

# CSR Initiatives

## Daiwa Securities Group Stakeholders

• Securities markets

The Group cooperates with all those who operate or participate in the securities markets, to promote the development of healthy and reliable markets.

• Issuers

The Group supports the efforts of corporations and public organizations to procure capital by issuing stocks and bonds.

• Customers

The Group strives to maintain equitable relationships with all business partners, while working to promote a sustainable society.

• Government

In addition to its normal tax contributions, the Group seeks to contribute to a better society by providing advice and support to the Government on policy matters.



“Daiwa-JFS Sustainability College,” convened in the Daiwa Conference Hall, on the 18th floor of the Group’s headquarters building. This “College” has been convening once a month, since October 2006. These sessions provide university students and others (about 40 individuals each month) with an opportunity to study topics and learn from industry specialists.

## CSR Initiatives

We believe that the Daiwa Securities Group has a corporate social responsibility (CSR) to contribute to society through our core businesses. It is important that each and every employee is always aware of social issues in his or her everyday work. We actively promote CSR awareness among all employees and publicize our CSR activities to our stakeholders to increase awareness of these efforts within the community.

### • NPOs/NGOs

The Group cooperates with various organizations through training in economic and financial matters, support during disasters, and active communication that helps the Group incorporate a social commitment and concern into its basic management activities.

### • Local communities

The branch offices and overseas subsidiaries of the Daiwa Securities Group are integral members of the local communities in which they operate, and work constantly to establish strong, friendly ties to the community.

### • Employees and their families

Employees are essential to the Group's effort to provide value to its other stakeholders; therefore, the Group strives to provide them with a rewarding work environment that allows them to utilize their abilities and realize their goals. Family members are also important stakeholders since they support and motivate the employees.

### • Shareholders

The Group provides shareholders with clear information in order to earn trust and loyalty, and makes a constant effort to meet their expectations by creating and enhancing value.

### • Investors

The Group is constantly developing products and services that can address the needs of both individual and institutional investors, as well as potential investors who are considering future investments, in an effort to steadily enhance customer satisfaction.

## Group Initiatives to Foster a Sustainable Society

Corporations play a vitally important role in the effort to build a sustainable society, and financial institutions, through their core business activities, control the flow of financial capital which serves as the lifeblood of a healthy society. The Daiwa Securities Group not only does its best to promote and sustain fair and vibrant markets, but tries to play a positive role in developing a sustainable society by actively working to channel capital into socially beneficial ventures. To fulfill that role as a responsible member of society, the Daiwa Securities Group participates in the United Nations Environment Programme Finance Initiative (UNEP FI)\*<sup>1</sup> and is a signatory to the Principles for Responsible Investment (PRI)\*<sup>2</sup> and the Carbon Disclosure Project (CDP).\*<sup>3</sup>

\*<sup>1</sup> UNEP FI: This initiative has been in operation since 1992 with the aim of identifying, promoting and realizing the adoption of best environmental and sustainability practices based on partnerships between the United Nations Environment Programme and financial institutions in various countries.

\*<sup>2</sup> PRI: Investment principles published in April 2006 by the UNEP FI and the United Nations Global Compact, which aim to incorporate environmental, social and governance considerations into the investment decision-making process.

\*<sup>3</sup> CDP: An alliance of institutional investors concerned about climate change, this project asks other investors and corporate leaders to disclose information regarding their stance on environmental issues and measures to protect the environment.

## Important Challenges for the Daiwa Securities Group

The Daiwa Securities Group has identified four key issues that could have a major impact on the decision-making activities of our stakeholders. These issues have been selected on the basis of past communications with the Group's various stakeholders—questionnaires distributed to executives and employees, surveys of customer satisfaction, questionnaires and comments from shareholders, the opinions of outside experts and requests from NPOs both in Japan and overseas. The issues identified in this way have been evaluated and prioritized on the basis of their likely impact and their relationship to the Daiwa Securities Group's business activities.

