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Corporate Governance

The Daiwa Securities Group is committed to creating a highly transparent and objective corporate governance system commensurate with international standards. By clearly separating the supervisory and executive functions of management, and building a highly efficient, specialized internal auditing framework, we will endeavor to establish the Group management structure that highlights synergies between Group companies.

Features of the Corporate Governance System

In 1999, the Daiwa Securities Group became the first listed Japanese company to adopt a holding company structure. In the process, it created a highly transparent and objective corporate governance framework that maximizes synergies between Group companies while showcasing the independence and unique expertise of each Group member.

In June 2004, the Group switched to a “committee system” of corporate governance and raised the flexibility of decision-making by transferring authority to a large extent from the Board of Directors to executive officers. In addition, we strengthened the supervisory function of management by increasing the number of outside directors and establishing the Nominating, Audit, and Compensation Committees. Representative managing directors of main Group companies also serve as executive officers of Daiwa Securities Group Inc., enabling efficient implementation of individual business strategies based on Group strategies.

The Nominating Committee met three times in FY 2005* to discuss the composition of the Board of Directors and the basic policy for nominating candidates for director. The Nominating Committee deliberates on and selects candidates for director in light of the Group’s standards for the appointment of directors. These standards include criteria for guaranteeing the independence of outside directors.

The Compensation Committee met five times in FY 2005* to discuss the compensation policy and determine the individual compensation of directors, and also studied a Group-wide incentive plan aimed at improving consolidated results.

The Audit Committee met 12 times in FY 2005* to audit the decision-making of directors and executive officers and monitor the implementation status of internal control systems at Group companies.

The Board of Directors met 12 times in FY 2005*, with 98% attendance of the four outside directors.

* Between June 24, 2005 and June 24, 2006.

Compensation Paid to Directors and Executive officers in FY2005

Division	Directors		Executive officers		Total	
	Recipients	Value	Recipients	Value	Recipients	Value
Amounts based on resolution by the Compensation Committee	5 persons	¥107 million	14 persons	¥758 million	19 persons	¥865 million

Notes:

In addition to the above, directors and executive officers received stock options without consideration. As of March 31, 2006, there were 13 directors and 14 executive officers. Eight of the directors also served as executive officers. (Their total compensation is counted under “Executive officers.”) Of the total compensation amount of ¥865 million, compensation paid to the four outside directors totaled ¥67 million.

Executive Compensation Linked to Performance

Compensation for directors and executive officers, which is set by the Compensation Committee, has three components: basic compensation, performance-based compensation (bonuses), and stock-price-linked compensation. Criteria for calculating performance-based compensation include financial results, such as consolidated ordinary income and ROE, as well as assets under custody, customer satisfaction levels (determined by surveys), and productivity per employee. In June 2004, we discontinued the retirement gratuity system for directors to strengthen the link with performance and enhance the transparency of executive compensation at the three group companies, Daiwa Securities Group Inc., Daiwa Securities, and Daiwa Securities SMBC.

Internal Control System

The Daiwa Securities Group defines “internal control” as a collection of processes aimed at securing business effectiveness and efficiency, reliability of financial reporting, and compliance with laws and regulations. The Group is building an extensive internal control system to ensure that such processes function effectively and efficiently.

Internal audit departments have been established in main Group companies to carry out internal audits. In addition, the Internal Audit Department, which is under the direct control of the CEO at Daiwa Securities Group Inc., audits Group companies that do not have their own

internal audit departments.

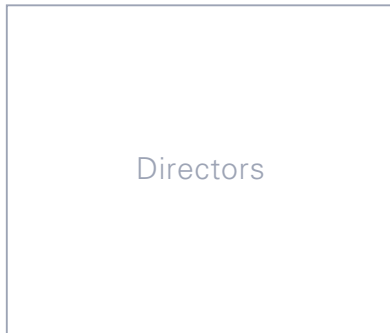
The internal audit departments, including that of Daiwa Securities Group Inc., undertake regular audits according to predetermined auditing plans and verify the status of internal control. The frequency and extent of audits are determined on a case-by-case basis, following evaluation of risks and other factors. The Internal Audit Department regularly communicates with the internal audit departments of main Group companies. In this way, it performs a coordinating role aimed at upgrading the Group’s internal control and internal auditing systems.

In the case of Daiwa Securities Group Inc., internal audit plans and the results of internal audits are reported to and approved by the Internal Control Committee, a subcommittee of the Executive Committee. In the case of main Group companies, the plans and results are reported to and approved by the Committee such as the Legal Affairs and Compliance Committee. The Internal Audit Department also reports on the results of internal audits to the Audit Committee.

The Audit Committee also conducts audits in collaboration with the Internal Audit Department and, as necessary, can ask the Internal Audit Department to make investigations required for audits.

In FY 2005, system audits were carried out at Group companies. To strengthen information security, the Group examined the status of control systems according to its Minimum Standard for Information Security, which was formulated in September 2004, and checked the levels of response of Group companies to the enactment of the Personal Information Protection Law.

Top Management




Yoshinari Hara
Chairman of the Board

1967 Joined Daiwa Securities Co. Ltd.
1991 Director, Deputy Head of Corporate Institutional Sales Division
1995 Managing Director
1997 President
1999 President and CEO, Daiwa Securities Group Inc.
President, Daiwa Securities Co. Ltd.
2004 Chairman of the Board and Corporate Executive Officer, Daiwa Securities Group Inc.



Akira Kiyota
Deputy Chairman of the Board

1969 Joined Daiwa Securities Co. Ltd.
1994 Director, Deputy Head of Sales Division, and Head of East Division
1997 Deputy President
1999 President, Daiwa SBCM Co. Ltd. (currently Daiwa Securities SMBC Co. Ltd.)
2001 President, Daiwa Securities SMBC Co. Ltd.
Group Executive Officer, Daiwa Securities Group Inc.
2004 Deputy Chairman of the Board and Corporate Executive Officer, Daiwa Securities Group Inc.
Chairman, Daiwa Institute of Research Ltd.
2005 Deputy Chairman of the Board and Corporate Executive Officer, Daiwa Securities Group Inc.
Chairman of the Institute and Director, Daiwa Institute of Research Ltd.



Shigeharu Suzuki
Director

1971 Joined Daiwa Securities Co. Ltd.
1997 Director, Chief Corporate Institutions Officer
1998 Managing Director
1999 Managing Director, Daiwa Securities Group Inc.
2001 Senior Managing Director
2002 Senior Managing Director, Daiwa Securities SMBC Co. Ltd.
2004 Director and President and CEO, Daiwa Securities Group Inc.
President, Daiwa Securities Co. Ltd.



