decided to take the test. In addition, Daiwa Securities sees financial planner credentials (AFP and CFP) and securities analyst qualifications as core qualifications for the securities sector. The Group aims to have all employees acquire at least one of these certifications and is particularly keen to have the highest number of employees in the industry with the Certified Financial Planner (CFP) certification, the level above Affiliated Financial Planner (AFP). The company provides generous support by, for example, subsidizing certification costs so that employees can enhance their specialized skills and become professionals.

Achievements of Selected Participants in Management Training

(persons)

Eligibility for Daiwa Management Academy: Department managers	FY2007	FY2008	FY2009	FY2010	FY2011
Number finishing program (cumulative)	190	210	228	248	269
Eligibility for Daiwa Leadership Program: Deputy general managers	FY2007	FY2008	FY2009	FY2010	FY2011
Number finishing program (cumulative)	473	507	537	568	599

* This data pertains to 11 Group companies.

Achievements of Participants in Business Skill Training

(persons)

	FY2007	FY2008	FY2009	FY2010	FY2011
Number finishing program (cumulative)	440	1,013	1,348	1,916	2,469

* 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	As of the end of FY2007	As of the end of FY2008	As of the end of FY2009	As of the end of FY2010	As of the end of FY2011
Credentials	No. of persons obtaining	No. of persons obtaining	No. of persons obtaining	No. of persons obtaining	No. of persons obtaining
Associated Financial Planner (AFP)	2,725	2,997	3,739	4,981	5,255
Certified Financial Planner (CFP)	263	279	309	360	452
Security Analyst	1,347	1,372	1,345	1,414	1,440
Chartered Financial Analyst (USA credential)	42	47	45	43	41
Licensed Tax Accountant	17	20	19	22	22
IT Passport	–	–	202	381	590
Project Manager	–	–	142	159	173
Overseas MBA program graduate, etc.	168	176	169	165	158

* This data pertains to 11 Group companies.

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

The Daiwa Securities Group also has an internal recruiting system to open up new career opportunities to skilled employees interested in self-development. There have been 904 applicants since 2000 and 146 successful transfers. We have now put in place a transfer system for those in

non-career-track jobs who wish to move into career track or regional career-track jobs. Since fiscal 2009, 659 non-career-track employees from three Group companies 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
Cumulative from FY 2000	M&A, SMA consultants, Analysts, internal wholesalers, Compliance, dealers, derivatives, traders, fund managers, principal finance specialists, venture capitalists, money managers, research, underwriting, sale, product development, proposals and planning, investment advisors, investment information, pension consultants, etc.	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. As part of this, we implement a multifaceted evaluation system for managers. This involves subordinates and related departments assessing their manager's job performance in the course of daily operations and the results being fed back to the manager. It is intended to improve managerial skills and improve the Group's overall productivity. This comprehensive system also takes compliance-related performances into account. In fiscal 2009, we revised the Group's human resources system. Our objective is to provide an incentive 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. In fiscal 2011, we began to introduce a new system to better enable job performance and responsibilities to be reflected in evaluations.

Initiative to create a pleasant working environment

Encouraging Work-Life Balance

One of the Daiwa Securities Group's CSR targets is to promote an advanced level of work-life balance. The Group is committed to pursuing working styles that enable employees to achieve a balance between their private and professional lives, and makes 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 systems that enable diverse work styles, but we also work to change employee awareness by ensuring employees leave work before 7 p.m., by encouraging them to take all their paid holidays and by welcoming family visits to the workplace. In February 2012, we revamped the content of the Daiwa WLB Station on the intranet, which attracted a great increase in visitors. 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. From FY 2009 to FY2011, 659 female employees converted 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

	FY2007	FY2008	FY2009	FY2010	FY2011
Annual regular working hours (hours)	1837.5	1837.5	1830.0	1837.5	1822.5
Average monthly overtime hours (hours)*1	25.2	21.3	22.1	24.0	25.1
Paid vacation usage rate (%)	37	57	56	54	49
Paid vacation usage rate (%) (including special summer vacation)*2	47	64	60	58	54

* 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 54% usage rate for annual paid vacation when special summer vacation is included in FY2011.

Employee Welfare System Usage

(persons)

		FY2007	FY2008	FY2009	FY2010	FY2011
Number of employees taking childcare leave**	Female	209	245	304	326	396
	Male	4	14	16	26	12
Number of employees taking nursing care leave	Female	6	2	5	5	8
	Male	3	1	0	1	0

* This data pertains to all consolidated Group companies.

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

Main Initiatives for Work-Life Balance and 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 after marriage or childbirth.
Job Location Change System*	Offers a position in a new location when an employee must relocate after marriage or spouse's job transfer.
Childcare leave	Employees can take childcare leave until their child's third birthday.
Exemption from or restricted overtime work	Employees can apply for an exemption from overtime work until their child completes the third grade of elementary school. Employees can also apply for restricted overtime work until their child completes elementary school.
Daycare subsidy	The company offers subsidies for daycare expenses until the employee's child begins elementary school.
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 quality 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	Enables employees to return to work after a period of childcare leave. The return to work guidelines were revised in fiscal 2011. Daiwa WLB Station, a work-life balance promotion website that focuses on various support systems related to childrearing 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 Daiwa Securities Group Inc.: 82 (cumulative)

Female Employees and Managers at the Daiwa Securities Group

(%)

	As of the end of FY2007	As of the end of FY2008	As of the end of FY2009	As of the end of FY2010	As of the end of FY2011
Percent of employees who are female	36.0	36.8	37.1	36.7	36.2
Percent of managers who are female	3.1	3.4	3.9	4.1	4.3

* 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.

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, we conducted a questionnaire on work-life balance periodically. 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.

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. As of March 2012, 17 clubs and 5 circles are active in the Group.

Relationships with employees union

The questionnaires conducted by the employees union among its members have given the Group greater opportunities to learn about the opinions of its employees and also improve communications. Employees union membership in 2011 was 6,907.

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

(persons)

	As of the end of FY2007	As of the end of FY2008	As of the end of FY2009	As of the end of FY2010	As of the end of FY2011
Employees' union membership	6,969	7,666	7,915	7,590	6,907

* 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).

Initiatives for families

We take a range of measures to ensure that families also share in our executives' and employees' pride to be part of the Group.

Since fiscal 2008, we have been welcoming family visits to the workplace so that family members can get a better understanding of the company and the employee's job. In fiscal 2011, 3,868 family members participated in this program.

We have also created systems such as "family day" leave and have ensured that employees' families are also eligible for mental health support.

Social Report

Human Rights Initiative

Approach and Basic Stance

In light of our Corporate Principles and the United Nations Global Compact, we aspire to further improve our corporate culture, which emphasizes respect for human rights in our basic principles, and improve human rights awareness activities. We will continue to implement initiatives relating to recruitment, human resources, and the workforce to ensure that our systems are fair and free from discrimination or prejudice.

Basic Policy for Initiative 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

Human Rights Awareness

In 1984, Daiwa Securities Group Inc. set up a Human Rights Awareness Promotion Committee with the objective of ensuring accurate understanding of human rights issues and deepening awareness. In 2011, this committee (eight members, chaired by head office director in charge of HR, with head of HR as deputy chair) was instrumental in revising the Group's basic strategy on human rights initiatives.

The Group carries out internal human rights initiatives and training based on the committee's annual plan. New hires' and management training also incorporate human rights awareness so as to ensure that employees have an accurate understanding of this issue.

Toward the goal of further increasing awareness, we solicited human rights slogans from all Group employees and their families. Group employees are also given the opportunity to consider human rights from a wide range of perspectives by watching a video on this subject and then splitting off into their divisions to discuss what they had seen. In fiscal 2011, 12,300 employees were able to watch this video, with 10,482 going on to participate in the follow-up discussions. The video was about human rights and diversity at the workplace and focused on appreciating individual experiences and feelings. The discussions that followed confirmed the importance of communication in creating an open and pleasant working environment and also demonstrated that promoting diversity can revitalize an organization and help to achieve results that exceed expectations.

