

Group Governance and Management Systems

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Message From the Chairman



“Our outside directors are dedicated, visionary individuals who serve as a good example of corporate governance and help promote the development of financial and capital markets.”

Q. Tell us about the Daiwa Securities Group’s approach to corporate governance.

A. Daiwa Securities Group recognizes that in order to maintain business growth it is essential that we receive full support from all our various stakeholders. As a leading financial institution, we try to remain conscious of our role and responsibility to support healthy economic growth. Therefore, we are continually seeking ways to improve the transparency and objectivity of management.

As financial markets become increasingly global and dominated by institutional investors, the corporate governance of a corporation has become a decisive consideration when making investment decisions. In 1999 the Daiwa Securities Group became the first listed Japanese company to adopt a holding company structure. Following the so-called “big bang” in accounting standards, we introduced “mark-to-market” and consolidated accounting systems. These measures help the Group increase its transparency and accountability to investors. Furthermore, in 2004 the Group introduced a Committee System of corporate governance, setting up three committees—the Nominating Committee, Audit Committee, and Compensation Committee. More than half of the committee members are directors who were appointed from outside the Group. This Committee System enables the Group to provide more robust oversight functions and an outside perspective. Executive officers are delegated a high degree of authority and responsibility to facilitate swift and clear decision-making.

Q. Describe the specific features of the Committee System at Daiwa Securities Group.

A. The most important feature of the Committee System is that it adds an objective, third-party perspective to decision-making, and ensures that management is more transparent. This form of governance requires a high degree of independence and high ethical standards from its outside directors. When selecting individuals to serve on the Board of Daiwa Securities Group, one of the key criteria is to ensure that the individual will show a high degree of independence. In addition to advancing the interests of the Group, our outside directors should be dedicated, visionary individuals who serve as a good example of corporate governance and help promote the development of financial and capital markets. From this perspective, I am confident that all of our outside directors are responsive to the needs of shareholders and dedicated to the promotion of healthy financial and capital markets in Japan.

Another very important issue in enhancing the Committee System is to set up a system that can reliably provide any relevant information to outside directors. Under our current corporate governance structure, the Daiwa Securities Group has separated the oversight and execution functions. The Board of Directors and the three committees fulfill auditing and oversight functions, while the Executive Committee holds the responsibility for implementing management policies and managing day to day operations. Under this system, members of the Board of Directors and major committees are not directly involved in day-to-day operations. Therefore it is very important that they not only receive regular reports on business conditions, but also have frequent opportunities to talk directly to employees on the front lines. This is one of the reasons why we have found it useful to have both myself and President Suzuki hold executive officer positions, in addition to our positions on the Board. By attending meetings of the Executive Committee, I have a clear picture of what is taking place and I can help to ensure that the Board of Directors and the three committees fully understand the actual business situation when making key management decisions.

Q. The term “corporate governance” sometimes has the nuance of being a passive or receptive activity. How can it provide impetus for positive reform of both the corporation and society?

A. In its broadest sense, the goal of our corporate governance structure is to promote healthy and active financial and capital markets through the activities of the Daiwa Securities Group.

Since the end of World War II the Japanese public has been accustomed to steady, almost continuous economic growth. The hard work and savings of these citizens created a vast pool of wealth estimated at around ¥1,400 trillion. Up to now, bank deposits have been the most efficient means of investing the nation’s wealth. Today, as the population contracts and the economy matures, it has become very difficult to increase savings by using the traditional model of asset accumulation. Japan must find ways to tap these financial assets and invest them in the world’s most rapidly growing economies, to provide positive returns and benefits to Japanese individuals. I believe that the Daiwa Securities Group should play a key role in channeling the energy of global growth back into the Japanese economy, particularly by offering attractive, highly transparent investment products to Japanese individuals. If the Daiwa Securities Group can earn the trust of Japan’s individual investors, it can make an important contribution to both stimulating global economic growth and bolstering the domestic economy. The Board of Directors of the Daiwa Securities Group is endeavoring to build a financial institution which can effectively fulfill its role, both in Japan and on the international stage.

July 2009

Akira Kiyota
Chairman of the Board

Corporate Governance Committee System

In 1999, Daiwa Securities Group Inc. became the first listed company in Japan to adopt a holding company structure. In 2004 the Group introduced a Committee System of corporate governance with three major committees that report to the Board—the Nominating Committee, Audit Committee and Compensation Committee. It also increased the number of outside directors, and established a clear separation between the oversight functions of the Board and the execution functions of executive officers.

Committee Members

Nominating Committee

Akira Kiyota (Chairman)
Shigeharu Suzuki
Tetsuro Kawakami
Ryuji Yasuda
Nobuko Matsubara
Keiichi Tadaki



Saburo Jifuku
Director

1982 Joined Daiwa Securities Co. Ltd.
2006 Head of Personnel Department, Daiwa Securities Group Inc.
2008 Director



Tetsuro Kawakami
Outside Director

1952 Joined Sumitomo Electric Industries, Ltd.
1975 Director
1978 Managing Director
1980 Representative Senior Managing Director
1982 President
1991 Chairman of the Board
1998 Corporate Auditor, Daiwa Securities Co. Ltd.
1999 Advisor, Sumitomo Electric Industries, Ltd.
2002 Outside Director, Daiwa Securities Group Inc.
2008 Honorary Advisor, Sumitomo Electric Industries, Ltd.



Ryuji Yasuda
Outside Director

1976 Joined Morgan Guaranty Trust Company of New York (currently JPMorgan Chase & Co.) as Investment Research Officer
1979 Joined McKinsey & Company
1986 Partner
1991 Director
1996 Managing Director, Asia Pacific, Member of the Board of Management, A.T. Kearney, Inc.
2002 Chairman of A. T. Kearney, Far East Asia Visiting Professor, Hitotsubashi University, Graduate School of International Corporate Strategy
2003 Retired as Chairman of A. T. Kearney, Far East Asia Chairman of the Board, J-Will Partners Co., Ltd.
Outside Director, Daiwa Securities Group Inc.
2004 Professor, Hitotsubashi University, Graduate School of International Corporate Strategy
2006 Retired as Chairman of the Board, J-Will Partners Co., Ltd.

Audit Committee

Saburo Jifuku (Chairman)
Koichi Uno
Nobuko Matsubara
Keiichi Tadaki

Compensation Committee

Akira Kiyota (Chairman)
Shigeharu Suzuki
Tetsuro Kawakami
Ryuji Yasuda
Koichi Uno



Koichi Uno
Outside Director

1967 Joined Arthur Andersen & Company Tokyo Office
1976 Transferred to Arthur Andersen & Company London Office
1977 Returned to Tokyo Office
1979 Partner, Tax Division
1981 Representative Partner, Koichi Uno Tax Accounting Office
2000 Retired from Koichi Uno Tax Accounting Office
Founded CPA UNO OFFICE
Part-time lecturer, Hitotsubashi University, Graduate School of International Corporate Strategy
2004 Outside Director, Daiwa Securities Group Inc.
Retired as part-time lecturer, Hitotsubashi University, Graduate School of International Corporate Strategy



Nobuko Matsubara
Outside Director

1964 Entered Ministry of Labor
1987 Director of International Labor Division
1991 Director-General of Women's Bureau
1997 Vice Minister
1999 President of Japan Association for Employment of Persons with Disabilities
2002 Ambassador of Japan to Italy
Ambassador of Japan to Albania
Ambassador of Japan to San Marino
Ambassador of Japan to Malta
2006 Advisor to Japan Institute of Workers' Evolution
Chairman, Japan Institute of Workers' Evolution
2008 Outside Director, Daiwa Securities Group Inc.