Tatsuei Saito
Director

1971 Joined Daiwa Securities Co. Ltd.
1996 Director, Head of Financial Institutional Sales I Dept.
1998 Managing Director
1999 Managing Director
2001 Senior Managing Director
2002 Senior Managing Director, Daiwa Securities Co. Ltd.
Group Executive Officer, Daiwa Securities Group Inc.
2003 Senior Managing Director and Corporate Executive Officer, Daiwa Securities Group Inc.
2004 Director and Deputy President and COO, Daiwa Securities Group Inc.
President, Daiwa Securities SMBC Co. Ltd.



Tetsuo Mae
Director

1969 Joined Daiwa Securities Co. Ltd.
1996 Director, Head of Corporate Institutional Sales Division
1998 Managing Director
1999 Managing Director, Daiwa Securities Co. Ltd.
2000 Senior Managing Director
2002 Senior Managing Director, Daiwa Securities Co. Ltd.
Group Executive Officer, Daiwa Securities Group Inc.
2003 Deputy President, Daiwa Securities Co. Ltd.
Group Executive Officer, Daiwa Securities Group Inc.
2004 Director and Deputy President, Daiwa Securities Group Inc.
Deputy President, Daiwa Securities Co. Ltd.



Shin Yoshidome
Director

1974 Joined Daiwa Securities Co. Ltd.
1999 Branch Manager, Yokohama Branch
2000 Deputy Branch Manager, Nagoya Branch, Daiwa SBCM Co. Ltd. (currently Daiwa Securities SMBC Co. Ltd.)
2001 Executive Officer, Nagoya Branch Officer, and Branch Manager, Nagoya Branch, Daiwa Securities SMBC Co. Ltd.
2004 Managing Director
2006 Director and Corporate Executive Vice President, Daiwa Securities Group Inc.
Senior Managing Director, Daiwa Securities SMBC Co. Ltd.



Takashi Hibino
Director

1979 Joined Daiwa Securities Co. Ltd.
1999 Branch Manager, Daiwa Securities Group Inc.
2002 Executive Officer, Equity Officer, Daiwa Securities SMBC Co. Ltd.
2004 Director and Corporate Senior Executive Officer, Daiwa Securities Group Inc.
Director, Daiwa Asset Management Co. Ltd.
2005 Director and Corporate Senior Executive Officer, Daiwa Securities Group Inc.



Nobuyuki Iwamoto
Director

1980 Joined Daiwa Securities Co. Ltd.
2001 Head of International Finance Dept, Daiwa Securities SMBC Co. Ltd.
2005 Corporate Executive Officer and CFO, Daiwa Securities Group Inc.
Director, Daiwa Asset Management Co. Ltd.
2006 Director and Corporate Executive Officer and CFO, Daiwa Securities Group Inc.
Director, Daiwa Asset Management Co. Ltd.



Kenji Hayashibe
Director

1974 Joined Daiwa Securities Co. Ltd.
1996 Head of Corporate Institutions VI Dept.
1998 Director, Chief Corporate Planning Officer
1999 Executive Planning Officer, Daiwa SBCM Co. Ltd. (currently Daiwa Securities SMBC Co. Ltd.)
2002 Director, Daiwa Securities Group Inc.
2003 Director and Corporate Executive Officer, Daiwa Securities Group Inc.
2004 Director, Daiwa Securities Group Inc.



Tetsuro Kawakami
Outside Director

1952 Joined Sumitomo Electric Industries, Ltd.
1982 President, Sumitomo Electric Industries, Ltd.
1991 Chairman of the Board, Sumitomo Electric Industries, Ltd.
1998 Chairman of the Board, Sumitomo Electric Industries, Ltd. Corporate Auditor, Daiwa Securities Co. Ltd.
1999 Advisor, Sumitomo Electric Industries, Ltd.
Corporate Auditor, Daiwa Securities Group Inc.
2002 Advisor, Sumitomo Electric Industries, Ltd.
Outside Director, Daiwa Securities Group Inc.



Ryuji Yasuda
Outside Director

1976 Joined Morgan Guaranty Trust Company of New York (currently JPMorgan Chase & Co.), Investment Research Officer
1979 Joined McKinsey & Company, Director
1996 Managing Director, Asia Pacific, A.T. Kearney, Inc.
2002 Managing Director, Far East Asia, A.T. Kearney, Inc.
Professor, Hitotsubashi University, Graduate School of International Corporate Strategy
Chairman, J Will Patners Co., Ltd.
2003 Professor, Hitotsubashi University, Graduate School of International Corporate Strategy
Outside Director, Daiwa Securities Group Inc.
2004 Chairman, J Will Patners Co., Ltd.
Professor, Hitotsubashi University, Graduate School of International Corporate Strategy
Outside Director, Daiwa Securities Group Inc.



Keisuke Kitajima
Outside Director

1961 Appointed as a Public Prosecutor
1998 Public prosecutor general
2001 Retired public prosecutor general, Registered as a Lawyer
2004 Lawyer
Outside Director, Daiwa Securities Group Inc.



Koichi Uno
Outside Director

1967 Joined Arthur Andersen and Company
1979 Partner, Tokyo tax department at Arthur Andersen and Company
1981 Managing Partner,
Tokyo tax department at Arthur Andersen and Company
2000 Retired Arthur Andersen and Company, Founded CPA UNO OFFICE
2004 CPA UNO OFFICE
Outside Director, Daiwa Securities Group Inc.

Executive Officers



Shigeharu Suzuki
President and CEO
Head of Retail
(President, Daiwa Securities Co. Ltd.)

1971 Joined Daiwa Securities Co. Ltd.
1997 Director, Chief Corporate Institutions Officer
1998 Managing Director
1999 Managing Director, Daiwa Securities Group Inc.
2001 Senior Managing Director
2002 Senior Managing Director, Daiwa Securities SMBC Co. Ltd.
2004 Director and President and CEO, Daiwa Securities Group Inc.
President, Daiwa Securities Co. Ltd.



Tatsuei Saito
Deputy President and COO
Head of Wholesale
(President, Daiwa Securities SMBC Co. Ltd.)

1971 Joined Daiwa Securities Co. Ltd.
1996 Director, Head of Financial Institutional Sales I Dept.
1998 Managing Director
1999 Managing Director
2001 Senior Managing Director
2002 Senior Managing Director, Daiwa Securities Co. Ltd.
Group Executive Officer, Daiwa Securities Group Inc.
2003 Senior Managing Director and Corporate Executive Officer, Daiwa Securities Group Inc.
2004 Director and Deputy President and COO, Daiwa Securities Group Inc.
President, Daiwa Securities SMBC Co. Ltd.



Tetsuo Mae
Deputy President
Deputy Head of Retail
(Deputy President, Daiwa Securities Co. Ltd.)

1969 Joined Daiwa Securities Co. Ltd.
1996 Director, Head of Corporate Institutional Sales Division
1998 Managing Director
1999 Managing Director, Daiwa Securities Co. Ltd.
2000 Senior Managing Director
2002 Senior Managing Director, Daiwa Securities Co. Ltd.
Group Executive Officer, Daiwa Securities Group Inc.
2003 Deputy President, Daiwa Securities Co. Ltd.
Group Executive Officer, Daiwa Securities Group Inc.
Director and Deputy President, Daiwa Securities Group Inc.
Deputy President, Daiwa Securities Co. Ltd.