Social Report

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. Providing ESG/CSR topics and 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		FY2007	FY2008	FY2009	FY2010	FY2011
1. Education and research activities in the fields of economics and finance						
Initiatives for elementary, junior and senior high school students		225,524	214,283	163,767	49,849	40,835
Academia-business cooperation and initiatives for universities, graduate schools and the public						
2. Providing ESG/CSR topics and Encouraging volunteerism among executives and employees						
Information dissemination		6,471	6,475	4,962	7,464	31,053
Volunteer promotion						
3. Support for culture and the arts						
Support for culture and the arts		560,000	530,000	313,500	410,132	269,869
4. Assistance to communities on both the local and the international level through foundations and NPOs*						
Foundations	Daiwa Securities Foundation	357,655	324,424	84,569	184,807	133,457
	Daiwa Securities Health Foundation					
Assistance Programs	The Daiwa Securities Group Tsunami Reconstruction Fund					
	SRI funds donation program					
Disaster relief, sponsorship fees, etc.						
Total		1,149,650	1,075,182	566,798	652,252	475,214

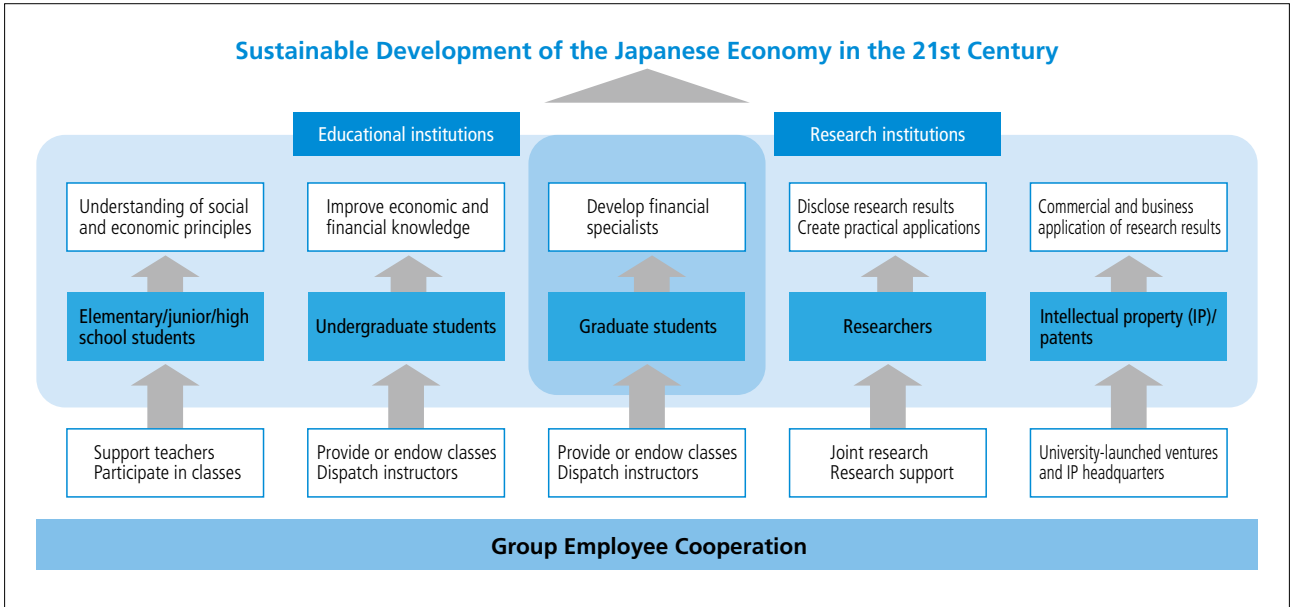
* By subtracting the Daiwa Anglo-Japanese Foundation grant, the previous years data were adjusted in prior years.

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 school students as well as teachers. Our vision is that economic and financial education would help young people gain the capacity to shape the future.

Economic and Financial Education



Joint programs with Junior Achievement Japan (1) Finance Park

Junior Achievement Japan established Finance Park in Shinagawa, Tokyo, in June 2005 with the goal of providing a space where junior and senior high school students could develop life-planning skills. Daiwa provides funds for it to set up simulated shops and offices, and it also provides personnel support.

In January 2007, Junior Achievement Japan opened an office in Kyoto. As of March 31, 2011, 31,464 students had taken part in action programs that teach students how to make solid decisions in personal finance or life planning. During fiscal 2011, 2,208 students took part in programs at the Tokyo offices, and 5,587 students participated in programs held at the Kyoto branch.



Finance Park

(2) Global Leadership Forum for elementary and junior and senior high school teachers

This annual training program organized by Junior Achievement Japan for elementary and junior and senior high school teachers 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 holding a wide range of perspectives and 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, 3,182 teachers had participated in the forum. This program was not held in fiscal 2011 due to the Great East Japan Earthquake.

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

CEE-Japan was established in January 2009 with the goal of providing economic education training programs for schoolteachers. 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. In February 2012, the Group supported an event organized by CEE-Japan, where Northern Michigan University's Professor Ferrarini delivered a workshop on economic education for schoolteachers. This workshop used our economics and finance textbook, *Life is a Series of Choices*, and encouraged teachers to consider how they could best teach pupils to understand and think about economy. The venue was provided by Daiwa's Tama training center and was attended by 45 teachers. By the end of March 2012, 1,220 teachers had participated in workshops and forums, including those that the trial took place in 2009.



Economic education workshop delivered by Professor Ferrarini

Results in Economic and Financial Education

Program	Description	Duration	Participants
Support for Finance Park	Personal finance planning workshop to teach students about society and economics by managing household finances	June 2005–March 2012	31,464
Support for Japan Council for Economic Education (CEE-Japan)	Producing hands-on economics education textbook– <i>Life is a Series of Choices for teachers</i> –and organizing workshops	January 2009–March 2012	1,220
Sponsorship of JA’s mainstay Global Leadership Forum for elementary and junior and senior high school teachers	Case studies on recent developments in the global economy	July 2001–March 2011	3,182
Support for the Student Company Program (SCP)	A program that gives senior high school students hands-on experiences with corporate management by simulating real-world business conditions	September 2003–March 2011	174

● 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, pension reserves, and so on) is used. We undertake various educational activities to make investors and depositors aware of how they can use their money to move society and companies to action. We use lectures at high schools and universities, as well as various organizations’ spaces for communicating with the public, to develop financial literacy and the philosophy of finance, broadening understanding of SRI.

On November 17, 2011, we organized a seminar together with Japan International Cooperation Agency (JICA) and the Nikkei Shimbun’s Cross-Media Sales Bureau on the current state of the global economy, looking at what kind of global-scale social contribution is required. This seminar was held prior to JICA’s first issuance of Fiscal Investment and Loan program (FILP) agency bonds to individual investors for the first time. Such bonds are issued in order to procure funds necessary for JICA to provide loan assistance to developing countries.

Financial Education Activities in Fiscal 2011

Participants	Themes
Meiji Gakuin University	Given the corporate social responsibility (CSR)
Doshisha University	Contribution to a society through investments
Tohoku University	Socially Responsible Investment (SRI)
Ritsumeikan Asia Pacific University	Challenge to world issues through financial powers
Keio Business School	Strategic Management with Social Impacts

2. Providing ESG/CSR topics and 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.

● CSR Dialogues

Since 2004, we have been engaging in dialogues on CSR with specialists from a range of fields, with a focus on economics, finance, and ESG. We have organized more than 40 dialogues since 2004, the details of which can be found on our website. (Only selected dialogues have been translated into English). During fiscal 2011, we held five CSR Dialogues on a series of hot issues.