Keiichi Tadaki
Outside Director

1969 Became Public Prosecutor
1996 Chief Prosecutor of the Oita District Public Prosecutors Office
1997 Public Prosecutor of the Supreme Public Prosecutors Office
1997 Deputy Vice-Minister of Justice
2002 Vice-Minister of Justice
2004 Superintending Prosecutor of the Tokyo High Public Prosecutors Office
2006 Prosecutor General
2008 Retired as Prosecutor General Attorney at law
Chairman of Japanese Correctional Association
2009 Outside Director, Daiwa Securities Group Inc.

Corporate Governance

The Daiwa Securities Group is committed to creating a highly transparent and objective corporate governance system consistent with international standards. We clearly separate the supervisory and executive functions of management and maximize each Group company's independence and expertise while establishing a Group management structure that highlights synergies between the 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. Since then, we have been pursuing a highly transparent and objective corporate governance framework that maximizes synergy between Group companies while showcasing the independence and unique expertise of each Group member.

In June 2004, the Group made the 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 the executive officers. In addition, we strengthened the supervisory functions of management by increasing the number of outside directors and establishing the Nominating, Audit and Compensation Committees. The representative directors of major Group companies also serve as executive

officers of the holding company, allowing them to efficiently implement individual business strategies based on Group strategies.

The Nominating Committee met four times in FY 2008 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 standards for the appointment of directors. These standards include criteria that help ensure the independence of outside directors.

The Audit Committee met 12 times during FY 2008. The committee evaluated the activities of directors and executive officers, focusing mainly on their efforts to implement an auditing structure and internal control systems.

Corporate Governance System



The Compensation Committee met six times in FY 2008 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 11 times during the course of the year, and outside directors had a 100% record of attendance.

Executive Compensation More Closely Linked to Performance

Compensation for directors and executive officers is determined by the Compensation Committee, in principle. It generally has three components: basic compensation, performance-based compensation, and stock-price-linked compensation. Criteria used in calculating performance-based compensation include financial results, such as consolidated ordinary income and ROE, as well as operating assets and indicators of customer satisfaction. We discontinued the retirement benefit system for directors at Daiwa Securities Group Inc., Daiwa Securities, and Daiwa Securities SMBC to strengthen the correlation with business performance and to enhance the transparency of executive compensation.

Internal Control System

The Daiwa Securities Group defines four internal control objectives: promoting business effectiveness and efficiency, reliable financial reporting, compliance with laws related to business activities, and asset preservation. The Group is building an extensive internal control system to ensure that these processes function effectively and efficiently.

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

The Group's internal auditing departments undertake regular audits based on predetermined auditing plans, and verify the status of internal control activities. The frequency and extent of audits are determined on a case-by-case basis, following an evaluation of risks and other factors. The Internal Audit Department at the holding company regularly communicates with the internal auditing departments of major Group companies, and thereby coordinates efforts to upgrade the Group's internal control and internal auditing systems.

Compensation Paid to Directors and Executive Officers in FY 2008

	Directors		Executive Officers		Total	
	Recipients	Amount	Recipients	Amount	Recipients	Amount
Amounts based on resolution of the Compensation Committee	8 persons	¥118 million	14 persons	¥567 million	22 persons	¥686 million

- Notes: 1. The above compensation amounts include a total of ¥85 million in stock acquisition rights granted as stock options to directors and executive officers.
 2. In addition to the above compensation amounts, ¥261 million in retirement benefits were paid to two directors who retired from the Board of Directors in FY 2008, pursuant to a resolution of the 67th Ordinary General Meeting of Shareholders held on June 23, 2004.
 3. Compensation paid to the four outside directors totaled ¥64 million.
 4. Eight directors also served as executive officers; their total compensation is included in the "Executive Officers" category.

In the case of Daiwa Securities Group Inc., internal auditing plans and the results of internal audits are reported to and approved by the Internal Control Committee, a subcommittee of the Executive Committee. The auditing plans and results for major Group companies are reported to and approved by committees such as the Legal Affairs and Compliance Committee. The Internal Audit Department at the holding company also reports the results of internal audits to the Audit Committee.

The Audit Committee conducts audits in collaboration with the Internal Audit Department and, when necessary, can ask the Internal Audit Department to research the items required to conduct the audits.

"Internal Control Report System" to Govern Financial Disclosure Activities

In FY 2008, the government introduced legislation, under the Financial Instruments and Exchange Law, which requires management to submit reports on the internal control system used to oversee financial reporting. The objective of this regulation is to support the goal of "ensuring reliable financial reporting"—one of the four goals identified above. The reports that each company submits serve as a formal confirmation by company management that they approve of the control systems and believe that they are effective in ensuring accurate financial reporting.

To comply with this requirement, the Daiwa Securities Group has been working for several years to establish such systems. In FY 2006 we set up project teams at all of the major Group companies and solicited feedback and recommendations from outside advisors. The efforts were organized into four main categories—control of Group companies, oversight of Group IT activities, control of business processes, and verification measures—each of which was overseen by a separate working group. Each group compiled a list of the potential risks to accurate financial reporting in their area of focus, and possible internal control measures that could be used to monitor and evaluate these risks. At the end of this process, the Daiwa Securities Group determined that its internal control systems are adequate to ensure accurate financial reporting. A report on the Group's internal control systems was then compiled and disclosed in June 2009.

Compliance

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 the society in which we operate. Therefore we are 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 our role in society.

The Daiwa Securities Group's Approach to Compliance

The Daiwa Securities Group aggressively conducts compliance training programs for its employees. These programs commence as soon as they enter the company 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 company 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 FY 2008, the Group responded to a number of recent cases of insider trading by making the study of insider trading issues a major topic of its activities. Insider trading is a serious concern because it can severely damage the public's faith in capital and financial markets. As a major participant in capital and financial market activities, the Daiwa Securities Group has a duty to make sure that it is never involved in this sort of activity.

The Group is taking steps to eliminate any and all relations with corporate racketeers and other antisocial groups. Daiwa Securities Group Inc. has organized a "Corporate Ethics Promotion Liaison Meeting" which meets once a month, in principle, and includes representatives from the departments responsible for compliance at each Group company. This meeting has been used as a venue to provide guidance on how to avoid contact with and influence

from these shady organizations. In response to guidelines on how to combat problems caused by antisocial groups, issued to corporations by the Japanese Cabinet Secretariat's Ministerial Meeting Concerning Measures Against Crime in June 2007, in FY 2008 the Daiwa Securities Group implemented a basic policy on antisocial groups which it has disseminated throughout the Group and announced to the public. We also surveyed and monitored the activities of all companies in the Group to address this issue, to ensure that the proper measures are being taken.

In accordance with revisions to the Financial Instruments and Exchange Law regarding the use of firewalls (often referred to as "Chinese Walls"), in June 2009, the Group introduced internal management structures and policies related to the proper control and use of information, which will prevent conflicts of interest and ensure that the interests of our clients are never compromised.