Kenjiro Noda
Deputy President
Deputy Head of Wholesale
(Deputy President, Daiwa Securities SMBC Co. Ltd.)

1969 Joined The Sumitomo Bank Limited
1996 Director, Head of International Division, The Sumitomo Bank Limited
2000 Senior Managing Director and Senior Managing Executive Officer, The Sumitomo Bank Limited
2003 Deputy President, Daiwa Securities SMBC Co. Ltd.
Group Executive Officer, Daiwa Securities Group Inc.
2004 Deputy President, Daiwa Securities Group Inc.
Deputy President, Daiwa Securities SMBC Co. Ltd.



Michihito Higuchi
Deputy President
Head of Asset Management
(President, Daiwa Asset Management Co. Ltd.)

1969 Joined Daiwa Securities Co. Ltd.
1995 Director, Deputy Head of Corporate Institutions Division
1999 Managing Director, Daiwa SBCM Co. Ltd. (currently Daiwa Securities SMBC Co. Ltd.)
2000 Senior Managing Director
2002 Senior Managing Director, Daiwa Securities SMBC Co. Ltd.
2004 Deputy President, Daiwa Securities Group Inc.
Deputy President, Daiwa Securities SMBC Co. Ltd.
2005 Deputy President, Daiwa Securities Group Inc.
President, Daiwa Asset Management Co. Ltd.



Yoshiyuki Takemoto
Deputy President
Head of Research
(President, Daiwa Institute of Research Ltd.)

1968 Joined Daiwa Securities Co. Ltd.
1987 President, Daiwa Securities SMBC Hong Kong Limited
1993 Director, Deputy Head of International Operations Division, Daiwa Securities Co. Ltd.
1997 Managing Director, Daiwa Securities Co. Ltd.
Chairman, Daiwa Europe LTD.
1999 Senior Managing Director, Daiwa SBCM Co. Ltd.
(currently Daiwa Securities SMBC Co. Ltd.)
2001 Deputy President, Daiwa Securities SMBC Co. Ltd.
2002 Deputy President and Corporate Executive Officer, Daiwa Securities Group Inc.
2003 Deputy President and Chairman, Daiwa Institute of Research Ltd.
2004 Deputy President, Daiwa Securities Group Inc.
President, Daiwa Institute of Research Ltd.



Shin Yoshidome
Corporate Executive Vice President
Deputy Head of Wholesale
(Senior Managing Director, Daiwa Securities SMBC Co. Ltd.)

1974 Joined Daiwa Securities Co. Ltd.
1999 Branch Manager, Yokohama Branch
2000 Deputy Branch Manager, Nagoya Branch, Daiwa SBCM Co. Ltd. (currently Daiwa Securities SMBC Co. Ltd.)
2001 Executive Officer, Nagoya Branch Officer, and Branch Manager, Nagoya Branch, Daiwa Securities SMBC Co. Ltd.
2004 Managing Director
2006 Director and Corporate Executive Vice President, Daiwa Securities Group Inc.
Senior Managing Director, Daiwa Securities SMBC Co. Ltd.



Takashi Hibino
Corporate Senior Executive Officer
Chief Planning / Personnel Officer

1979 Joined Daiwa Securities Co. Ltd.
1999 Head of Corporate Planning Dept, Daiwa Securities Group Inc.
2002 Executive Officer, Equity Officer, Daiwa Securities SMBC Co. Ltd.
2004 Director and Corporate Senior Executive Officer, Daiwa Securities Group Inc.
Director, Daiwa Asset Management Co. Ltd.
2005 Director and Corporate Senior Executive Officer, Daiwa Securities Group Inc.



Akira Nakamura
Corporate Senior Executive Officer and CIO
Deputy Chief Planning Officer
(Director, Daiwa Institute of Research Ltd.)

1975 Joined Unitika Ltd.
1983 Joined Daiwa Securities Co. Ltd.
1994 Head of System Solutions Promotion Dept., Daiwa Institute of Research Ltd.
1999 Executive Officer, Head of System Solutions Operation Division
2003 Senior Executive Officer
2005 Managing Director
2006 Corporate Senior Executive Officer and CIO, Daiwa Securities Group Inc.
Director, Daiwa Institute of Research Ltd.



Nobuyuki Iwamoto
Corporate Executive Officer and CFO
Deputy Chief Planning Officer
(Director, Daiwa Asset Management Co. Ltd.)

1980 Joined Daiwa Securities Co. Ltd.
2001 Head of International Finance Dept, Daiwa Securities SMBC Co. Ltd.
2005 Corporate Executive Officer and CFO, Daiwa Securities Group Inc.
Director, Daiwa Asset Management Co. Ltd.
2006 Director and Corporate Executive Officer and CFO, Daiwa Securities Group Inc.
Director, Daiwa Asset Management Co. Ltd.



Takatoshi Wakabayashi
Corporate Executive Officer
Chief Legal Officer and Deputy Chief Personnel Officer

1980 Joined Daiwa Securities Co. Ltd.
2004 Head of Personnel Dept, Daiwa Securities Group Inc.
2005 Corporate Executive Officer
Chief Legal Officer and Deputy Chief Personnel Officer
Head of Personnel Dept.



Masamichi Yokoi
Corporate Executive Officer and Head of America Region
Chairman & CEO, Daiwa America Corporation and Chairman, Daiwa Securities America Inc.

1975 Joined Daiwa Securities Co. Ltd.
1990 President, Daiwa Europe (Belgium) S.A.
2001 President, Daiwa Securities SMBC Europe Limited
Corporate Executive Officer, Head of America Region, Daiwa Securities Group Inc.
Chairman and CEO, Daiwa America Corporation
Chairman, Daiwa Securities America Inc.



Yoshinari Hara
Corporate Executive Officer

1967 Joined Daiwa Securities Co. Ltd.
1991 Director, Deputy Head of Corporate Institutional Sales Division
1995 Managing Director
1997 President
1999 President and CEO, Daiwa Securities Group Inc.
President, Daiwa Securities Co. Ltd.
2004 Chairman of the Board and Corporate Executive Officer, Daiwa Securities Group Inc.



Akira Kiyota
Corporate Executive Officer
Chairman of the Institute and Director, Daiwa Institute of Research Ltd.

1969 Joined Daiwa Securities Co. Ltd.
1994 Director, Deputy Head of Sales Division, and Head of East Division
1997 Deputy President
1999 President, Daiwa SBCM Co. Ltd. (currently Daiwa Securities SMBC Co. Ltd.)
2001 President, Daiwa Securities SMBC Co. Ltd.
Group Executive Officer, Daiwa Securities Group Inc.
2004 Deputy Chairman of the Board and Corporate Executive Officer, Daiwa Securities Group Inc.
Chairman, Daiwa Institute of Research Ltd.
2005 Deputy Chairman of the Board and Corporate Executive Officer, Daiwa Securities Group Inc.
Chairman of the Institute and Director, Daiwa Institute of Research Ltd.