Dialogues in Fiscal 2011

	Themes
Number 37	Effortless energy-saving measures for the home or office
Number 38	Tsunami relief support
Number 39	Eco-communication
Number 40	Appropriate technology and support for developing countries
Number 41	CSR and consumers I: Rights and responsibilities of consumers

Web CSR Dialogue

● Volunteer awards

At Daiwa Securities, outstanding achievements by executives and employees are recognized through the President’s Award. The company introduced the Volunteer Award in fiscal 2007, which is given twice a year to employees and

groups involved in voluntary activities providing ongoing support in their community. In the first half of fiscal 2011, the President's Award was given to an employee who—since the first days after the Great East Japan Earthquake struck—had been devoting weekends and public holidays to providing voluntary assistance in the affected areas. The award for the second half of the year was given to an employee who had provided ongoing assistance at a local nursing home and parent-child group through involvement in awareness-raising activities (i.e., Aso-ball) to promote interaction between parents and children.

● **Executives and employees involved in corporate citizenship activities, donation and recycling initiatives**

Group executives and employees participate in a wide range of corporate citizenship activities such as local, international-exchange, and charity events. They are also involved in donation and recycling initiatives. A total of 192 employees voluntarily participated in corporate citizenship activities on weekends or after work in fiscal 2011.

Recycling activities in fiscal 2011 (books, used and unused stamps, prepaid cards, partially used postcards)

Collected items	Recipient organization	Donations
Books	JEN BOOK MAGIC	31,913 yen
Used and unused stamps, prepaid cards, partially used postcards	Japan Committee Vaccines for the World's Children	177,355 yen
	Live with Friends on the Earth	186,334 yen

● **Main activities in fiscal 2011 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 improve understanding of people with hearing impairments and popularize sign language. They are open to the general public as well as the Group's executives and employees. Classes were held twice a month throughout fiscal 2011 across three locations and were attended by 2,291 people. In July 2011, we organized a lecture event to commemorate 10 years of sign language classes. Sign language interpretation was provided, and speakers talked about technology for visualizing things we cannot see and what kind of financial literacy is needed by Japanese people. The lectures were attended by 75 hearing-impaired and deaf people.



Lecture event to commemorate 10th anniversary of sign language classes

City Lights Film Festival

We supported the 4th City Lights film festival that was held in June 2011. The festival was organized by City Lights, an organization that promotes barrier-free movies. The objective of this event was to provide films with audio

description so that they could also be enjoyed by people with visual impairments, thus also working toward a more barrier-free society. The three film showings and talk show were held in the theater of the Edo-Tokyo museum. A total of 817 people attended.

Connecting with people affected by the earthquake: A message card project

During one of the Group's family visits in August 2011, we carried out a message card project so as to connect with people living in the areas affected by the earthquake and tsunami. This project was carried out in association with the nonprofit organization Sweet Treat 311, which was set up to send sweets and cakes to children in the Tohoku disaster areas. We wrote messages on cards to send along with the treats as a way of offering support to the children. Employees and their families across the whole Group wrote 1,195 cards. A selected representative later took the cards to Ayukawa elementary school in Ishinomaki, Miyagi Prefecture, and made sure that each pupil received one.



Visit to Ayukawa elementary school Some of the cards which gathered

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 50-60 employees have participated each time. 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. The Group was the special sponsor of the Mainichi Shimbun Central Contest for Book Review Painting for the eighteenth year, a tradition that began with the sixth contest. This contest aims to improve children's reading skills and encourage them to read more. Elementary, and junior and senior high school students are awarded prizes by age group for drawings that express their impressions of a book they have read. Exhibits of the winning drawings for fiscal 2011 were held across 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 the Open and the Amateur Championship. These matches take place on the Internet year-round, where viewers can also watch the matches in real time.

“Playing for Change” television commercials

“Playing for Change” is a musical project that aims to create motivation, build connections, and bring peace in the world through music. Mark Johnson, a producer working primarily on the West Coast of the United States, launched this project in the desire to connect the world through music. Over 100 musicians from around the world who were virtually unknown at the time collaborated in this project. Part of the project’s revenue goes to the NPO The Playing For Change Foundation (PFCF), which uses the proceeds 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 concept of “building connections around the world” 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.

Web Daiwa Securities Group commercial (available only in Japanese)

4. Local and international financial assistance 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 2011 marked the 38th year of this program, with a cumulative total of 1,042 recipients having received ¥1.027 billion in total. In fiscal 2011, the foundation disbursed a total of ¥10 million in grant funding among 10 individuals with the goal of supporting medical activities in areas affected by the earthquake and tsunami as well as research into disaster medical care.

Web Daiwa Securities Health Foundation (available only in Japanese)

● 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 volunteering. These activities are intended to improve public welfare by fostering an environment conducive to volunteer activities. By fiscal 2011, the Foundation had given a cumulative total of ¥572 million in Volunteer Activities Grants to 2,474 organizations.

In fiscal 2011, the foundation primarily focused on organizations and groups involved in volunteer work responding to the Great East Japan Earthquake. It distributed ¥29.98 million in Disaster Volunteer Activities Grants among 64 organizations.

Web Daiwa Securities Foundation (available only in Japanese)

* On April 1, 2011, the Daiwa Securities Health Foundation and the Daiwa Securities Foundation both transformed into Public Interest Incorporated Foundations from General Incorporated Foundations.

● Daiwa Anglo-Japanese Foundation

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 working to promote ties between the UK and Japan
- (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 academicians. 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, 141 students have been accepted from the United Kingdom. In addition, the Foundation has so far provided grants for a total of 2,565 projects, with overall funding—including grants-in-aid such as awards and Japan House seminars—now totaling around ¥3,378 million (as of March 2012).

Web The Daiwa Anglo-Japanese Foundation in the UK

● 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 four fields (Mental health care for children, Utilization of microfinance, Provision of education opportunities for children, Sharing and dissemination of tsunami disaster prevention knowledge and exchange and cooperation activities among those who suffered. 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.

Web Daiwa Securities Group Tsunami Reconstruction Fund (available only in Japanese)

● Daiwa Securities Phoenix Japan Program

In May 2012, the Group established a Great East Japan Earthquake relief assistance program. It involves donating a portion of management fees from the Daiwa Nippon Support Fund Vol. 3—Phoenix Japan—to the Japan NPO Center's Great East Japan Earthquake Support Fund for NPOs on the ground (designated aid). The proceeds are used to support NPOs working in the affected areas and to help people reconstruct their lives.

Web Daiwa Securities Phoenix Japan Program (available only in Japanese)

● Daiwa SRI Fund Grant Program

The Daiwa SRI Fund Grant 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 by subsidizing personnel and training program costs. It is operated in collaboration with the NPO Civil Society Initiative Fund with donations from the management fees of the Daiwa SRI Fund.

Grants awarded: twenty-six projects (sixteen new grants and ten ongoing); total of thirty-five staff across sixteen groups; cumulative total of 45.8 million yen (as of March 31, 2012).

Web Daiwa SRI Fund Financial Assistance Program (available only in Japanese)

● Kopernik Program

Kopernik is a US-based NPO established in 2009 with the goal of improving quality of life and reducing poverty in developing countries; it went into full operation in Japan in 2010. Kopernik has developed a program that enables contributors in developed countries to go online and donate to an NPO in a developing country/area of their choice by selecting a product that they need (simple water purifiers, solar lamps, and so on). Transparency is ensured because Kopernik discloses details of the recipient NPO's activities that have been supported by the donation on its website. Some of the donations made by the Daiwa Eco Fund and Russell Global Environmental Technology Fund are used to cover Kopernik's administrative costs. Products and recipients are selected to receive donations in light of their consistency with the principles of these funds. The way the donation will be used is clear, and NPOs active on the ground can be

supported directly, which means that we can support the community efficiently and accurately.

Web Kopernik Program (available only in Japanese)

● Social Business College

Social businesses—set up to address specific social issues and generate sustainable profits—have been attracting attention in certain spheres. Nevertheless, there is still very little awareness among the general public; it remains a business model that only very few know about. The Group believes that providing a space to discuss the nature of this sustainable business model and how its finances work is extremely worthwhile. This is why the Group set up the Social Business College. Since October 2010, lectures have been held in alternate months in association with Music Securities Inc. At the 9th lecture session, joint founder and CEO of Kopernik, Toshihiro Nakamura, was invited to speak. He gave a presentation on innovative solutions for addressing poverty in developing countries.