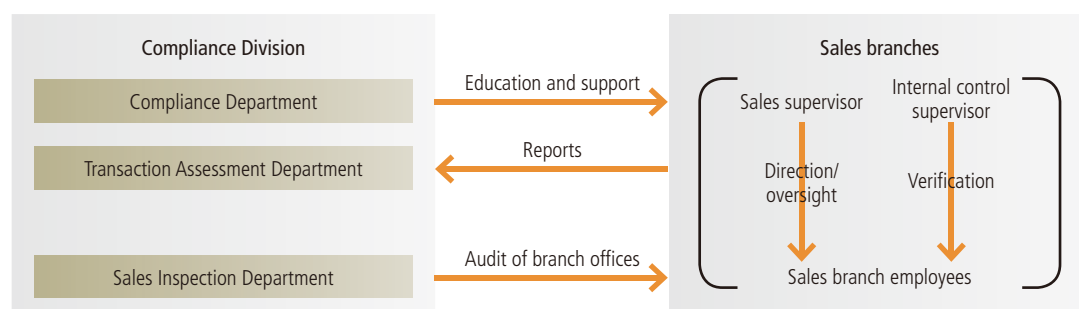
Daiwa Securities is taking measures, under the Group's compliance program, to establish an internal control system which will enforce strict compliance with laws and regulations, as well as with basic principles of proper social behavior. As part of this effort, the company established a Transaction Assessment Department whose role is to eradicate unfair trading practices and any form of coercion from antisocial groups, and thus uphold the integrity of the financial markets. This new department consolidates the former roles of several separate departments. The department is now able to analyze the background and business connections of individual clients—as

well as their stock holdings and trading activities—in a comprehensive way, to identify and take action against improper trading.

The Group is redoubling its efforts, through various types of training and employee education programs, to ensure that everyone in the company is familiar with internal control principles, while also improving the quality of sales activities and ensuring that they are appropriate.

In FY 2009, we intend to extend these programs further, in order to provide customers with the highest level of consulting and investment services possible from savings to investment. While devoting ourselves to the growth and preservation of healthy, transparent financial markets, Daiwa Securities is establishing internal control systems that can improve both the efficiency and effectiveness of operations.

Compliance Structure at Daiwa Securities



Daiwa Securities SMBC has identified legal compliance and the creation of a strict internal control structure as among the most important issues for management to address. The company has formulated a detailed compliance strategy, which it has implemented as part of its compliance program. In FY 2008 Daiwa Securities SMBC continued measures aimed at complying with the “Guidelines for Financial Instruments Business Supervision,” which

the Financial Services Agency issued as part of the revisions to the Financial Instruments and Exchange Law. The company also took steps to strengthen its compliance systems for eliminating transactions with antisocial groups, and conducted training programs for all employees and executives to ensure that they are aware of and comply with all laws and regulations.

Risk Management

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, properly balancing risks and returns, and anticipating any possible business scenarios that might elevate risk.

Basic Risk Management Policy

The Daiwa Securities Group has established basic risk management regulations governing all activities by Group companies to manage risk, to ensure that they conform to the following basic policies:

1. Management shall demonstrate an active concern for managing risk.
2. An appropriate and comprehensive risk management structure shall be established to address the specific characteristics of risk faced by Group companies.
3. All risk management processes shall be clearly identified.

Risk Classification

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. In line with this approach, the Group has established risk management systems at each company which have a particular focus on the respective company's business characteristics and risk profiles. These systems cover market risk, credit risk, liquidity risk, operational risk, systems-related risk, legal and compliance risk, and reputation risk.

Risk Management System

Any changes to the risk management structure, or any revisions to the internal regulations governing risk management in the Daiwa Securities Group, shall be subject to approval by the Board of Directors. Risk shall be monitored constantly to maintain a grasp of the Group's overall risk exposure, and issues related to the risk management structure of every Group company shall be reported to and discussed by the

Internal Control Committee, a subcommittee of the Executive Committee.

Reports on the Group's exposure to risk shall be evaluated not only in light of general risk management standards but also in terms of their relation to the Group's business strategy. Risk exposure shall therefore be considered as a very important matter by the Board of Directors, when preparing the Group's business plan, and by the Executive Committee, when deciding how to allocate capital resources.

Of the many risks which the Group faces, market and credit risk stemming from trading activities are especially important, since securities-related operations are central to the Group's business activities. It is imperative that the Group manage these risks effectively, in order to ensure financial stability.

Daiwa Securities SMBC, Daiwa Securities SMBC Europe, and Daiwa America Corporation conduct most of the trading within the Daiwa Securities Group. Daiwa Securities takes relatively small trading positions in situations where market risk exposure exists; market risk and credit risk emanating from this trading are therefore limited.

Daiwa Securities SMBC is responsible for its own risk management and that of its subsidiaries. The main authority related to risk management rests with the Risk Management Committee, which determines risk management policy, procedures, and risk frameworks for the trading positions of Daiwa Securities SMBC and its subsidiaries. It has set up a risk management system to monitor measured risk and ensure that it does not exceed the upper limit established for the trading departments, and to report risk conditions to management. Reports on market risk related to trading positions are submitted to management on a daily basis, while reports on credit risk are submitted every month. Comprehensive

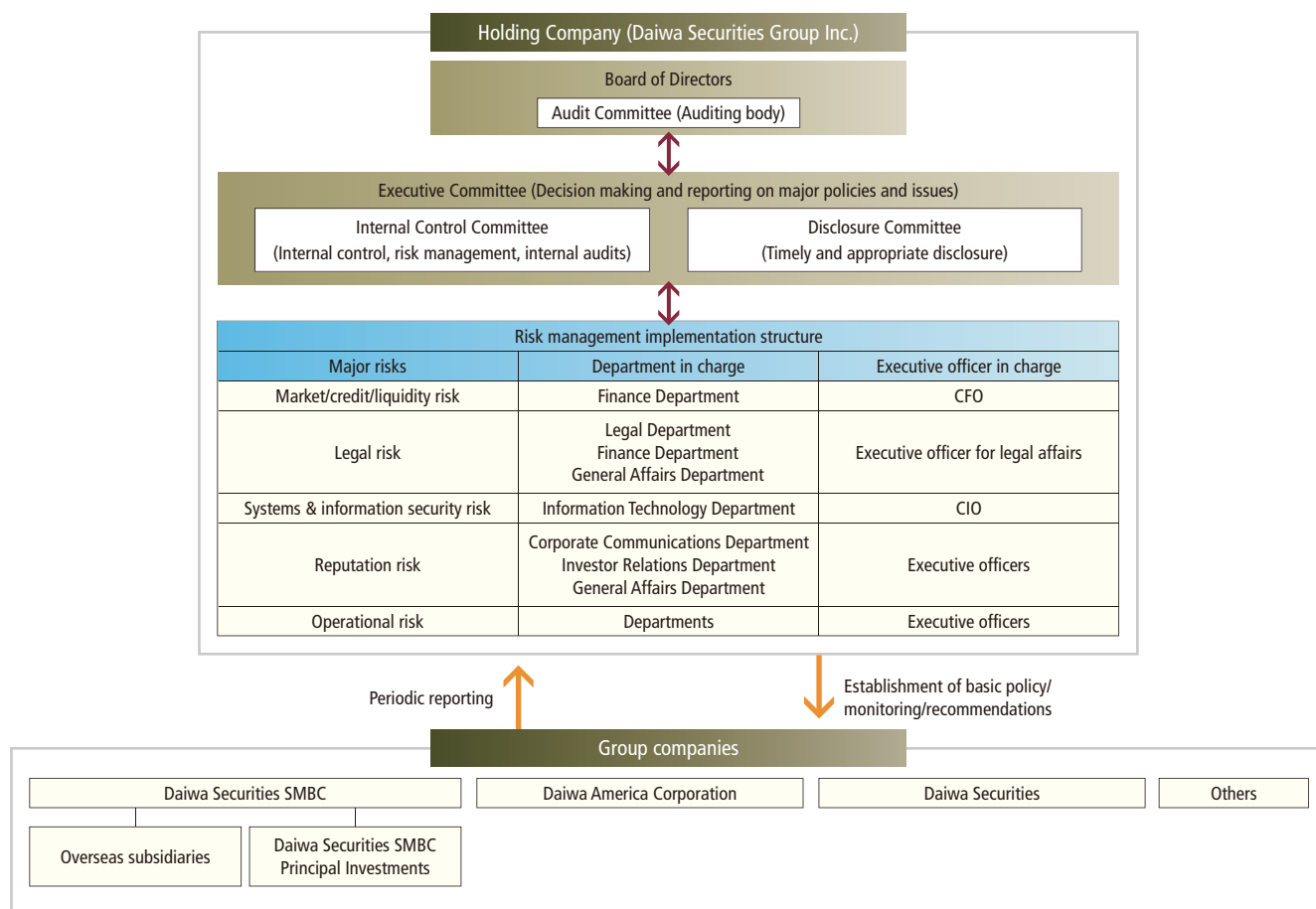
reports, including information on other elements of risk, are submitted regularly to the Risk Management Committee.