CSR Initiatives

For the Daiwa Securities Group, corporate social responsibility (CSR) means contributing to society through the everyday business activities. We believe the most important thing is that each and every employee is always aware of our society in their everyday work. We are actively promoting CSR awareness among all employees and engaging in more proactive communication with stakeholders to enhance recognition of our CSR activities in the community.

Promotion of CSR and Internal and External Communication

CSR Promotion System and Internal Communication

The CSR Promotion Department at Daiwa Securities Group Inc. conceives, plans and leads the Daiwa Securities Group's CSR initiatives. It participates as needed in department head meetings at Daiwa Securities Group Inc. and in departmental liaison meetings held throughout the Group, where it reports on the Group's CSR activities and raises CSR-related issues. It also serves as the secretariat for the Environmental Management Committee, which aims to improve the accuracy of the environmental management system, and acts as a hub for internal communication related to CSR.

In May 2005, staff from both the Corporate Ethics Department (now the General Affairs Department) of Daiwa Securities Group Inc. and the Compliance Division at Daiwa Securities began holding compliance training sessions at branch offices of Daiwa Securities to deepen employees' understanding of these important issues. By the end of FY 2005, it had held sessions at 95 branch offices. They plan to visit all of the Group's branch offices (numbering 117 as of September 2006) by the end of FY 2007.

External Communication: Sustainability Report Wins Prize

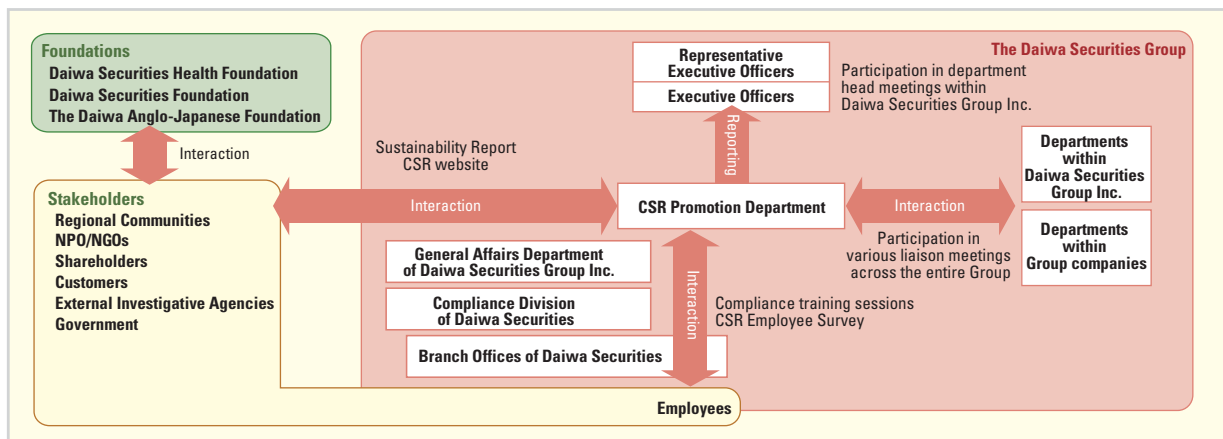
The CSR Promotion Department publishes an annual Sustainability Report as a means of communicating information on CSR-related activities to those outside the Group. The Department also responds to CSR surveys conducted by NPOs, NGOs, and other outside organizations. Through these activities, the Department serves as the Group's point of contact for communicating with outside stakeholders.

Being responsible for corporate citizenship activities, the CSR Promotion Department also serves as the Group's point of contact for three foundations: Daiwa Securities Health Foundation, Daiwa Securities Foundation, and The Daiwa Anglo-Japanese Foundation. It also runs education and training programs related to corporate citizenship activities, and provides information on volunteer opportunities to employees through the Group's intranet.

In January 2006, the Group's Sustainability Report 2005 received the Grand Prize for Sustainability Report (Minister of the Environment Awards) at the 9th Environmental Communication Awards (Environmental Report Category), sponsored by Japan's Global Environmental Forum. We were the first financial institution to receive the prize. The report was highly

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CSR Promotion System of the Daiwa Securities Group



acclaimed for its easy-to-understand presentation of information on CSR and sustainability issues. Other points highly commended included reporting on solving social problems through core business activities—the true meaning of CSR—and the prominence of the Group’s diverse stakeholders and employees in the report.

CSR Initiatives through Core Business Activities

1. Socially Responsible Investments (SRIs) —Largest SRI Funds in the Industry

Socially responsible investments (SRIs) are a means of generating fund flows that benefit society using market mechanisms. The market for SRIs is expanding year by year.

The Daiwa Securities Group has four SRI funds, including Daiwa SRI Fund and Daiwa Eco Fund. As of

March 31, 2006, the total net assets of these funds amounted to ¥77.9 billion. Daiwa Eco Fund, which was launched in March 2006, targets investment in companies that are recognized for environmental initiatives, such as raising energy efficiency and environmentally friendly technological development. As of March 31, net assets of the Daiwa Eco Fund stood at ¥53.3 billion, making it one of the largest SRI funds in Japan. In addition to these SRI funds, the Group also has regional support funds.

2. Education and Research Activities in Economic and Financial Areas

Another area in which the Daiwa Securities Group’s expertise and experience can contribute to society is through education and research in economics and finance.

As for joint industry-academia collaboration, these include offering college courses, giving lectures at universities across Japan, and supporting ventures that

SRI Funds of the Daiwa Securities Group

Name of the Fund	March 31, 2006	
	Net Assets (¥ billion)	
Daiwa Eco Fund		53.3
Daiwa SRI Fund		16.5
Global Eco Growth Fund (Mrs. Green)		4.1
UBS Global Equity 40		4.0
Total		77.9

Regional Support Funds of the Daiwa Securities Group

Name of the Fund	Region	March 31, 2006	
		Net Assets (¥ billion)	
Shizuoka Benchmark Fund	Shizuoka Prefecture		9.7
Toyama Support Fund	Toyama Prefecture		7.7
Ibaraki Fund	Ibaraki Prefecture		5.3
Saino-Kuni Support Fund	Saitama Prefecture		4.8
Kanagawa Support Fund	Kanagawa Prefecture		1.3
Total			28.8

originate within universities. In April 2005, we established a basic course at Waseda University to train venture entrepreneurs. We also held lectures at Meiji University on the Daiwa Securities Group's SRIs. Furthermore, in March 2006 we completed a joint research with Hitotsubashi University's Graduate School of International Corporate Strategy on developing a model to assess the fair value of stock options.