Social Business College

Web Social Business College

● Support for ISEP

The Institute for Sustainable Energy Policies (ISEP) is an independent nonprofit research organization established with the goal of realizing a sustainable energy society. The organization is involved in carrying out research and making recommendations about national and local government energy policy. Following on from last year, donations from trust fees of the Daiwa Eco Fund were used to pay for the cost of preparing the Renewables Japan Status Report 2012, published by the organization in March 2012. 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, especially in light of the attention energy policy has received since the Great East Japan Earthquake.

Reconstruction Assistance to the Great East Japan Earthquake

We extend our deepest condolences to the victims of the earthquake and tsunami that took place on March 11, 2011, and hope that the affected areas are able to recover as soon as possible. The Daiwa Securities Group provided support in the form of donations during March 2011.

● Donations (Daiwa Securities Group)

¥100 million

Recipients: ¥30 million each to Iwate, Miyagi, and Fukushima prefectures
¥10 million to Ibaraki Prefecture

The following is a report on our other support provided during fiscal 2011.

● Grants for volunteer activities (Daiwa Securities Foundation)

¥33.98 million

- ¥4 million (¥1 million each) to disaster volunteer centers in Iwate prefecture, Sendai City, Iwaki City, and Ibaraki prefecture
- ¥29.98 million in grants to disaster volunteer action groups (maximum ¥500,000 per grant)

Recipients: Students and specialist groups and organizations engaging in activities needing specialized skills

● Grants for research into disaster medical care (Daiwa Securities Health Foundation)

¥10 million

Recipients: 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 (maximum ¥1 million per grant).

● Tohoku Scholarships (Daiwa Anglo-Japanese Foundation)

£250,000 (¥33.75 million*)

A scholarship fund for students from the Tohoku region whose educational or other circumstances were affected by the earthquake. Following on from last year, we continued to accept applications during fiscal 2012.

*based on a rate of ¥135 = £1

● Daiwa Point Program: Donations through point exchange (Daiwa Securities)

Amount raised: ¥16,735,163

Participants: 23,126 (as of March 30, 2012)

Recipient: NPO Japan Platform

● Donations via shareholder program catalogue (Daiwa Securities Group)

Amount raised: ¥1,777,000

Participants: 659 (as of March 30, 2012)

Recipient: Japan Red Cross Society

● Charity collection (Daiwa Securities Group)

¥40,998,807 million raised from executives and employees in Japan and abroad (as of December 1, 2011)

Recipients: NPO Japan Platform and Japan Red Cross Society

● Policy Proposals and the like (Daiwa Institute of Research)

March 2011: Proposed the establishment of a reconstruction fund and a reconstruction solidarity tax to finance rehabilitation after the disastrous earthquake and tsunami.

May 2011: Presentation for Iwate prefecture on igniting the light of hope

May–September 2011: Dispatched specialist planning staff to planning section of Iwate prefecture's reconstruction bureau

February 2012: Sponsored the Iwate reconstruction forum on Great East Japan Earthquake and Tsunami

● Support through financial products

- Donations from government reconstruction bonds for individual investors (December 2011) (Daiwa Securities)
- Great East Japan Earthquake SME reconstruction support fund (Daiwa Corporate Investment Co., Ltd)

● Other

Donated approximately 49,000 calendars to 11 groups and organizations, including those involved in disaster relief (Daiwa Securities Group)

Other disaster relief

● Thailand flood damage (Daiwa Securities Group)

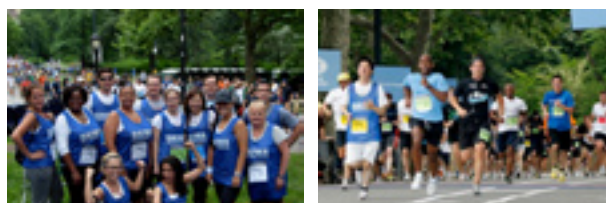
¥10 million

Recipient: Thai Red Cross Society

Overseas initiatives

● Charity run (American team)

On June 16, 2011, 40 members of Daiwa Securities America Inc. took part in a 3.5-mile charity run to raise funds to preserve Central Park. This race took place in New York's Central Park, and all profits were donated to help maintain the park.



Charity run participants

Environmental Report

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 Vision

The Group is dedicated to protecting the precious global environment and preserving it for future generations by leveraging financial capabilities.

Environmental Principles

The Group recognizes the importance of environmental principles such as the effort to combat global warming, recycling and reuse of raw materials, and preserving biodiversity, in order to create a sustainable society for the 21st century. The Group pledges to contribute to solving environmental issues through its business as a financial service company and to constantly seek new ways to reduce its environmental impact as a responsible corporate citizen.

Basic Environmental Policies

1. Make positive environmental contributions through our core business activities

We shall seek to develop and provide financial products and services that promote a low-carbon, recycling-oriented and symbiotic society.

2. Implement an environmental management system

We shall implement an environmental management system and constantly seek new ways to improve environmental activities. In addition, we shall support environmental education and publicity efforts, while promoting environmental protection efforts by employees.

3. Take steps to save natural resources, reduce energy consumption, and promote biodiversity

We shall continue to progress in our efforts to reduce the use of natural resources and energy, and seek ways to improve materials- and energyefficiency (including efforts to improve business efficiency). We shall also take steps to reduce water use and reduce, reuse and recycle other materials to contribute to a more environmentally friendly society. Furthermore, considering the importance of biodiversity, we shall seek a symbiotic relationship with the environment and use safe, clean methods of materials procurement.

4. Promote environmental communication

Working in concert with business partners, the local community, NGOs and NPOs, we shall actively disseminate information about environmental issues, and communicate our concern for the environment to customers and society at large.

5. Strictly observe environmental regulations

We shall always endeavor in environmental assurance, observing environmental laws and regulations in addition to the Group's environment policies.

(May 22, 2012)

Takashi Hibino
Daiwa Securities Group Inc.
President and CEO

Environmental Management

Each company in the Group adopts and implements an environmental management policy. For example, Daiwa Institute of Research Business Innovation Ltd.'s EMS complies with ISO 14001. Every other month, a representative from each Group company attends meetings of the Environmental Management Council to share data, ideas and views on environmental issues. This Council, and the Group as a whole, is constantly seeking ways to improve and implement environmental management systems. The Group compiles and reports quantitative data on its environmental impact each year, including details such as energy and water consumption, CO₂ emissions, paper usage, waste disposal and recycling volume. Beginning in March 2012, a system was introduced in which paper documents used by Group companies are recycled into toilet paper used at Group office facilities.

Carbon dioxide emissions

Energy consumption at the Daiwa Securities Group's domestic offices (on a carbon dioxide emissions basis) fell by 14% in fiscal 2011 compared with the previous year as a result of initiatives to conserve energy. Because we were able to collect data for a further ten offices, electricity consumption at overseas offices shows an increase. However, electricity consumption per office decreased by 7% from the previous fiscal year.

Energy Consumption

	FY2007	FY2008	FY2009	FY2010	FY2011
Domestic offices					
Electricity (1,000 kWh)	92,659	99,599* ¹	105,516* ¹	109,157* ¹	93,402
Natural gas (1,000 m ³)	644	517	423	696* ²	582
Gasoline (kiloliters)	1,032	1,029	1,064* ¹	1,137	1,117
Heavy oil (kiloliters)	23.7	4.3	1.9* ¹	8.6* ²	7.9
Diesel fuel (kiloliters)	0.0	0.1	0.1* ¹	0.2	0.1
Overseas offices					
Electricity (1,000kWh)	7,718	11,640	11,130	13,137	15,841* ³

*1. Data for fiscal 2008 onwards has been adjusted to include offices where energy consumption is less than 1% of overall usage

*2. Energy consumption for fiscal 2010 increased significantly owing to Japan's revised Act on the Rational Use of Energy, which now requires that data include tenant energy consumption for air conditioning for the three office buildings and other facilities in Japan that are subject to the Act.

*3. Electricity consumption at overseas offices increased significantly owing to the collected data for a further ten offices.

* This data pertains to all consolidated Group companies.