**Socially responsible investment (SRI)** ▶ The Daiwa Securities Group offers investors a variety of “SRI funds” and financial products that it has developed to support socially conscientious activities or businesses, and actively supports the capital procurement efforts of companies which are trying to develop environmental technology or provide other products and services of social value. The Group supplies investment information related to CSR activities, and is pursuing businesses which involve the trade in greenhouse gas emissions reduction credits. In this way, we are making a concerted effort to address issues of social importance and to channel capital flows in ways that will help promote a sustainable society.

The “Russell Global Environmental Technology Fund” and the “Daiwa Eco Fund” are two examples of investment fund products offered by the Daiwa Securities Group in an effort to promote socially responsible investment. These funds invest in companies that have a reputation for developing environment-friendly technology or products that improve energy efficiency. Daiwa Securities SMBC was also a lead manager on the corporate finance project that helped China Boqi Environmental Solutions Technology list its shares on the Tokyo Stock Exchange, in August 2007. China Boqi is the market leader in China’s flue gas desulfurization and de-nitrification systems industry. In March 2008, the Group began selling “vaccine bonds”—instruments which help provide money for medical and immunization services in developing countries. The Daiwa Securities Group also publishes investment information on companies with environment-related technology, and is developing securities such as the World Cool Bond, which makes active use of the market for greenhouse gas emissions credits.

**SRI Funds Sold by Daiwa Securities**

Fund	Net Assets (¥ billion)
Daiwa Eco Fund	38.8
Daiwa SRI Fund	6.2
Global Eco Growth Fund (Mrs. Green)	2.7
UBS Global Equity 40	2.5
Total	50.2

(March 31, 2008)



Russell Global Environmental Technology Fund



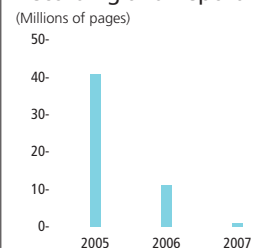
The Group’s investment report entitled *Emerging Economies, New Technologies and the Environment*

**Efforts to promote healthy securities markets** ▶ As a member of the securities industry, the Daiwa Securities Group has a responsibility for, and a vested interest in, promoting and maintaining healthy, fair and reliable securities markets. This means not only ensuring that laws and market regulations are upheld, but also maintaining strict compliance policies, adopting a highly professional and ethical mindset, and preventing any form of inappropriate trading, to ensure that the Group enjoys the trust of individual customers and of society in general.

In FY 2007 the Daiwa Securities Group continued its efforts to develop an internal management structure that provides simple, clear-cut and effective guidelines and support, to guide the actions of executives and employees alike, including a list of internal “best practices” on which to base their daily business activities. The Group is also working aggressively to eliminate any trading activity that involves “anti-social groups,” as well as insider trading or other illicit trading activities. Internal systems, including personnel policies and monitoring systems, are being improved in an effort to ensure that any activity of this sort is prevented, or identified and addressed at the earliest possible opportunity.

**Global environment initiatives** ▶ The Daiwa Securities Group views environmental issues as a paramount concern, and something that every company must do its best to address. Companies throughout the Group are taking proactive steps to reduce their environmental impact and address the problem of climate change. For example, Daiwa Securities has been striving to convert as much of its paperwork as possible to electronic form, thereby greatly reducing the volume of paper that is used for internal recording and reporting. A portion of the proceeds from sales of the Daiwa Eco Fund, as well as some of the profit from fund management activities, is used to fund ecological projects which help preserve biological diversity and benefit society.

**Number of Paper Printouts Generated in Internal Recording and Reporting**



**Information management to support a sustainable society**▶ The Group is constantly seeking ways to manage and utilize information in a beneficial way. For example, the Group supports financial and economic education which makes use of the information and know-how we have acquired through the securities business, and provides up-to-date information to support industrial-academic collaborations and sustainability activities.