We also support basic economic education for students at elementary, junior high, and senior high schools. As part of this program, we have been supporting the Student Company Program, a practical education program originally devised in the United States and run by Junior Achievement, an economic education NPO targeting youth. By raising the level of economic and financial literacy and helping nurture financial experts through these activities, we are contributing to sustainable economic growth and a stronger economic foundation in Japan.

In June 2005, we provided special support for Finance Park, a hands-on economics education program offered by Junior Achievement in Shinagawa ward in Tokyo. Under this program, students take on the roles of citizens, each with their own characteristics, and learn about regional communities and the economy as well as stocks and volatility of share prices as part of asset management.

Corporate Citizenship Activities

The Daiwa Securities Group supports regional society, environmental protection, and volunteer activities, primarily through the CSR Promotion Department at Daiwa Securities Group Inc. The Group aims to raise awareness among its executives and employees of the importance of good corporate citizenship.

Support Activities through Daiwa Group Foundations

The Group also engages in regional and international support activities through three Group foundations. Daiwa Securities Health Foundation supports studies and research in the prevention and treatment of lifestyle diseases, and works to increase the awareness of health maintenance and improvement. Daiwa Securities Foundation supports a wide variety of volunteer activities in social welfare and medical treatment. The Daiwa Anglo-Japanese Foundation promotes mutual understanding and friendship between Japan and the United Kingdom, and each year invites "Daiwa Scholars" from the United Kingdom to visit Japan.

Main Initiatives in FY 2005 —Assistance to Disaster Areas

In February 2005, we established the Daiwa Securities Group Tsunami Reconstruction Fund, which supported programs launched by local NGOs in September 2005. The Group also gave assistance to victims of Hurricane Katrina, which devastated parts of the southern United States in August 2005, and victims of the October earthquake in Pakistan, both through donations to the Japan Red Cross Society.

Environmental Initiatives

The Group's employees are working to reduce energy consumption on a daily basis by switching off office lights and electrical appliances when they are not in use. In addition, when replacing equipment, energy-saving models are installed wherever possible.

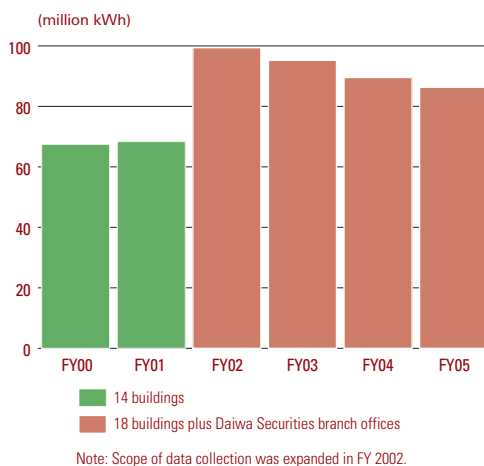
As a result of these efforts, the Group's electricity consumption declined 3.6% year on year in FY 2005, while its consumption of town gas dropped 19.5%. Water usage in FY 2005 totaled 324,527 kiloliters, down 21.0% from the previous year.

CSR Promotion under the New Medium-term Management Plan

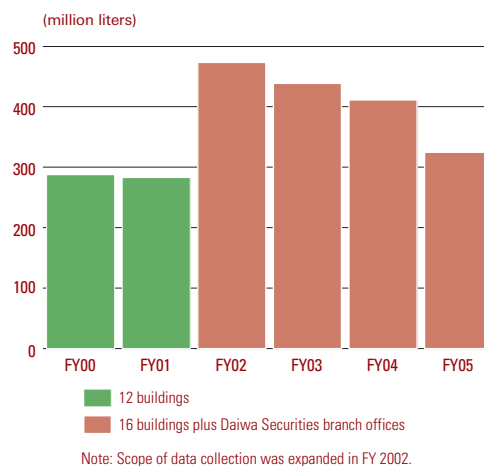
By actively increasing communication with its stakeholders, the Daiwa Securities Group is raising awareness about its activities to benefit society and contributing to sound economic growth.

Specifically, we are stepping up efforts in three areas. (1) Economic and financial education—supporting education and research and promoting economic literacy through partnerships with educational institutions and NPOs; (2) SRIs—promoting socially responsible investments; and (3) Environment—creating an environmental management system, such as formulating environmental measures, in three stages, beginning with the Group's main domestic companies, followed by the domestic consolidated subsidiaries and then its overseas subsidiaries. Under the new medium-term management plan, we are reinforcing CSR activities through collaboration with entities inside and outside the Group.

Electric Power Usage



Water Usage



Risk Management

As 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 quest is to sustainably improve shareholder value by maintaining a sound financial and profit structure with a proper risk-return balance while managing assumed risks affecting all of our business situations.

Risk Management System

The Group's risk management policy encourages active participation by top management to ensure that risks inherent in its business operations are controlled appropriately and comprehensively according to their specific attributes. To this end, the status of risk management is reported regularly to the Internal Control Committee, a subcommittee of the Executive Committee.

Major risks affecting our businesses are market risk, credit risk, liquidity risk, system risk, operational risk, reputation risk, and legal risk. (See the Compliance section on page 75 for more information on legal risk.)

Each Group subsidiaries are responsible for managing the risks peculiar to their own businesses, taking advantage of their specialist expertise. In charge of Group-wide risk management is Daiwa Securities Group Inc., which monitors the systems, processes, and status of implementation of risk management activities undertaken by the subsidiaries.

Going forward, the Group will tackle various tasks including capital management based on economic capital (required capital commensurate with volume of risk) and evaluation of operating performance by business division, quantifying operational risk, and improving risk management systems on a consolidated basis. In addition, we will seek to build an appropriate framework for risk management, including emergency control system such as formulation of a business continuity plan (BCP).

Addressing Financial Risk (Market, Credit, and Liquidity Risks)

Regarding market risk, the Group states various limits and employs Value at Risk (VaR), a commonly used statistical management method, as an index for measuring and monitoring the risk of its trading operations. Our comprehensive risk management approach also employs stress-tests and scenario analyses.

Within the Group, the wholesale securities business, which has the greatest exposure to credit risk, judges whether or not to execute transactions or request collateral by rigorous investigation. The Group also assigns internal ratings to each client, sets credit limits according

to these ratings and transaction periods, and monitors them. Daily reports on market risk and monthly reports on credit risk are made to the management of Daiwa Securities Group Inc. (Reports can be made as needed when clients exceed their credit limits or have their credit status changed.)

With respect to liquidity risk, the Group maintains liquidity of capital and manages the maturity schedule of its liability portfolio. This is to enable continuous business operations for around one year, without the need for the Group's securities subsidiaries to enter new uncollateralized fund procurement arrangements. Liquidity of the Group's subsidiaries—except securities subsidiaries and NIF SMBC Ventures, a JASDAQ-listed company—is centrally managed under the Group Cash Management System of Daiwa Securities Group Inc.