* At overseas offices, only electricity consumption was calculated.

CO₂ Emissions from Energy Consumption

(Unit: 1,000 kg CO₂)

	FY2007	FY2008	FY2009	FY2010	FY2011
Domestic offices					
Electricity	51,426	55,278* ¹	58,562* ¹	60,582* ¹	51,838
Natural gas	1,339	1,075	880	1,448* ²	1,210
Gasoline	2,396	2,389	2,470* ¹	2,639	2,593
Heavy oil	70.6	12.8* ¹	5.6* ¹	25.7* ²	23.7
Diesel fuel	0.0	0.3	0.2	0.6	0.2
Total for domestic offices	55,231	58,755* ¹	61,917* ¹	64,696* ¹	55,665
Overseas offices					
Electricity	4,283	6,460	6,177	7,291	8,792
Total for domestic and overseas offices	59,515	64,173* ¹	67,662* ¹	71,694* ¹	64,457

*1. Data for fiscal 2008 onwards has been adjusted to include offices where energy consumption is less than 1% of overall usage

*2. Energy consumption for fiscal 2010 increased significantly owing to Japan's revised Act on the Rational Use of Energy, which now requires that data include tenant energy consumption for air conditioning for the three office buildings and other facilities in Japan that are subject to the Act.

CO₂ Emissions per Employee (Domestic)

(Unit: 1,000 kg CO₂)

	FY2007	FY2008	FY2009	FY2010	FY2011
Per employee	4.3	4.3	4.6	5.0	4.5
Electricity	12,943	13,652	13,477	12,868	12,257

* CO₂ emissions per employee in Japan was reduced 0.5 thousand kg compared to the previous year. Domestic CO₂ emissions divided by the number of employees in the Group's domestic business sites.

Other Environmental Impacts

Changes in Clean Water Consumption

(Unit: 1,000 kl)

	FY2007	FY2008	FY2009	FY2010	FY2011
Consumption volume	268	252	199	188	162

* Data for fiscal 2008 onwards has been adjusted to include offices where energy consumption is less than 1% of overall usage

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 2011. As a result of these

endeavors, the volume of copy paper used fell about 14.1% from the previous fiscal year. Moreover, about 42% (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)

	FY2007	FY2008	FY2009	FY2010	FY2011
Daiwa Securities Group Inc.	18	11	13	11	24
Daiwa Securities	532	395	400	325	303
Daiwa Securities Capital Markets	96	150	140	132	95
Daiwa Institute of Research Group	194	116	122	77	84
Daiwa Asset Management	47	49	45	50	35
Daiwa Business Center	49	39	39	35	31
Daiwa SB Investments	38	30	27	28	28
Daiwa Property	4	4	3	3	3
Daiwa Sanko	5	2	4	3	3
Daiwa Corporate Investment	13	11	9	6	6
Other	38	30	15	22	16
Copy paper total	1,034	837	818	691	629

* This data pertains to consolidated Group companies.

Changes in Waste Generated and Recycling Volume

Changes in Waste Generated and Recycling Volume

		FY2007	FY2008	FY2009	FY2010	FY2011
Paper waste	Amount generated (1,000 kg)	1,343.4	883.6	766.5	751.0	601.0
	Recycling rate (%)	85	88	93	96	88
Non-paper waste	Amount generated (1,000 kg)	456.4	354.4	356.1	335.9	390.4
	Recycling rate (%)	23	15	33	33	37

* 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 that meet 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 and paper use to raise awareness

among individual employees and to motivate them to create and implement ingenious solutions. In fiscal 2011, paper use was cut by 6.3% over the previous fiscal year. Paper use has been cut by a cumulative 34.5% since this program started, which represents a reduction of around one-third. Information on the volume of paper ordered, electricity consumption, and hours of electricity consumption, as well as status updates on internal initiatives, is published every month on the intranet as part of the company's efforts to raise employees' awareness.

Electricity-saving measures

In fiscal 2011, the Group implemented electricity-saving measures across all companies. Our global initiatives included reducing the intensity of office lighting to appropriate levels, switching off the lights on signs and stock-price boards, and setting office equipment to energy-saving mode. The Daiwa Securities Business Center set a target of reducing energy use during July through September—the time of year when electricity demand is at its highest. It was able to achieve a reduction of 25.7% compared to the previous year for the same period.

Information dissemination

Dissemination of ESG research findings by Daiwa Institute of Research

The Daiwa Institute of Research carries out research in areas such as renewable energy, emissions trading, SRI, and corporate governance. It publishes the findings via its quarterly research review and on its website. June 2011 saw the launch of the ESG News section of the website specifically devoted to this hot research topic. As of the end of March 2012, the Daiwa Institute of Research had published 54 articles on issues relating to ESG.

Web The sustainable society and economy made possible by ESG (available only in Japanese)

Daiwa Asset Management's Eco2 reports

In this section of the website, Daiwa Asset Management fund managers introduce companies aiming to combine two "ecos"—ecology and economy—and present information relating to environmental issues. As of March 2012, 55 articles had been published under this rubric.

Web Eco2 reports (available only in Japanese)

Environmental Products and Services

Our Impact Investment products are part of our contribution to solving global environmental issues. These products offer customers a way to help solve social and environmental issues through bond investments and investment trusts. Impact Investment bonds issued during fiscal 2011 included Ecology Bonds and Water Bonds. We offered a total of 30.7 billion yen worth of these bonds, primarily to retail investors. We also issue Impact Investment bonds aimed at institutional investors. Our investment trust products focusing on the environment include the Daiwa SRI Fund and the Daiwa Eco Fund.

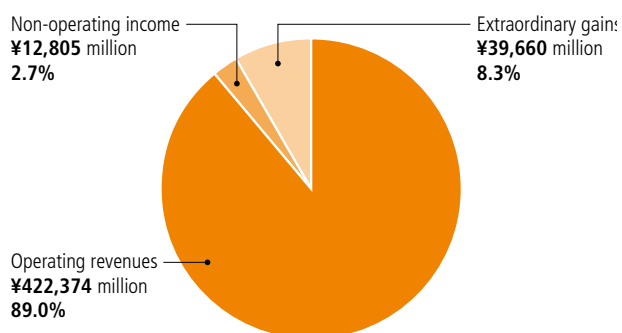
Economic Report

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 2011—operating revenues, non-operating income and extraordinary gains. In fiscal 2011, operating revenues accounted for 89% of revenues.

Revenue Breakdown in the Economic Report in fiscal 2011



● Segment Information

(Unit: ¥ million)

	Net Operating Revenues		Ordinary Income	
	FY2010	FY2011	FY2010	FY2011
Retail	178,970	172,033	41,866	38,839
Asset Management	36,324	37,424	15,948	14,615
Global Markets	61,495	52,014	(52,173)	(54,433)
Global Investment Banking	30,635	26,473	(14,733)	(14,284)
Investment	(15,277)	1,090	(21,476)	(1,976)
Others	26,416	46,980	(2,034)	5,039
Consolidated total	318,564	336,016	(32,602)	(12,200)

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 2011, 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	FY2007	FY2008	FY2009	FY2010	FY2011	Tabulation method
Executives and employees	156,661	141,600	169,950	160,234	158,297	Personnel costs within selling and general administrative expenses
Society	962	924	618	560	475	Expenditure for corporate citizenship activities (details) *1
Dividends to shareholders	29,919	10,770	22,730	10,386	10,281	Interim and year-end dividends for the fiscal year
Creditors	53,630	44,923	29,030	35,642	39,082	Interest expense and interest paid on non-operating expenses
Government	48,102	(11,620)	57,587	16,755	30,980	Income taxes, resident and business taxes, deferred income taxes, other taxes and duties
Minority shareholders	(5,233)	(60,580)	4,089	(6,907)	(1,838)	Minority shareholder profit/loss
Internal reserves	16,492	(95,809)	20,699	(47,717)	(49,715)	Balance after deducting dividends for the term from net income for the fiscal year
Total economic value	300,533	30,208	304,703	168,953	187,562	Total of the above