Daiwa Securities SMBC Europe and Daiwa America Corporation have built independent risk management systems based on local laws and regulations. Reports on market risk and credit risk related to trading positions are made regularly, both to local management and to the risk management division at Daiwa Securities Group Inc. The management of Daiwa Securities Group Inc. receives daily risk reports on trading positions at the aforementioned subsidiaries via its department in charge of risk management. These reports give the Group's management team an accurate grasp of the risk profile of its trading positions.

In addition, comprehensive and exhaustive reports are made to the Internal Control Committee regarding market and credit risks related to financial assets other than trading positions. Based on these reports, Daiwa Securities Group Inc. monitors risk conditions, and determines whether the capital of subsidiaries—capital invested by the Daiwa Securities Group Inc.—is being exposed to excessive risk.

In order to address the rising scale and increasing complexity of risk, the Group has been working to develop more advanced statistical methods of quantifying risk, while introducing effective methods of managing the changes in risk conditions caused by changes in the market environment and revising them when appropriate. In this way, the

Risk Management System



Group ensures that risk can be kept at appropriate levels relative to management capabilities and financial strength. Furthermore, the Group manages capital in a comprehensive manner, which takes into account the relative risk and return of each business segment, in an effort to generate an appropriate return at an acceptable cost of capital, thus maintaining earnings growth.

Major Risks and Methods of Management

MARKET RISK

Market risk refers to the risk of incurring losses due to market fluctuations, which affect the value of stock prices, interest rates, foreign exchange rates and commodities prices. Most of the Group's trading positions

are exposed to market risk, and it is therefore of paramount importance to quantify the impact that market fluctuations have on the value of financial assets or liabilities, to gain a more objective understanding. Therefore, the Group employs Value at Risk (VaR), with a confidence level of 99% and a holding period of one day, as an index to help understand the potential impact on the Group as a whole. In addition, stress testing and scenario analysis are used to help the Group anticipate and control the total scale of risk that could emerge in the case of unprecedented market fluctuations. Furthermore, upper limits are set for each individual risk factor, based on the characteristics of the risk, to ensure that the Group is prepared for any change in risk profile.

Value at Risk

Range and Assumption of VaR • Confidence level: 99% Holding period: 1 day • Adjusted for price correlation between products

Daiwa Securities Group Inc. (Consolidated)

(Billions of yen)

	3/07	6/07	9/07	12/07	3/08	6/08	9/08	12/08	3/09
VaR (Month-end)	2.18	1.95	2.60	2.78	2.72	3.16	2.65	1.83	3.89
Quarterly	High	3.55	4.10	5.79	3.89	3.01	4.56	2.75	9.95
	Low	1.14	1.28	1.50	2.02	1.71	2.09	1.30	1.41
	Average	2.13	1.91	2.75	2.90	2.32	2.95	2.10	3.18

By Risk Factor (Month-end)

Equity	0.98	1.24	1.78	1.65	1.57	1.44	0.59	0.67	0.89
Interest	0.80	1.51	1.23	1.93	1.78	3.73	2.87	1.29	2.75
Currency	1.63	0.54	1.28	1.48	1.61	1.03	1.39	0.75	2.88
Commodities	0.12	0.17	0.00	0.00	0.04	0.02	0.00	0.01	0.24

CREDIT RISK

Credit risk refers to the risk of any losses caused when a client, to which the Group extended credit, suffers a deterioration in financial conditions, a valuation loss on assets (including off-balance-sheet assets), or for some other reason is unable to repay its debt. In the wholesale securities business, where the exposure to credit risk is comparatively large, the Group assigns credit limits to each transaction

partner on the basis of a credit evaluation model that incorporates such factors as the credit period, availability of collateral, and validity of associated contracts, to determine the probability of repayment. In addition, VaR calculations are used to ensure that the credit portfolio is kept at appropriate levels, and periodic checks are conducted to verify the suitability of overall risk exposure.

MARKET RISKS AND CREDIT RISKS UNRELATED TO TRADING POSITIONS

The Group also owns investment securities unrelated to its trading positions that are held from a long-term perspective for the purpose of maintaining business relationships, as well as private equity and other investments related to the venture capital and principal investment businesses. Since the market risk, credit risk, and other forms of risk associated with these investment assets vary in nature, the Group adopts indicators that are appropriate to the particular type of risk (such as the balance of assets held, classification of holdings by credit rating, or VaR), and regularly monitors risk and credit conditions, in order to manage the credit limits appropriately.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty procuring funds, or that the financing cost will rise significantly higher than normal, due to changes in the market environment or an unexpected credit crunch. While the Group employs a variety of assets and liabilities in its business activities, it strives to keep liquidity at an appropriate level, taking into account the balance between financial efficiency and stability. The Group as a whole holds a liquid portfolio totaling ¥875.6 billion (as of March 31, 2009) consisting mainly of cash, deposits, government bonds and other highly liquid instruments. By doing so, it maintains sufficient liquidity to ensure that business activities are not interrupted, even in the event of a credit crunch. During the latter half of FY 2008, in particular, the Group increased liquidity on hand in order to address the uncertainty created by the global financial crisis.

OPERATIONAL RISK

Operational risk is the risk of incurring losses due to inappropriate or malfunctioning internal processes, personnel, or computer systems, or due to adverse external events.

As the Group's business becomes more sophisticated, diversified, and systemized, the accompanying risks become more varied, and the need to manage such operational risk grows each year.

Specialized sections have been set up in each company to address operational risk, and conferences are held to consider the necessary issues.

Due to the diversifying nature of its business, the Group sets rigid rules concerning authority, automates office work processes to reduce human error, prepares business manuals, and takes other necessary measures. Each Group company strives to reduce operational risk according to the nature of its own business.