Addressing Operational Risk and System Risk

As an important priority, the Group is tackling the risks that arise from improper internal processes or errors caused by executives, employees, or computer systems during the course of business. Due to the diversity of our business operations, we are taking a number of key measures, including establishment of stricter lines of authority, mechanization of business processes to reduce human error, and preparation of administrative manuals.

Despite these measures, however, on December 29 and 30, 2005, Daiwa Online Trading, an Internet trading service provided by Daiwa Securities, was suspended temporarily due to partial system failure. On January 13, 2006, an error occurred in the handling of an order placed by Daiwa Securities SMBC to the Tokyo Stock Exchange on behalf of a customer. In response, Daiwa Securities is expanding and upgrading its core system processing capabilities and working to create a monitoring system and framework to ensure stable system operations. Daiwa Securities SMBC, meanwhile, is instituting more rigorous administrative procedures for orders and stricter protocols on disengaging the alarm mechanism when inputting large orders. In these and other ways, the Group is working to improve its systems and prevent the repeat of such incidents.

Compliance

The Daiwa Securities Group believes that achieving sustainable growth ultimately depends on its ability to earn the trust of customers, capital markets, and society in general. With this in mind, we are working to ensure Group-wide compliance with legal rules, embracing “social justice” as one of our core corporate principles. In addition, we are striving to further upgrade our internal control framework and, through employee education and training, we are raising compliance-related awareness among each executive and employee.

Group Initiatives

Establishing Infrastructure and Educating Management and Employees

The Corporate Ethics Team in the General Affairs Department at Daiwa Securities Group Inc. is looking to formulate rules for a voluntary code of conduct to ensure legal compliance across the entire Group. It also holds monthly General Affairs/Corporate Ethics Promotion Liaison Meetings with various Group companies. In addition, employees of Group companies attend lectures and receive practical training when they join their respective Group companies and at regular intervals thereafter. Newly appointed directors also undergo training and, at various meetings, receive reports on amendments to relevant legislation. In these ways, the Group endeavors to raise awareness and expand knowledge of compliance-related matters among all employees. Through compliance, we are instilling the notion of “contribution to the development of sound securities markets.”

The Corporate Ethics Hotline (an internal reporting system) was introduced in January 2003 to encourage reporting on compliance-related issues. We have increased the effectiveness of the system by protecting the identity of informants and enabling them to contact not only the department in charge but also an external allied law firm. This has served to expand trust and awareness among employees, and the number of reports is increasing as a result.

Protecting Personal Information

Due to the full enactment in April 2005 of the Personal Information Protection Law, Daiwa Securities Group Inc., together with other Group companies, formulated a Privacy Policy and Privacy Statement outlining the Group’s policies regarding the purpose of use and management of personal information. With respect to handling such information, our pledge is to comply with laws, guidelines issued by government ministries and agencies, internal regulations, and other rules. Through the Group intranet and other means, we also provide

management and employees with information and conduct training and checktesting related to protection of personal information.

Initiatives at Major Group Companies in FY2005

In FY 2005, Daiwa Securities sought to raise compliance-related awareness and further reinforce the compliance component of its business operations. Specific objectives included targeting more rigorous sales activities from the perspective of legal compliance and investor protection, strengthening the system for addressing complaints, enhancing responsiveness following the enactment of the Personal Information Protection Law, and fortifying and raising the level of effectiveness of the Compliance Division.

Daiwa Securities SMBC is upgrading its compliance training systems, introducing customized programs by divisions and by themes associated with day-to-day business operations. In FY 2005, Daiwa Securities SMBC broadened the content of its e-learning program and established a training framework enabling divisions to select themes suited to their particular workplaces. In addition, it is reinforcing its inspection system. For example, it conducted inspections to ascertain the effectiveness of measures to mitigate risks identified through internal audits. It is also expanding its inspection checklist to include items related to new business procedures following amendments to laws and other new regulations such as protecting personal information.

Human Resource Management

A primary source of competitiveness for the Daiwa Securities Group is its people. To maximize such competitiveness, the Daiwa Securities Group is fostering an environment where all employees can enhance their capabilities, increase their motivation, and realize their full of potential. This is done through the Group's effort to help employees upgrade their skills, and through the establishment of a personnel management system that allows more accurate evaluation of employee performance.

Group-wide Personnel Policy

The basic policy of the Group's personnel system is to "emphasize the creativity of each employee, foster a free and vigorous corporate culture filled with the spirit of challenge, and accurately evaluate the performances and contributions of employees". To this end, the Group has incrementally rebuilt its personnel system with a focus on rewarding performance.

Upgrading Evaluation Systems and Performance-Based Remuneration

Fair and objective personnel evaluation is a basic requirement for a performance-based system. The Daiwa Securities Group uses both a two-way evaluation system, where bosses and their subordinates evaluate each other, and a multi-directional evaluation system, which entails objective evaluation from other closely related Group companies and divisions. We also have an "evaluator training" program to enhance the evaluation skills of employees. In these ways, we are seeking to establish a highly compelling evaluation system.

Consistent with its fair evaluation policy, Daiwa Securities, the Group's retail arm, has set up the "President's Awards" which are awarded twice a year in an effort to further motivate employees. Similar award programs are also being introduced at Daiwa Securities Group Inc. and Daiwa Securities SMBC.

Reflecting its strong emphasis on rewarding employees who perform well, the Group has introduced a compensation system based on job category and adopted a more segmentalized personnel evaluation process. In the case of deputy general managers, there is a 17-fold difference between highest and lowest bonus, and a 4-fold difference for annual salary (based on FY 2005 results). In FY 2004, moreover, a performance-based annual salary system was introduced for analysts at Daiwa Institute of Research and fund managers at Daiwa Asset Management, so that their salaries reflect their analyst rankings and fund performance.

Raising Employee Skills and Providing Diverse Career Options

The Daiwa Securities Group continues to reinforce its support systems for employees to raise their skill levels. For example, we provide extensive backup for acquisition of qualifications, with particular focus on qualifications related to financial services such as financial

analyst and financial planner. We have also stepped up training aimed at nurturing administrative and business leaders. In addition, we are adopting an intra-Group job posting system, which enables employees to embrace new challenges by moving to a department of their choice within the Group. Since its introduction in 2000, the system has attracted 572 applicants, of whom 114 have been successfully qualified.

FY 2005 Initiatives

Qualification-Oriented Promotion System and New Management Positions

In June 2005, the Daiwa Securities Group established prerequisites for promotion. It has introduced a system whereby employees must earn "qualification points" in order to be promoted. Points are awarded mainly for qualifications useful in the securities industry, such as those of financial analysts, and are given in ascending order according to the difficulty of the targeted qualification. Through this system, we are giving employees greater incentive to enhance their capabilities. We also established two new positions—senior deputy general manager (one rank above deputy general manager) in June 2005 and senior manager (one rank above manager) in July 2006—in order to increase opportunities for both middle management post and young employees to be promoted and further boost their motivation in the workplace.