*1 Excludes expenditure for Daiwa Anglo-Japanese Foundation

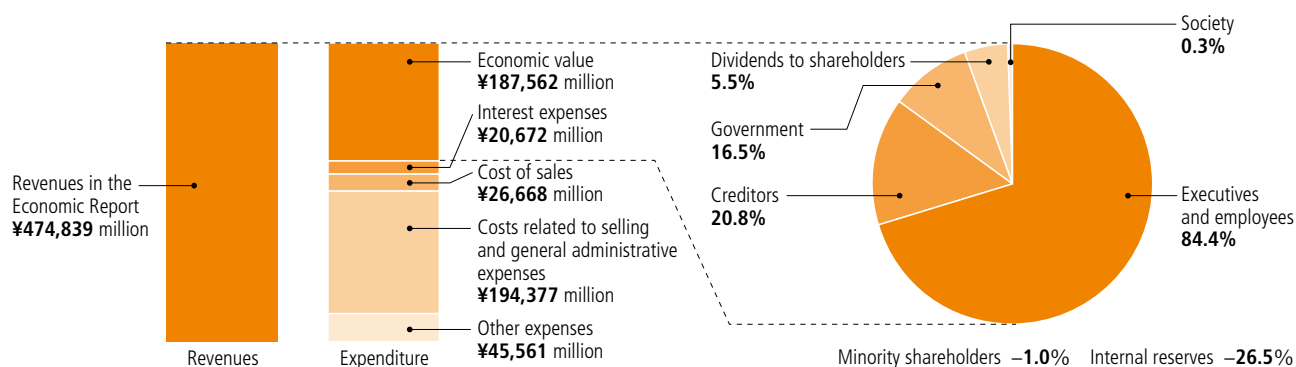
Comparison of Economic Report and Consolidated Financial Statements

(Unit: ¥ million)

		FY2007	FY2008	FY2009	FY2010	FY2011
Economic Report	Economic Report revenues	838,703	428,318	548,941	427,755	474,839
	Economic value	300,533	30,208	304,703	168,953	187,562
Consolidated financial statements	Operating revenues	825,422	413,936	537,915	403,402	422,374
	Net income/loss	46,411	(85,039)	43,429	(37,331)	(39,434)

* This data pertains to consolidated Group companies

Distribution of Economic Value to Stakeholders in FY2011



Third-party Opinion

Sachiko Kishimoto
Executive Director,
Center for Public
Resources Development,
Nonprofit Organization



While considering a shift to an integrated report format in the future, Daiwa Securities Group currently reports on its environmental, social, and governance practices in two separate documents: its CSR report and its Annual Report. I would like to give my opinion here on the matters presented in the CSR Report 2012.

Amid ongoing financial unease throughout the world, 2012 saw the Group strengthen its operating base as a provider of integrated financial services. This was accomplished by consolidating for the first time in 13 years its retail banking and wholesale securities subsidiaries through the integration of Daiwa Securities and Daiwa Capital Markets. That each individual employee and executive enjoys a sense of confidence and pride in the knowledge that he or she is contributing to the development of society, as well as to building customers' wealth, is a powerful force that will continue to drive further growth and achievements. For this reason, the Group is focusing on creating a rewarding working environment for its employees/executives to achieve its two key CSR goals: leveraging financial capabilities to contribute to a sustainable society and developing sound financial and capital markets for the next generation.

I would like to outline the initiatives that I consider particularly praiseworthy and describe the developments I hope to see in the period ahead.

First, let us consider initiatives regarding the leveraging of financial capabilities to contribute to a sustainable society. Here, I think pioneering initiatives, such as SRI funds, Impact Investments for individual investors, and research relating to ESG information, deserve a particular mention. I also think that the charitable trusts and use of microfinance as part of the Daiwa Securities Group Tsunami Reconstruction Fund, as well as donating a portion of trust fees from the Phoenix Japan Fund, are valuable ways to leverage the financial system and

hence contribute to society.

As we move forward, I would like to see the Group lead Japan's financial sector in setting up processes and procedures for evaluating non-financial performance and assessing the social and environmental impact of investments, which should extend beyond symbolic efforts, such as Impact Investments, and encompass mainstream investments. With regard to contributing to society, I look forward to the development of new financial initiatives that will close the gap between Impact Investments and the provision of donations and grants while, at the same time, promoting the involvement of ever more stakeholders.

Second, let us move on to the development of sound financial and capital markets for the next generation. Here, I would first like to see a strengthening of compliance systems. I understand that the Group has been formulating concrete strategies to improve information management systems based on external recommendations. I look forward to the steady implementation of these measures. Viable compliance strategies rely on each and every employee and executive upholding high ethical standards and a professional mindset. Thus, it is necessary to proactively incorporate CSR training and volunteer programs into employee training and embed social leadership criteria into personnel evaluation systems.

Third, a due diligence-based approach to social responsibility is a core principle of the ISO 26000 standard. I would therefore like to recommend that the Group incorporate this approach into its CSR management processes. The Group has endeavored to become Asia's leading financial services group and has developed a mid-term management plan accordingly. In order to embed CSR into management systems, I believe that it is necessary to assess—based on dialogues with stakeholders—the social and environmental impact of the Group's management plans and business operations as an integrated financial services provider and, from this, identify new key CSR issues. For example, what is the potential social impact of the business strategy of the retail services driven by Daiwa Next Bank from the perspective of consumer relations? Or, from a CSR viewpoint, what potential risks might be posed by the wholesale security services supporting Japanese companies to move into Asia? I would like to see the creation of due diligence mechanisms that consider CSR perspectives such as these.

Response to Third-party Opinion

Koichi Matsushita
Executive Managing Director



We are very grateful for the valuable third-party opinion on the Daiwa Securities Group's CSR Report 2012. Such recognition of our initiatives to contribute to a sustainable society by leveraging financial capabilities—via our SRI and Impact Investments, for example—is a great encouragement as we aspire to contribute to society even further through

our daily operations. The three areas for improvement outlined by Ms. Kishimoto all contain extremely valuable ideas for further strengthening initiatives to increase our corporate value. We will take into account these ideas in our efforts to realize our vision of becoming Asia's leading financial services group possessing and leveraging a solid business platform in Japan.

Regarding the compilation of an integrated report, we will refer to the discussions underway by the International Integrated Reporting Council (IIRC) and continue to do our best to communicate more to all stakeholders our progress in building a sustainable society through both our business and our corporate citizenship activities.

Third-party Evaluations

Dow Jones Sustainability World Indexes Member 2011/12

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 13 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. We were ranked 3rd at a category and 7th at overall in The Nikkei WOMAN "BEST 100 company in which women play an active role" in Fiscal year 2011.

G3.1 GRI/ISO26000 Content Index

GRI Application Levels

In compiling the Daiwa Securities Group Sustainability Report 2012, 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 2012 meets the reporting standards for GRI Report Application Level B.

G3.1 GRI/ISO26000 Content Index

Item	Indicator	Link	ISO26000	
			Core Social Responsibility Subjects & Themes	Clauses
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/ Message From the Chairman	Organizational governance	6.2
1.2	Description of key impacts, risks, and opportunities.	Message from the President and CEO/ Message From the Chairman Social Responsibilities of the Financial Industry CSR Issues: Performance and Targets		

2 Organizational Profile

2.1	Name of the organization.	Daiwa Securities Group Profile		
2.2	Primary brands, products, and/or services.	Daiwa Securities Group Profile Social Responsibilities of the Financial Industry		
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Daiwa Securities Group Profile	Organizational governance	6.2
2.4	Location of organization's headquarters.	Daiwa Securities Group Profile		
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		
2.6	Nature of ownership and legal form.	Daiwa Securities Group Profile		
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Daiwa Securities Group Profile		
2.8	Scale of the reporting organization, including: <ul style="list-style-type: none"> • 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		
2.9	Significant changes during the reporting period regarding size, structure, or ownership including: <ul style="list-style-type: none"> • 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.	Contents/Editorial Policy		
3.2	Date of most recent previous report (if any).	Contents/Editorial Policy		
3.3	Reporting cycle (annual, biennial, etc.)	Contents/Editorial Policy		
3.4	Contact point for questions regarding the report or its contents.	Contents/Editorial Policy		
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 Corporate Principles and Key Issues		
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	Contents/Editorial Policy		
3.7	State any specific limitations on the scope or boundary of the report.	Contents/Editorial Policy		
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.	Relationship with Executives and Employees Environmental Initiatives		
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.	Relationship with Executives and Employees Environmental Initiatives		
3.10	Explanation of the effect of any restatements 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	Verification	7.5.3