SYSTEMS-RELATED RISK

One form of operational risk is systems-related risk, which refers to the potential for incurring losses due to a computer breakdown or malfunction or other systems-related problems. It also covers the risk of losses caused by the inappropriate release of information or improper use of computers.

The Group has established an information security policy, centering on systems risk management, aimed at mitigating these types of risk. The Group has set security standards (regulations related to information security) and works to ensure that executives and employees understand and fully comply with those standards.

In addition, the Group constantly monitors the operating status of its core systems to keep disorder to an absolute minimum. Even if problems do occur, the Group has procedures in place to respond to them swiftly.

LEGAL RISK

Legal risk includes regulatory risk, risk regarding compliance with the law and litigation risk, and refers to the potential for incurring any of a variety of losses due to noncompliance with legal and other regulations, lawsuits, invalid contracts with third parties, or violations of corporate ethics rules. Such potential losses may include loss of reputation as a service provider or loss of business.

The Group is engaged primarily in securities-related activities, and employs group management. It must abide by the Financial Instruments and Exchange Law, and observe the associated laws and regulations when executing securities transactions, and comply with various regulations in general operations outside of the securities business. Even in non-operational matters, high standards of discipline are expected of financial instruments dealers and brokers and their personnel with regard to market rules and regulations, insider trading-related and otherwise.

To ensure that these regulations are observed, the Group has set up compliance sections at each company and established committees to discuss and resolve compliance issues and matters related to corporate ethics.

Securities transactions and other third-party agreements often require high levels of specialization to determine the legality of contracts and suitability of processes. In response to such cases, the Group has consulting agreements with law firms, including overseas firms, to obtain legal advice.

REPUTATION RISK

Reputation risk refers to the possibility of the Group sustaining unforeseen losses due to deterioration of its reputation, caused by the spread of rumors or erroneous economic information. There are no uniform procedures for managing reputation risk, because it can emanate from a variety of sources.

The Group has established various regulations under its Disclosure Policy, with particular emphasis on the management and provision of information. It has also set up the Disclosure Committee within Daiwa Securities Group Inc.

Each Group company is charged with the task of reporting information on reputation risk to the Disclosure Committee. Information is obtained and centrally managed at Daiwa Securities Group Inc., which disseminates it in a prompt and accurate manner according to the decisions of the Disclosure Committee.

The Group works hard to keep abreast of problems and occurrences that may affect its reputation, so that if and when such problems do occur, their impact on the Group can be minimized. It also acts to ensure that erroneous and inaccurate information is properly corrected, and responds appropriately to libel and other issues. The Group has public relations and investor relations systems in place to prevent and minimize risks to its reputation.

Financial Strategy

In order to maintain a healthy balance between financial stability and effectiveness, the Daiwa Securities Group concentrates on finding ways to use financial resources to enhance corporate value. The Group seeks to maintain an appropriate level of liquidity through effective yet flexible methods of procuring and utilizing capital that reflect market conditions. Furthermore, the Group strives to maintain a healthy balance between assets and liabilities to ensure that its financial condition remains constantly stable.

Effective Methods of Procuring Capital

The Daiwa Securities Group uses a diverse assortment of methods to raise capital, including the issuance of straight corporate bonds, medium-term notes, loans from other financial institutions, commercial paper, call money, *gensaki* trading (repurchase agreements), repo operations, and stock lending. The Group considers market conditions and adopts an appropriate mix of these methods in order to procure capital effectively. When utilizing medium- and long-term instruments, such as straight bonds and medium-term notes, the Group maintains a constant awareness of trends in the financial markets, procuring capital at the most advantageous time possible.

Financial Stability

The Daiwa Securities Group exercises great care to ensure that it always has access to a stable supply of funds, and thus avoid any situation that might jeopardize the Group's continued viability in the case of extreme fluctuations in economic and financial conditions. In particular, the Group continuously monitors whether there are sufficient funds on hand and funding capabilities to maintain unsecured current liabilities. Any time there are signs that the financial markets are entering a period of volatility, the Group responds promptly to increase liquidity and prepare itself for any unexpected eventualities.

Group-Wide Capital Management

Daiwa Securities Group Inc. is responsible for monitoring and managing liquidity conditions for the Group as a whole. Although the Group's domestic and overseas securities subsidiaries (including Daiwa Securities and Daiwa Securities SMBC), and Daiwa

SMBC Capital conduct their own fund-raising activities and have their own internal systems for maintaining liquidity, the holding company nevertheless monitors their activities and conditions constantly. Daiwa Securities Group Inc. also conducts the basic capital procurement activities for other subsidiaries, and manages finances comprehensively with the goal of allocating capital effectively.

Contingency Plan

The Group has established a contingency plan to maintain business operations for more than one year under any situation that might arise in which sudden market fluctuations make it difficult to procure capital on unsecured short-term credit. The details of this contingency plan are monitored and reviewed on a regular basis, and both the capital procurement plan and the contingency plan are adjusted, when necessary, to account for any new risk scenario which might become apparent.

Financial Strategy Under the Medium-Term Plan, "Passion for the Best" 2011

Under its new medium-term management plan, the Daiwa Securities Group has adopted a financial strategy which aims to strengthen the Group's financial base and allow it to manage finances more flexibly. To this end, the following three measures will be adopted.

1. IMPROVE FINANCIAL HEALTH AND STABILITY BY EXPANDING THE FINANCIAL BASE

In order to provide an ample financial base to support operations, the Group intends to revise its capital allocation strategy. Businesses which require large

balance-sheet commitments will be examined carefully and the Group's holdings of investment assets will be managed with greater care. The Group also plans to rein in capital investment and trim expenses, in addition to subjecting future investments to more stringent checks, to ensure that they contribute to greater profitability. In particular, the Group will establish a clear ranking of priorities for capital investment with a view to managing the overall capital spending budget more carefully, and make cost a primary consideration when deciding whether to obtain equipment or capabilities in-house or to outsource them.

2. ENHANCE CAPITAL PROCUREMENT ABILITY IN ORDER TO RESPOND FLEXIBLY TO GROWTH OPPORTUNITIES

The Group will take steps to enhance its ability to procure capital, giving it greater flexibility to obtain capital and operating funds, and to fund investment that could lead to growth opportunities. In addition to adopting a broader range of methods for capital procurement, and

seeking funds from a greater variety of sources, the Group will revise its management structure so that it can employ existing methods of obtaining funds more flexibly. The Group will strive to maintain an appropriate balance between dividend payments and retained earnings, so that it will always have sufficient capital to pursue growth opportunities.

3. STRENGTHEN THE MANAGEMENT STRUCTURE AND IMPROVE GROUP-WIDE COORDINATION

The Group intends to establish more effective accounting systems and other forms of financial infrastructure, in order to ensure that it can swiftly obtain precise consolidated financial information for the Daiwa Securities Group as a whole. In addition, it will promote greater coordination among members of the Daiwa Securities Group and a unified management structure, particularly in regard to issues such as capital procurement and risk management. In this way, the Group intends to make financial management activities more flexible and more effective.

