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Trust in

Trustworthy Growth

- I Under its medium-term management plan, “Passion for the Best” 2008, the Daiwa Securities Group has set out to “build Japan’s best securities group on a foundation of customer trust and employee commitment.”

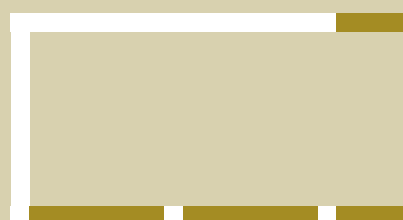
The current medium-term management plan, “Passion for the Best” 2008, encapsulates the Group’s business strategy and management goals for the three-year period from FY 2006 to FY 2008, and includes the specific targets of raising consolidated ordinary income to at least ¥350 billion and return on equity (ROE) to at least 15%. The Group also aims to earn an even higher degree of trust from its various stakeholders, and through the enthusiastic contributions of its employees, to develop the high-quality products and services needed to make the Daiwa Securities Group “Japan’s best securities group.”

- II As Japan’s financial and capital markets undergo dramatic structural shifts, the Daiwa Securities Group is drawing upon its core strengths in the securities business to play a central role in market evolution.

Japanese individuals are currently moving a large portion of their ¥1,536 trillion financial assets from savings deposits to higher-risk, higher-return investments. This, coupled with a rise in M&A activity among Japanese corporations, has contributed to a major structural shift in Japan’s financial and capital markets. Over the years, the Daiwa Securities Group has accumulated extensive knowhow in the securities industry, and by using this experience to provide clients with optimal solutions, the Group is acting as a leader in the domestic financial markets.

- III The Daiwa Securities Group is working to raise its profile in the highly promising financial markets of Asia.

The economies of Asia currently serve as the leading engine of global economic growth, and market capitalizations in the region’s stock markets are rising rapidly to reflect this buoyant growth. The Daiwa Securities Group is using the experience it developed in Japan’s financial and capital markets to provide products and services for these new markets. As it does so, the Group is expanding its Asia-related operations rapidly.



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Trustworthy Management

- I The Daiwa Securities Group is developing a comprehensive framework for managing capital and maintaining an appropriate balance of risks, returns and capital in order to strengthen the Group's financial base.

In order to maintain steady growth over the longer term, the Group will need to find ways of assuming greater risk while still maintaining a solid financial base. The Group is allocating capital to each business division based on a careful consideration of capital efficiency, aiming to maximize its return on equity. To effectively manage the greater risk that this generates while still maintaining a firm financial base, the Group is working to clearly identify the amount of risk and to control these risks in an appropriate manner.

- II The Group is working to boost employee motivation, which in turn can enhance customer satisfaction and corporate value.

The Daiwa Securities Group understands that in the financial industry, employees are a company's most important asset, and highly motivated employees are the crucial factor in increasing corporate value. Therefore, one important theme of Group management is to attract top-quality employees and try to provide them with a highly challenging and motivating work environment.

- III Highly transparent and objective corporate governance forms the essential foundation for management trust.

Daiwa Securities Group Inc. was the first listed Japanese company to adopt a holding company structure for group management, in order to promote specialization by each business division and synergy among divisions. This not only makes management more efficient; it also increases customer satisfaction. In addition, by adopting a "committee system" of corporate governance, the Group is pursuing more effective decision making and greater transparency in its management activities.