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	Organizational governance	6.2
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		
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		
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Relationship with Shareholders and Other Investors 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).	Corporate Governance		

4.6		Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Corporate Governance	Organizational governance	6.2
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		
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 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.	CSR Management (CSR Promotion System)		
4.10		Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Corporate Governance		
Commitments to External Initiatives					
4.11		Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Risk Management IT Governance, Disclosure, and Information Security Compliance		
4.12		Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Social Responsibilities of the Financial Industry		
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 - UNEP-FI - PRI - CDP - Global Compact Japan Network 		
Stakeholder Engagement					
4.14		List of stakeholder groups engaged by the organization. <ul style="list-style-type: none"> • Civil society; • Customers; • Employees, other workers, and their trade unions; • Local communities; • Shareholders and providers of capital; and • Suppliers. 	Daiwa Securities Group Corporate Principles and Key Issues		
4.15		Basis for identification and selection of stakeholders with whom to engage.	Daiwa Securities Group Corporate Principles and Key Issues		
4.16		Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Daiwa Securities Group Corporate Principles and Key Issues 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.	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/ Message From the Chairman Delivering Economic Value to Stakeholders	Organizational governance Community involvement and development	6.2 6.8
Performance Indicators					
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.	Relationship with Society (Corporate Citizenship Initiatives and Expenditures) Delivering Economic Value to Stakeholders	Community involvement and development Community involvement Wealth and income creation Social investment	6.8 6.8.3 6.8.7 6.8.9
EC2.	CORE	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Social Responsibilities of the Financial Industry	Climate change mitigation and action	6.5.5
EC3.	CORE	Coverage of the organization's defined benefit plan obligations.	Annual Report 2012		
EC4.	CORE	Significant financial assistance received from government.	Impact is insignificant		
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	Discrimination and vulnerable groups Conditions of work and social protection Community involvement and development	6.3.7 6.4.4 6.8
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	Promoting social responsibility in the value chain Community involvement and development Employment creation and skills development Wealth and income creation	6.6.6 6.8 6.8.5 6.8.7
EC7.	CORE	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	Not reported	Community involvement and development Employment creation and skills development Wealth and income creation	6.8 6.8.5 6.8.7

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.	Social Responsibilities of the Financial Industry Relationship with Society (2.Encouraging ESG issues and Volunteerism among Executives and Employees)	Economic, social and cultural rights Community involvement and development Community involvement Education and culture Employment creation and skills development Technology development and access Wealth and income creation Social investment	6.3.9 6.8 6.8.3 6.8.4 6.8.5 6.8.6 6.8.7 6.8.9
EC9.	ADD	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Not applicable	Economic, social and cultural rights Promoting social responsibility in the value chain Respect for property rights Access to essential services Community involvement and development Employment creation and skills development Technology development and access Wealth and income creation Social investment	6.3.9 6.6.6 6.6.7 6.7.8 6.8 6.8.5 6.8.6 6.8.7 6.8.9

Environmental

Disclosure on Management Approach	Environmental Initiatives (Approach and Basic Stance) Environmental Initiatives (Environmental Management)	Organizational governance The Environment	6.2 6.5
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Performance Indicators							
Materials							
EN1.	CORE	Materials used by weight or volume.	Not applicable	The Environment Sustainable resource use	6.5 6.5.4		
EN2.	CORE	Percentage of materials used that are recycled input materials.	Not applicable				
Energy							
EN3.	CORE	Direct energy consumption by primary energy source.	Environmental Initiatives (CO ₂ Emissions)				
EN4.	CORE	Indirect energy consumption by primary source.	Environmental Initiatives (CO ₂ Emissions)				
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 (Initiatives to Reduce Environmental Impact)				
EN7.	ADD	Initiatives to reduce indirect energy consumption and reductions achieved.	Environmental Initiatives (Initiatives to Reduce Environmental Impact)				
Water							
EN8.	CORE	Total water withdrawal by source.	Environmental Initiatives (Other Environmental Impacts)				
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				
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	The Environment Protection of the environment & biodiversity, and restoration of natural habitats	6.5 6.5.6		
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.	Not reported	The Environment Protection of the environment & biodiversity, and restoration of natural habitats Community involvement	6.5 6.5.6 6.8.3		
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	The Environment Protection of the environment & biodiversity, and restoration of natural habitats	6.5 6.5.6		
Emissions, Effluents, and Waste							
EN16.	CORE	Total direct and indirect greenhouse gas emissions by weight.	Environmental Initiatives (CO ₂ Emissions)	The Environment Climate change mitigation and action	6.5 6.5.5		
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)				
EN19.	CORE	Emissions of ozone-depleting substances by weight.	Impact is insignificant	The Environment Prevention of pollution	6.5 6.5.3		
EN20.	CORE	NO _x , SO _x , 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	The Environment Prevention of pollution Sustainable resource use Protection of the environment & biodiversity, and restoration of natural habitats	6.5 6.5.3 6.5.4 6.5.6		

Products and Services					
EN26.	CORE	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Environmental Initiatives (Initiatives to Reduce Environmental Impact)	The Environment Sustainable resource use Promoting social responsibility in the value chain Sustainable consumption	6.5 6.5.4 6.6.6 6.7.5
EN27.	CORE	Percentage of products sold and their packaging materials that are reclaimed by category.	Not applicable	The Environment Prevention of pollution Sustainable resource use Sustainable consumption	6.5 6.5.3 6.5.4 6.7.5
Compliance					
EN28.	ADD	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	Not applicable	The Environment	6.5
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 reported	The Environment Sustainable resource use Promoting social responsibility in the value chain	6.5 6.5.4 6.6.6
Overall					
EN30.	ADD	Total environmental protection expenditures and investments by type.	Not reported	The Environment	6.5

Society

Labor Practices and Decent Work					
Disclosure on Management Approach			Relationship with Executives and Employees	Organizational governance Labour Practices Fundamental principles and rights at work Relationship with Customers (Approach and Basic Stance)	6.2 6.4 6.3.10
Performance Indicators					
Employment					
LA1.	CORE	Total workforce by employment type, employment contract, and region, broken down by gender.	Daiwa Securities Group Profile Relationship with Executives and Employees	Labour Practices Employment and employment relationships	6.4
LA2.	CORE	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Relationship with Executives and Employees (Employees at the Daiwa Securities Group (Consolidated)) (Hiring Initiatives)		6.4.3
LA3.	ADD	Benefits provided to full-time employees that are not provided to temporary or parttime employees, by significant locations of operation.	Relationship with Executives and Employees (Creating a Workplace Supportive of Work-life Balance)	Labour Practices Employment and employment relationships Conditions of work and social protection	6.4 6.4.3 6.4.4
LA15.	CORE	Return to work and retention rates after parental leave, by gender.	Relationship with Executives and Employees (Creating a Workplace Supportive of Work-life Balance)	Labour Practices Conditions of work and social protection	6.4 6.4.4
Labor/Management Relations					
LA4.	CORE	Percentage of employees covered by collective bargaining agreements.	Relationship with Executives and Employees (Communication with Employees' Union)	Labour Practices Employment and employment relationships Conditions of work and social protection Social dialogue Fundamental principles and rights at work	6.4 6.4.3 6.4.4 6.4.5 6.3.10
LA5.	CORE	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	Not reported	Labour Practices Employment and employment relationships Conditions of work and social protection Social dialogue	6.4 6.4.3 6.4.4 6.4.5
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	Labour Practices Health and safety at work	6.4 6.4.6
LA7.	CORE	Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities, by region and by gender.	Not reported		6.4
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 (Creating a Workplace Supportive of Work-life Balance)	Labour Practices Health and safety at work Community involvement and development Community involvement Education and culture Health	6.4 6.4.6 6.8 6.8.3 6.8.4 6.8.8
LA9.	ADD	Health and safety topics covered in formal agreements with trade unions.	Not reported	Labour Practices Health and safety at work	6.4 6.4.6
Training and Education					
LA10.	CORE	Average hours of training per year per employee by gender, and by employee category.	Not reported	Labour Practices Human development and training in the workplace	6.4 6.4.7
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)	Labour Practices Human development and training in the workplace Employment creation and skills development	6.4 6.4.7 6.8.5
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)	Labour Practices Human development and training in the workplace	6.4 6.4.7
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 (Hiring Initiatives)	Discrimination and vulnerable groups Fundamental principles and rights at work Labour Practices Employment and employment relationships	6.3.7 6.3.10 6.4 6.4.3