We also support basic economic education for students at elementary, junior high, and senior high schools. As part of this program, we have been working with the Tokyo office of Junior Achievement, the largest NPO engaged in youth financial education in the United States, to support programs including the Student Company Program and Finance Park, which are hands-on economic and life planning education programs for junior and senior high school students.

The Group takes part in industrial-academic collaborations, offering college courses and lectures at universities across Japan, and supports ventures that originate from universities. The Group employees with experience in IPO advisory and venture investment serve as part-time lecturers in a basic course to train venture entrepreneurs, teaching them the basic skills needed to start a business.



Finance Park

### Expanding CSR Activities Into the Medical and Biotech Sectors

The Daiwa Securities Group bases its CSR activities on the motto: “Contributing to society through our core business.” Today, we are expanding the CSR effort into the fields of medicine and biotechnology, as well.

Professor Shinya Yamanaka of Kyoto University has attracted global attention by achieving new breakthroughs in the study of induced pluripotent stem cells (iPS cells), which have the potential to be used in regenerative medicine. However, to ensure that the results of this research can fully benefit society at large, it is essential to develop methods of transferring the technology to the industrial sector while properly controlling and leveraging intellectual property rights. In May 2008 an agreement was reached by four parties—Kyoto University, Daiwa Securities Group Inc., Sumitomo Mitsui Banking Corporation and NIF SMBC Ventures—to manage and utilize the discoveries achieved through Professor Yamanaka’s research, and ensure that these research results are used effectively to benefit society.

Under the agreement, the four parties will set up a limited liability intermediary corporation as a preparatory step to commercializing and managing the scientific advances. The Executive Director of Kyoto University and several other academic staff members will be assigned as employees of the new company. This limited liability company will later set up an operating company which will be responsible for managing and utilizing all intellectual property rights related to this research, as well as sublicensing the technology and promoting its use to benefit society at large.

The Daiwa Securities Group has maintained an industrial-academic collaboration with Kyoto University since FY 2002, in the field of securities and finance. In addition, the Group has used its skills in the financial industry to support research into iPS cells, providing capital to fund the research and arranging the structure of the project. In this way, the collaboration between the Daiwa Securities Group and Kyoto University has been gradually expanding.

## Corporate Citizenship Activities

The Daiwa Securities Group supports activities to benefit the community and to protect the environment, as well as volunteer activities, primarily through the CSR Promotion Department at Daiwa Securities Group Inc. The Group aims to raise awareness among its executives and employees regarding the importance of good corporate citizenship.



Employees working as volunteers at a summer festival in the Azabu-Juban neighborhood of Tokyo, Japan

## Support Activities Through Group Foundations

We also engage in activities that support regional and international communities through Group foundations and other channels. Daiwa Securities Health Foundation supports research aimed at preventing and treating lifestyle diseases, and works to increase awareness of health maintenance and improvement. Daiwa Securities Foundation supports a wide variety of volunteer activities associated with 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 UK to visit Japan.

## Inclusion in SRI Indices

Starting in September 2006, Daiwa Securities Group Inc. has been selected as a component of the FTSE4Good Index, an index of socially responsible companies compiled by FTSE. FTSE is a company jointly owned by the Financial Times (UK) and the London Stock Exchange. It provides data and constructs global indices for investment.

Daiwa Securities Group Inc. has also been selected for the Dow Jones Sustainability World Index (DJSI World) for the ninth consecutive year. DJSI World is an SRI stock index devised by Dow Jones Indexes (US) and SAM Group (Switzerland), which assesses corporate sustainability.



## CSR Promotion Under the Medium-Term Management Plan

By actively increasing communication with its stakeholders, the Daiwa Securities Group is working hard to increase recognition of its CSR activities and contribute to sound economic growth. We are promoting cooperation both within the Group and with outside partners, in an effort to enhance the Group's social contributions in three particular areas.

1. Economic and financial education: supporting education and research and promoting economic literacy through partnerships with educational institutions and NPOs;
2. SRI: promoting socially responsible investments;
3. Environment: creating an environmental management system that includes 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.