Support for Working Mothers

To address the rapidly declining birthrate and aging of society, in April 2005 the Japanese government enacted the "Law for Measures to Support the Development of the Next Generation", which calls for companies to build infrastructure enabling female employees to work and raise children at the same time.

The Daiwa Securities Group has long been a proactive recruiter of female employees, and in October 2005, the "Women's Advancement Action Team", part of the Personnel Department of Daiwa Securities Group Inc., formulated a "Support Plan for Working Mothers" aimed at improvement of the environment in which female employees can fulfill their duties both at work and at home.

Outline of Support Plan for Working Mothers

—Salesperson Rehiring System (“Professional Return Plan”)

Under this system, we rehire female permanent employees who have taken leave for various reasons, including marriage, pregnancy, childbirth, child-rearing, nursing care, and relocation for a spouse’s job. By providing a flexible career path for employees and increasing opportunities for advancement, we aim to attract and keep top-quality human resources. (At present, the system is only applicable for positions in sales staff at Daiwa Securities.)

—Extension of Maternity Leave and the Nursing Time

The Group had established a system whereby employees can take child-rearing leave longer than the period stated by law. Effective October 2005, we will further extend it up to the day before the child’s third birthday. Nursing time during work hours has also been extended up to the day before the child’s third birthday.

—Back to Work Program

The Group supports the smooth return-to-work of female employees who have taken maternity leave. By maintaining regular communication with such employees while they are away, we endeavor to eliminate their anxieties. As part of the program, the Group has issued a guide to support child-rearing and has distributed it to executives and employees. We also started a child-support website service, “Daiwa Family Net”, for our employees.

—Enhancement of Days Off

In order to establish a working environment with an awareness of work-life balance, the Group has enhanced the vacation system to promote full usage of paid holidays. Specifically, we have provided “days off for wedding preparations”, such as moving home associated with marriage, registering a marriage, and preparing for a wedding ceremony. We have also introduced “days off for family days”, such as for children’s outings or family members’ birthdays.

—Subsidy System for Expenses for Child-care Facilities

The purpose of this system is to facilitate the return to the workplace of employees after maternity leave by subsidizing daycare expenses for children aged under three.

As a result of these measures, Daiwa Securities Group Inc., Daiwa Securities, and Daiwa Securities SMBC were awarded the prize for Director of Tokyo Labour Bureau Award at the “Corporation Award for the Promotion of Gender Equality 2006”, which was sponsored by the Ministry of Health, Labour, and Welfare.

The “Corporation Award for the Promotion of Gender Equality” exists to raise public awareness of the efforts of companies that proactively encourages female workers to realize their abilities. We will pursue a better working environment for both men and women by continually taking such positive steps.

Support to Provide Job Opportunities for Senior Citizens

Heretofore, we have been rehiring senior citizens under the “Daiwa Elderly Support System”. However, we have introduced the “Daiwa Master System”, which includes steps related to the implementation of the “Revised Law for the Stabilization of Employment of the Aged” which began on April 1, 2006, as a new system for rehiring senior citizens. In the future, we will continue to consider the proactive use of senior citizens.

Initiatives on Human Resource Management under the New Medium-term Management Plan

The personnel policy outlined in the Group’s new medium-term management plan is aimed at “attracting the highest-quality human resources in the industry and providing them with highly motivating working environments where they can embrace new challenges”. To achieve various targets set under the plan, we intend to increase the Group-wide workforce by around 2,000 over the next three years through the continuous hiring of exceptional, dedicated people. We will provide new recruits with comprehensive training and education and offer rewards appropriate to an industry-leading company. We will also create working environments where women and experienced employees can demonstrate their abilities.

Furthermore, in order to maintain a high level of motivation, we believe it is necessary to increase job satisfaction. For this reason, in July 2006, we announced the “Corporate Activation Plan” via our Group satellite broadcasting system in order to make the direction of the policy well known. By raising the level of trust employees have towards the company, the pride they take in their work, and the feeling of solidarity within the Group, we are aiming to have more vitality as a Group than ever before.

Among the “Corporate Activation Plan”, the Group has already introduced the following systems.

- Establishment of “senior manager” post aimed at boosting the motivation of young employees
- Enhancement of mental health care for employees (Within Daiwa Securities Group Inc., the Mental Health Support Department was established in August 2006. Further enhancement is planned.)
- Replacement of part-time employees with full-timers

Intellectual Property Activities

The Daiwa Securities Group promotes the planning and development of new services and products applying information technology through promotion of patents. With the protection and application of such patents, the Daiwa Securities Group is striving to maintain a freehand and superiority for future business operations. Specifically, the Intellectual Property Section of the Legal Affairs Department of Daiwa Securities Group Inc. and Group companies are cooperating to apply for patents and to develop applications in diverse areas such as securities brokerage systems, investment information offering systems, management and control systems, and settlement systems.

Achievements in Intellectual Property Activities

As of the end of July 2006, the Daiwa Securities Group has registered 21 patents (22 including overseas patents). The Group's patent applications (number of open applications) were 285 as of the end of March 2006.

Of the 12 patents registered since FY 2005, business model patents (e-commerce area) were eight, while non-business model patents were four. By affiliation with the inventors, Daiwa Institute of Research (DIR) obtained seven patents*. Daiwa Securities obtained five patents*, and Daiwa Securities SMBC and Daiwa Securities Group Inc. obtained one patent each. The results indicate that patent registration is well-balanced among the companies within the Group. We will continue our Group-wide efforts for application and registration in the future.

*Including two patents jointly invented by Daiwa Securities and DIR.

Future Measures for Intellectual Property

The Daiwa Securities Group has been working on a policy that raises executives' and employees' awareness of intellectual property rights including patents, and has implemented the following measures. The 14 Group companies have revised their remuneration systems since FY2005 and have significantly raised incentives to meet the revised Patent Law and to aggressively promote patent registration. At the same time, an awards system has been set up to recognize executives and employees who greatly contribute to intellectual property activities.

In addition, the Group is promoting patent information sharing within Group companies by providing employees with manuals and educational material as well as providing patent information ([1] patents applied by other companies; [2] patents registered by other companies; [3] other companies' patent applications under examination, and; [4] Daiwa's patent applications and registrations) on its intranet.

Furthermore, the Group is reinforcing trademark and copyright management to prevent infringement by other companies upon the Group's intellectual property rights as well as infringement by Group companies upon intellectual property rights held by other companies, in accordance with corporate compliance.