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	Discrimination and vulnerable groups Fundamental principles and rights at work Labour Practices Employment and employment relationships Conditions of work and social protection	6.3.7 6.3.10 6.4 6.4.3 6.4.4

Human Rights

Disclosure on Management Approach	Relationship with Executives and Employees (Human Rights Awareness)	Organizational governance Human Rights Due Diligence Human rights risk situations Resolving grievances Promoting social responsibility in the value chain	6.2 6.3 6.3.3 6.3.4 6.3.6 6.6.6
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Performance Indicators

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	Human Rights Due diligence Avoidance of complicity Promoting social responsibility in the value chain	6.3 6.3.3 6.3.5 6.6.6
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	Human Rights Due diligence Avoidance of complicity Employment and employment relationships Promoting social responsibility in the value chain	6.3 6.3.3 6.3.5 6.4.3 6.6.6
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)	Human Rights Avoidance of complicity	6.3 6.3.5
Non-Discrimination					
HR4.	CORE	Total number of incidents of discrimination and corrective actions taken.	Not applicable	Human Rights Resolving grievances Discrimination and vulnerable groups Fundamental principles and rights at work Employment and employment relationships	6.3 6.3.6 6.3.7 6.3.10 6.4.3
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	Human Rights Due diligence Human rights risk situations Avoidance of complicity Civil and political rights Fundamental principles and rights at work Employment and employment relationships Social dialogue	6.3 6.3.3 6.3.4 6.3.5 6.3.8 6.3.10 6.4.3 6.4.5
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	Human Rights Due diligence Human rights risk situations Avoidance of complicity	6.3 6.3.3 6.3.4 6.3.5
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	Discrimination and vulnerable groups Fundamental principles and rights at work Promoting social responsibility in the value chain	6.3.7 6.3.10 6.6.6
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	Human Rights Avoidance of complicity Employment and employment relationships Promoting social responsibility in the value chain	6.3 6.3.5 6.4.3 6.6.6
Indigenous Rights					
HR9.	ADD	Total number of incidents of violations involving rights of indigenous people and actions taken.	Not applicable	Human Rights Resolving grievances Discrimination and vulnerable groups Civil and political rights Respect for property rights	6.3 6.3.6 6.3.7 6.3.8 6.6.7
Assessment					
HR10.	CORE	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Not reported	Human Rights Due Diligence Human rights risk situations Avoidance of complicity	6.3 6.3.3 6.3.4 6.3.5
Remediation					
HR11.	CORE	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	Not reported	Human Rights Resolving grievances	6.3 6.3.6

Society					
Disclosure on Management Approach			Relationship with Society (Approach and Basic Stance) Compliance	Organizational governance Fair Operating Practices Community involvement and development	6.2 6.6 6.8
Performance Indicators					
Local Communities					
SO1.	CORE	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Impact is insignificant, due to the nature of our business	Economic, social and cultural rights Community involvement and development Community involvement Social Investment	6.3.9 6.8 6.8.3 6.8.9
SO9.	CORE	Operations with significant potential or actual negative impacts on local communities.	Not applicable	Economic, social and cultural rights Prevention of pollution	6.3.9 6.5.3
SO10.	CORE	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Not applicable	Protection of the environment, biodiversity and restoration of natural habitats Community Involvement and development	6.5.6 6.8
Corruption					
SO2.	CORE	Percentage and total number of business units analyzed for risks related to corruption.	IT Governance, Disclosure, and Information Security Risk Management	Fair Operating Practices Anti-corruption	6.6 6.6.3
SO3.	CORE	Percentage of employees trained in organization's anti-corruption policies and procedures.	Compliance		
SO4.	CORE	Actions taken in response to incidents of corruption.	Not applicable		
Public Policy					
SO5.	CORE	Public policy positions and participation in public policy development and lobbying.	Not reported	Fair Operating Practices Responsible political involvement	6.6 6.6.4
SO6.	ADD	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Not reported	Community involvement	6.8.3
Anti-Competitive Behavior					
SO7.	ADD	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	Not applicable	Fair Operating Practices Fair competition Respect for property rights	6.6 6.6.5 6.6.7
Compliance					
SO8.	CORE	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	Not applicable	Fair Operating Practices Anti-Corruption Respect for property rights Wealth and income creation	6.6 6.6.3 6.6.7 6.8.7

Product Responsibility					
Disclosure on Management Approach			IT Governance, Disclosure, and Information Security Relationship with Customers (Approach and Basic Stance)	Organizational governance Fair Operating Practices Consumer Issues	6.2 6.6 6.7
Performance Indicators					
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	Economic, social and cultural rights Promoting social responsibility in the value chain Consumer Issues	6.3.9 6.6.6 6.7
PR2.	ADD	Total number of incidents of noncompliance 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	Protecting consumers' health & safety Sustainable consumption	6.7.4 6.7.5
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.	Relationship with Customers (Accountability to customers)	Consumer Issues Fair marketing, factual and unbiased information and fair contractual practices Protecting consumers' health & safety	6.7 6.7.3 6.7.4
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	Sustainable consumption Consumer service, support and complaint and dispute resolution Education and awareness	6.7.5 6.7.6 6.7.9
PR5.	ADD	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Relationship with Customers (Initiatives Make Use of Customer Views)	Consumer Issues Protecting consumers' health & safety Sustainable consumption Consumer service, support and complaint and dispute resolution Access to essential services Education and awareness	6.7 6.7.4 6.7.5 6.7.6 6.7.8 6.7.9
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 (Building Even Deeper Trust in Relationships with Customers)	Consumer Issues Fair marketing, factual and unbiased information and fair contractual practices	6.7 6.7.3
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	Consumer service, support and complaint and dispute resolution Education and awareness	6.7.6 6.7.9

Customer Privacy					
PR8.	ADD	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not applicable	Consumer Issues Consumer data protection and privacy	6.7 6.7.7
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	Consumer Issues Consumer service, support and complaint and dispute resolution	6.7 6.7.6

Sustainability Reporting Guidelines & Financial Services Sector Supplement

Item		Indicator	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.	CSR Management (CSR Promotion System)
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
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.	Relationship with Customers (Building Even Deeper Trust in Relationships with Customers) Relationship with Shareholders and Other Investors
Product and Service Impact (Performance Indicators)			
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 Profile Social Responsibilities of the Financial Industry
FS7.	CORE	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	Social Responsibilities of the Financial Industry
FS8.	CORE	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	Social Responsibilities of the Financial Industry
Audit			
FS9.	CORE	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	Corporate Governance
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.	Social Responsibilities of the Financial Industry
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.	Social Responsibilities of the Financial Industry
Society (Performance Indicators)			
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.	Relationship with Customers (Building Even Deeper Trust in Relationships with Customers) Relationship with Society (4. Assistance to communities on both the local and the international level through foundations and NPOs)
Product Responsibility (Performance Indicators)			
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)			
Product and Service Labeling			
FS16.	CORE	Initiatives to enhance financial literacy by type of beneficiary.	CSR Management (CSR Issues: Performance and Targets) Relationship with Society (1. Education and research activities in the fields of economics and finance)

Daiwa Securities Group