Financial Strategy Under "Passion for the Best" 2011 Management Plan—Capital Allocation

	As of March 31, 2009	April 2009–March 2012 (Period covered by the medium-term management plan)
Consolidated net assets	¥952.3 billion	<p>Increases in net assets will be concentrated at the holding company and used to pursue future investment opportunities.</p> <ul style="list-style-type: none"> • The increased capital will be allocated by the holding company to each division, taking into account the risk and anticipated return both for the Group company and on a consolidated basis. • Limits on investment in each division will be established and managed in proportion to allocated capital.
Core divisions		
Retail	¥238.6 billion	Maintain retained earnings levels appropriate to the scale of operations. (Steady or gradually increasing net assets; most earnings paid as dividends to holding company)
Wholesale*	¥569.3 billion	Select investment targets in each business carefully and use subordinated debt to adjust risk levels.
Asset Management	¥55.4 billion	Maintain retained earnings levels appropriate to the scale of operations. (Steady or gradually increasing net assets; most earnings paid as dividends to holding company)

* Includes both Daiwa Securities SMBC (consolidated) and Daiwa America Corporation

IT Strategy and Information Security

The Daiwa Securities Group is investing aggressively and flexibly in the latest information technology (IT), which allows the Group to respond swiftly to the many challenges of its broad and diversified securities business. We view the data that flows through the organization, including information on clients, as an important management resource—the very lifeblood of the organization. Therefore, the Group has established a variety of policies to protect that information from being misused by individuals either inside or outside the Group. Our high-level information security management system allows the Group to fulfill its social responsibility to protect internal information and to increase corporate value.

IT Strategy

The Daiwa Securities Group aggressively introduces IT which allows the Group to respond effectively to the rapidly diversifying and increasingly sophisticated securities business. The Group has adopted an IT strategy, as part of its overall business strategy, which includes plans to expand Daiwa Securities' online trading operations, and to greatly enhance the functions and capabilities of equity and bond trading systems at Daiwa Securities SMBC.

In order to provide IT support to all companies in the Group more efficiently, we are taking steps to optimize IT functions and ensure that Group companies receive the most appropriate and efficient IT services possible. As a part of this effort, we have restructured the former Daiwa Institute of Research which is in charge of the core systems development and management function for the Group.

IT Organization

Although it is investing aggressively in IT infrastructure, the Daiwa Securities Group is also doing its utmost to ensure that the Group's IT systems are cost-efficient. The Group tries to develop systems that can be adopted uniformly (or at least partially standardized) at all Group companies. In this way, we are making every effort to build an overall Group IT infrastructure with as little duplication and waste as possible.

Systems that have already been developed and introduced are also being downsized and adjusted to incorporate the latest technology. We are re-evaluating the units which operate and maintain these systems, in an effort to cut costs even further.

Structures and Measures for Maintaining Information Security

The Daiwa Securities Group has adopted a full spectrum of information security policies at companies throughout the Group to ensure that the important personal information received from customers and all information resources within the Group are managed in a secure and appropriate manner. We are constantly taking steps to improve and maintain information security at all companies in the Group at the highest level possible.

Among the organizational measures that we have adopted is an "Information Security Policy" which dictates the basic measures 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, and established a Group IT Management Council at Daiwa Securities Group Inc., which is responsible for discussing any issues pertaining to information security and reporting any information security risks to the Internal Control Committee.

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 a paperless bookkeeping system and high-security access controls at the data center. The online trading systems of Daiwa Securities employ highly advanced encryption technology for data transmission and to verify a user's identity, ensuring that clients are able to use the system safely and securely.

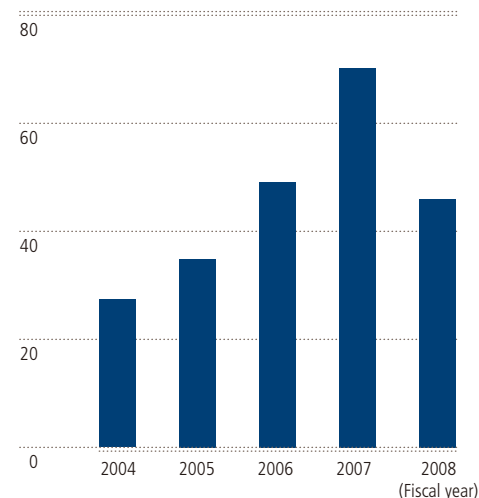
Efforts to Enhance the Level of Information Security

The Daiwa Securities Group is promoting the use of an Information Security Management System (ISMS) throughout the Group, and we are constantly examining new ways to improve information security through a cyclical approach: “Plan → Do → Check → Act.” Some companies in the Group have already earned ISMS certification, as well as the “Privacy Mark” certification, which certify the effectiveness of their information security systems.

Educating Personnel About Information Security Issues

The Daiwa Securities Group understands the importance of human factors in effective information security systems; therefore, we have introduced programs to educate all executives and employees in the basics of information security. A range of training programs has been designed with content specially tailored to the functions of section managers, those in charge of security-related operations, and other employees. The programs offer group-sessions, as well as e-learning.

Trends in Group-Wide IT Investment
(¥ billion)



IT Strategy Under “Passion for the Best” 2011 Management Plan

Develop an IT function and framework with a competitive advantage, developed according to Group strategies and cost considerations

- » Build an efficient and flexible systems development and management framework
 - Optimize the Group's IT organization while reducing total cost and scale
 - Review the allocation of IT functions among Group companies and develop an IT support system that can respond to changing conditions
- » Reinforce global development
 - Cooperate with overseas IT developers and strengthen the IT development base in Asia and emerging countries
- » Pursue cost efficiency and provide stable systems services
 - Reduce systems-related costs by unifying infrastructure and improving productivity in system development and management
 - Review the service content and level of each system to achieve higher security and a lower total cost
- » Improve IT-related knowledge within the Group

Outlook for the Group's IT Investment

	IT investment amount (for three years)	
	New medium-term plan	Previous plan
Retail	¥37.2 billion	¥61.2 billion
Wholesale & investment	¥43.1 billion	¥73.8 billion
Asset management	¥3.3 billion	¥4.0 billion
A total of three divisions	¥83.6 billion	¥139.0 billion

Note: Includes investment by DIR. No new investment or large-scale investment related to regulatory changes is expected in FY 2010 or FY 2011.

Disclosure

The Daiwa Securities Group strives to earn the confidence of stakeholders by meeting the very highest standards of disclosure among Japanese companies. We work proactively to provide fair, prompt and appropriate information to customers, shareholders, investors, the local community and employees in order to ensure that all of these stakeholders receive a clear understanding and proper evaluation of the Group's business activities.

Disclosure System

The Daiwa Securities Group has formulated a Disclosure Policy which confirms the Group's basic approach to information disclosure and strives to provide information in a fair, prompt and appropriate manner.

In addition, Daiwa Securities Group Inc. has established a Disclosure Committee—a subcommittee of the Executive Committee—as stipulated in the Group's Disclosure Regulations, which were established in order to ensure concrete implementation of the spirit of the Disclosure Policy. This Committee is responsible for making final decisions regarding the disclosure of information. Major Group companies have established their own regulations

for “management-related information,” which govern the appropriate collection of information and presentation of reports to Daiwa Securities Group Inc.

The responsibilities for disclosure are clearly allocated, based on the intended recipient of the information. The Investor Relations Department handles disclosure to shareholders, investors and analysts. The Corporate Communications Department is responsible for communications with the mass media, and the CSR Promotion Department provides information to local communities. Information is released through a variety of media, including via the Internet and in print. In addition, representatives from disclosure-related divisions of all Group companies take part in the Group PR/IR Meeting, which convenes once a month, to discuss the issues that affect disclosure activities for the Daiwa Securities Group as a whole.