Patent Registrations since FY 2005

FY2005: Name of patent	Applied	Registered	Affiliation of the inventor	Category	Main area of use
1. Information Distribution System and Information Distribution Method	2000.08	2005.04	DIR		electronic document issuance
2. Beneficiary Right Exchange Facility and Method and Their Programs	2002.10	2005.04	Daiwa Securities SMBC	BM Patent	exchange trade funds (ETF)
3. e-Mail Distribution Server, e-Mail Distribution System, e-Mail Distribution Method, and Their Programs	2001.05	2005.08	DIR		electronic document issuance
4. Download Control Method, Server, and Programs	2000.12	2005.10	Daiwa Securities	BM Patent	electronic document issuance
5. Information Transmission Equipment, Information Transmission Method, and Their Programs	2002.03	2005.11	DIR		electronic document issuance
6. Financial Product Display System and Its Method	2003.07	2005.12	Daiwa Securities	BM Patent	net trading (financial product display by each customer)
7. Street-Installed Printing Equipment and Document Printing Method	2001.03	2006.02	DIR		electronic document issuance
8. Non-Charged Coupon Operation System	2001.01	2006.03	Daiwa Securities	BM Patent	net trading (commission discounting method)
FY2006: Name of patent	Applied	Registered	Affiliation of the inventor	Category	Main area of use
9. Information Providing System, Method, and Their Programs	2004.02	2006.05	Daiwa Securities Group Inc.	BM Patent	net trading (offers of investment information and notices of stock price fluctuation factors)
10. Treasury Stock Management, Treasury Stock Management Method, and Their Programs	2003.05	2006.05	DIR	BM Patent	treasury stocks (compensation utilizing treasury stocks)
11. Asset Management System, Method, and Their Programs	2004.03	2006.07	Daiwa Securities DIR	BM Patent	SMA
12. Portfolio Management System, Method, and Their Programs	2004.03	2006.07	Daiwa Securities DIR	BM Patent	SMA

*BM Patent=Business Model Patent

Financial Strategy

To achieve sustainable growth in shareholder value, the Daiwa Securities Group undertakes integrated management of risk, return, and capital. Our policy is to build a break-even structure that is resilient to revenue fluctuations, and to manage risk in a way that protects our highly stable financial position. Through efficient allocation of capital resources, we will endeavor to maximize risk-adjusted returns.

Targeting Financial Stability

Seeking to secure a stable financial position, the Group controls the major risks affecting its consolidated balance sheets, including market risk, credit risk, and liquidity risk. This approach secures our financial base enabling us to deal with potential losses due to dramatic changes in business environment, and reflects our emphasis on assuring stable continuation of business.

Regarding market risk, the Group manages the allowable maximum amount against trading positions or Value at Risk (VaR: expected value of maximum loss with more than 99% confidence level), as well as keeping track of the amount of potential loss, which could occur if business conditions changed, using assumed stress scenarios.

With regard to credit risk, besides the management of credit limits, the Group strictly investigates risk involved in principal investments, which we are proactively expanding, and large-scale, low-liquidity investments such as third-party allocation CBs. In this process, we pay adequate attention to concentrated risk. The Group also conducts careful monitoring after investments have been made. Furthermore, we look at these risks as a whole, not only maintaining the necessary capital required by law, but also ensuring that the total amount of risk is commensurate with capital.

With respect to liquidity, the Group's policy is to maintain sufficient long-term capital to enable stable business continuation for around one year, without relying on new unsecured fund procurement. We also control liquidity to avoid excessive concentration on specific fund-raising sources or repayment periods.

Integrated Management of Risk, Return, and Capital

In order to increase our corporate value through substantial growth planned under the new Group's medium-term management plan, we undertake integrated management of risk, return, and capital to maintain sound profitability and stability.

Capital

When the medium-term management plan is achieved, with only retained earnings, consolidated net assets after dividends paid are expected to exceed one trillion yen. Along with efficiently allocating capital in accordance with the characteristic features of each business segment, we secure certain standby capital in preparation for new business development, strategic investment, and M&As.

Return

In each of its business divisions, the Group will expand consolidated profits and maintain a high level of ROE, by achieving a profitability ratio well above the risk-adjusted cost of capital.

Moreover, we will further improve the revenue-expenditure balance by boosting the magnitude and stability of earnings, as well as maintaining the balance of investment for growth.

Risk

The Group will adopt a more aggressive risk-taking approach, especially in its wholesale and investment businesses. To address the increasing level and complexity of risk associated with this approach, the Group will appropriately monitor risk by refining its methods of risk quantification, while raising the sophistication of risk assessment methods and risk management techniques.

Disclosure Strategy

The Daiwa Securities Group pursues more active communications to promote understanding and appropriate evaluation of the Group among all stakeholders, including shareholders, investors, and local communities. At the same time, we work towards fair, timely, and appropriate disclosure of corporate information according to its Disclosure Policy.

Disclosure System

Adhering to its Disclosure Policy and Disclosure Regulations, Daiwa Securities Group Inc. aims to disclose appropriate information in a fair and timely manner. Under the Disclosure Regulations, the Disclosure Committee was set up as a subcommittee of the Executive Committee. The Disclosure Committee is responsible for making final decisions concerning the disclosure of information. Each Group company has implemented its own “Management-Related Information” regulations, which cover information-gathering and presentation of reports to Daiwa Securities Group Inc.

Our disclosure system clearly separates responsibilities according to the intended recipients of the information. Specifically, the Investor Relations Department handles disclosure to shareholders, investors, and analysts. The Corporate Communications Department is responsible for communication with the mass media, and the CSR Promotion Department interacts with employees and local communities. These entities use various means, including the Internet and publications, to disclose information.

Strengthening Investor Relations Activities

The Daiwa Securities Group is proactive in disclosing its business strategies and explaining the status of each business field to shareholders and investors. Through these initiatives, our management can also obtain feedback on market reactions and opinions. This enables us to further raise management transparency and efficiency, which is essential for improving corporate value.

We disclose information in a timely and appropriate manner while eliminating the communication gap between domestic and overseas stakeholders. Our quarterly financial results are posted on the Group’s IR (Investor Relations) website immediately after announcement, and a conference call for analysts and institutional investors is held in the evening of the same day. This conference call is made available on the IR website in real time. The Group also makes a conference call to overseas investors and analysts during the same day.

In addition, the Group’s CEO holds briefings for analysts and investors twice a year in Japan, and the top management team travels to Europe, North America, and Asia to visit institutional investors. Through company presentations and other means, we are also strengthening communication with individual shareholders and investors. To this end, we launched a dedicated section for individual investors within our IR website in July 2006.

The General Shareholders’ Meeting provides an opportunity to interact directly with these important stakeholders. To provide more diverse options for shareholders to exercise their voting rights, the Group has allowed voting over the Internet and mobile phone. For shareholders situated away from Tokyo, we also provide live broadcasts of the meeting to Osaka and Nagoya via in-house satellite facilities. Furthermore, to encourage greater participation in the General Shareholders’ Meeting, we held the June 2006 meeting on a Saturday.

We will continue to actively promote communication with our diverse stakeholders using various tools, including the creation of separate IR methods for different groups of investors. Through such efforts, we aim to build “Japan’s best IR framework”, enabling us to set an example for listed companies and help develop an active securities market.