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 Law 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.

Enhancing Investor Relations Activities

The Daiwa Securities Group supplies shareholders and investors with data and explanations of its earnings results, business strategies and progress towards strategic goals in a forthcoming manner. These disclosure activities also solicit feedback, providing management with information on market reactions and opinions to help them improve management transparency and efficiency, and thereby boost corporate value in the eyes of investors.

The Group strives to disclose information in a fair, prompt and appropriate manner, and takes steps to eliminate any disparity between the information available to domestic stakeholders and that provided to overseas stakeholders. Information on quarterly financial results is posted on the Investor Relations (IR) page of the Group's website immediately after the official announcement. The IR Department

conducts a conference call with domestic analysts and institutional investors on the evening of the same day, which is also streamed on the IR website, in real time. A conference call with overseas investors is conducted later that same evening. Since FY 2007, the Group has organized “IR themed meetings,” at which executive officers from selected business divisions explain their activities and discuss key issues with securities analysts and institutional investors.

The Group’s CEO holds Group strategy meetings for securities analysts and institutional investors in Japan twice a year. In addition, the top management travels overseas to meet with institutional investors. In FY 2008, the team held conferences as usual with investors in Europe, the US, Hong Kong and Singapore.

The Group is also seeking ways to improve communication with individual shareholders and investors. During FY 2008, the sub-prime loan crisis in

the US set off a financial crisis which spread to markets around the globe. In Japan, as well, investors watched the value of their stock portfolios decline; this made individual investors particularly averse to investment risks and disinclined to invest in stocks and other instruments with higher exposure to risk. In an effort to communicate with these individual investors and help them to fully understand the situation, the Daiwa Securities Group took part in many large-scale IR seminars organized by Nikkei Inc. (the publishers of the “*The Nikkei*” newspaper) and the Tokyo Stock Exchange.

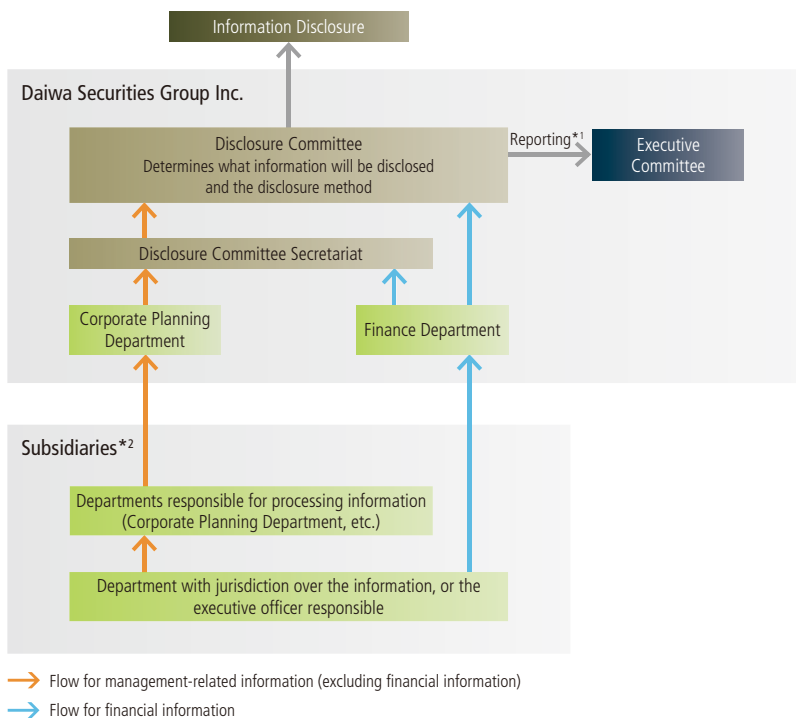
To further facilitate communication and understanding, we have taken steps to improve the convenience of the Group’s IR website, and published a “Fact Sheet” in both Japanese and English, as a tool to communicate with individual investors and offer basic information on the Daiwa Securities Group and its business activities.

In order to encourage more shareholders to attend the General Shareholders’ Meeting, which gives Group representatives an opportunity to interact directly with shareholders, since 2006 we have been holding the Meeting on a Saturday, in a spacious conference room at a hotel. For those shareholders who are unable to attend the meeting in Tokyo, the Group broadcasts this event via live satellite transmission to venues in Osaka and Nagoya, as it has done in the past. To encourage investors to exercise their voting rights, the Group allows shareholders to vote via the Internet or by mobile phone.

In FY 2006, we joined the “Electronic Voting Platform for Institutional and Foreign Investors,” which allows institutional investors both in Japan and overseas to vote quickly and directly on proposals to the General Shareholders’ Meeting via the Internet.

The Group will continue to develop an IR structure that is tailored to the needs of each type of investor, in a concerted effort to communicate frankly and proactively with all of our stakeholders. In this way, we hope to serve as an example to other listed companies of how to communicate with investors, and thereby help to promote a more vibrant securities market.

Flowchart of the Daiwa Securities Group’s Disclosure Activities



*1 Reporting on all items that the committee chairman determines to be “important”

*2 Includes all companies in the group, whether direct subsidiaries of the holding company, or subsidiaries of other subsidiaries

Human Resource Management

The Daiwa Securities Group derives much of its competitive strength from its personnel. To maximize competitiveness, the Group fosters an environment in which all employees are motivated to enhance their abilities and realize their full potential. We actively encourage employees to upgrade their skills, and we are striving to establish a personnel management system that can evaluate employee performance more accurately.

Group Personnel Policy

The Daiwa Securities Group is keenly aware of the importance of our employees, who are the wellspring of the Group's competitiveness. Our stated policy 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 performance and contributions of employees." It is employees who supply the effort and inspiration needed to elevate shareholder value. Therefore, one of the best ways for a company to improve the satisfaction of its investors and customers is to seek out optimal systems and methods for motivating employees.

ADVANCED EVALUATION SYSTEM AND PERFORMANCE-BASED REMUNERATION

The Daiwa Securities Group adheres strictly to results- and performance-oriented standards of evaluation, in order to ensure that its personnel system is fair and objective. The Group uses a two-way evaluation system, in which superiors and subordinates evaluate one another, as well as a multidirectional evaluation system, in which employees are evaluated by other closely related divisions and Group companies, based on objective criteria. We also conduct "evaluator training" programs to enhance the evaluation skills of employees. In accordance with the Group's performance-oriented standards, Daiwa Securities has established the "President's Awards," which are awarded twice a year in an effort to further motivate employees. Similar awards programs have been introduced at Daiwa Securities Group Inc. and Daiwa Securities SMBC.

The Group has also adopted an employee remuneration system that is based on job category as well as performance appraisal using a detailed, job-specific evaluation process. At the deputy general manager level, this could result in up to 12-fold differences in bonuses and up to five-fold differences in salary, based on results from FY 2008. Performance-based annual remuneration systems were introduced for analysts and fund managers whose annual salaries are determined to reflect analyst rankings or fund performance.

SKILL ENHANCEMENT OPPORTUNITIES AND CAREER DEVELOPMENT OPTIONS FOR EMPLOYEES

The Daiwa Securities Group continues to upgrade personnel support systems which encourage employees to enhance their skills and obtain qualifications related to financial services, such as financial analyst or financial planner. We also offer various programs that train employees in important skills, helping them improve their ability to give presentations or coach subordinates, and developing their leadership qualities. From FY 2008, the Group commenced full-scale introduction of a career advancement system based on employees' qualifications. Under this system, employees must earn a specified number of "qualification points" in order to receive promotion to a given job level. Points are awarded when the employee meets certain certification-based criteria, and the number of points awarded increases relative to the difficulty of earning the particular qualification. This system provides employees with greater incentives to enhance their abilities.

In addition, we have adopted an intra-Group job posting system, which allows 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 745 applicants, 135 of whom have successfully qualified for transfers.

PROMOTING A BALANCE BETWEEN WORK AND PERSONAL LIFE

If employees are able to maintain a harmonious balance between work and private life, enjoying a healthy and rewarding lifestyle, their motivation and loyalty to the company will increase, making them valuable assets to any organization. The Daiwa Securities Group recognizes the importance of this relationship in attracting and keeping top-quality personnel, as well as in ensuring that it can achieve sustainable development as an enterprise. Consequently, the Group has continuously promoted the concept of a "Work-Life Balance."

- **The “Work-Life Balance Promotion Committee” and “Work-Life Balance Promotion Section”**

The Group’s efforts to ensure that all employees enjoy a healthy balance between work activities and their personal life have taken a more concrete step forward with the creation of a “Work-Life Balance Promotion Committee” at Daiwa Securities Group Inc. The committee is supervised by the Group CEO, who also has assumed the post of “Chief Work-Life Balance Officer” (CWO). In addition, a new section has been established within the Personnel Department of Daiwa Securities Group Inc., to coordinate this effort. The staff members assigned to this new “Work-Life Balance Promotion Section” have been given the task of helping employees of the Daiwa Securities Group achieve a better balance between work and personal life.

- **Encouraging Employees to “Leave the Office by 7 p.m.; Make Full Use of Paid Annual Leave”**

As part of its efforts to promote a work-life balance, beginning in 2007, Daiwa Securities Group Inc. and Daiwa Securities have been encouraging a “Leave the office by 7 p.m.” policy, and Daiwa Securities SMBC adopted the same policy in 2008. In addition, these three companies in 2008 adopted a policy that encourages employees to make full use of their paid annual leave.

- **Family Visits to the Workplace**

In August 2008, the Group organized an event that gave family members an opportunity to visit the office to express thanks for the support they provide to employees on a daily basis, while helping them to better understand the work that their parents/spouses do for the Daiwa Securities Group. In this way the Group hopes to promote an even better balance between work and personal life. Some 4,400 family members took part in this event.

- **Work-Life Balance Seminars**

Starting in November 2008, the Group has begun conducting internal company seminars to help promote a clearer understanding of what “work-life balance” means, and what the Daiwa Securities Group is doing to promote a better balance between work and personal life. To date, 20 such seminars have been conducted and about 1,600 employees have taken part.

- **Other Human Resource Initiatives**

In 2008, the Ministry of Health, Labour and Welfare launched a “Work-Life Balance Promotion Project.” This project recognizes the efforts of companies which are influential in Japanese society and which have adopted exemplary policies to help employees better balance their work and their personal lives. Daiwa Securities Group Inc. was selected for this recognition and we will continue efforts to help employees achieve a better balance between work and personal life.

In addition, the CEO of Daiwa Securities Group Inc. was named as joint chairman of the “Committee on Population Issues,” which was established by Nippon Keidanren in 2005. This organization tries to promote nationwide awareness of the problems caused by Japan’s low birthrate and develop strategies to guide a society that is experiencing a population decline, while pursuing activities that provide Japanese companies and organizations with a fuller understanding of the need for work-life balance.

Human Resource Initiatives Under the New Medium-Term Management Plan

Under the Daiwa Securities Group’s new medium-term management plan, one of the main themes of our human resources strategy is to “encourage each employee to become a true professional in their work activities.” This strategy includes specific measures such as the following:

1. Assignment and allocation of personnel to strategic, high-priority areas
2. Measures to train true financial professionals
3. Efforts to promote a better balance between work and personal life

Offering Greater Job Satisfaction

The Daiwa Securities Group aims to establish itself as one of Japan’s top corporations in terms of earning the trust of all stakeholders. Since that naturally includes employees, the human resource policies adopted as part of our medium-term management plan include efforts to achieve and maintain high employee motivation. We are taking a variety of steps to make sure that all employees who work for the Daiwa Securities Group (1) feel a strong sense of loyalty to the Group, (2) understand and take pride in their roles and responsibilities in the workplace, and (3) develop harmony and cooperation with the company they work for, as well as with their fellow employees.

MENTAL HEALTH CARE SUPPORT

Daiwa Securities Group Inc. has established a Mental Health Support Department, which includes on-site clinical psychotherapists stationed at the company headquarters. This department provides confidential consultation services to employees who are experiencing anxiety, insecurity or stress, in an effort to support the mental health of all Group personnel.

EFFORTS TO FOSTER A SENSE OF COMPANY UNITY

The Daiwa Securities Group understands that employees need to maintain a harmonious balance between work and private life, and that leisure activities can be invaluable as a way to deepen friendships and a sense of solidarity among Group employees. Therefore, in FY 2007, the Group introduced a "Support System for Club Activities," and a "Support System for Internal Company Events." To date, employees have established 12 separate clubs under the "Support System for Club Activities."

SUPPORT AND EMPLOYMENT FOR VETERAN PERSONNEL

The Daiwa Securities Group has always sought ways to leverage the skills and capabilities of older employees who have the desire to continue working, by rehiring them after the official date of their retirement. In response to the government's "Revised Law for the Stabilization of Employment of the Aged," we introduced the "Daiwa Master System," which will allow the company to benefit even further from the contributions of veteran employees, in the future.

SUPPORT FOR WORKING MOTHERS AND OTHER SUPPORT SYSTEMS FOR WOMEN

For many years, the Daiwa Securities Group has taken an active role in supporting working women. The Group continues to actively recruit female employees and encourage their contributions. As a result, not only is the number of women rising year by year, but the Group is actively promoting many of them into managerial positions. In recognition of these efforts, *Nikkei Woman* magazine ranked Daiwa Securities Group as Japan's 7th-best company, overall, in terms of its treatment of women, as part of its "Survey and ranking of corporations in their use of female employees." Furthermore, this survey ranked Daiwa as number one among banks and securities companies, and number one in

the category "level of contribution from female employees." In FY 2009, four female members have been newly appointed as executive officers at major Group companies.

In FY 2008, the Group implemented changes to its child-care leave system which encourage men to also take child-care leave. In addition, we established a childcare and nursing care support desk in April 2009, and have held nursing care study sessions to expand the support network for employees even further.



Mark denoting official endorsement by the Ministry of Health, Labour and Welfare of a company's measures to support employees in caring for their children

"Diamond Weekly" Magazine (Feb. 7, 2009 Issue) Popularity Ranking of Companies Where University Students Would Like to Work (Top-Tier Among Banks and Securities Companies)

LIBERAL ARTS MAJORS—MALE

Overall rank	Company
3	The Bank of Tokyo-Mitsubishi UFJ
5	Sumitomo Mitsui Banking Corporation
10	Nomura Securities
11	Daiwa Securities Group
13	Mizuho Financial Group

LIBERAL ARTS MAJORS—FEMALE

Overall rank	Company
4	The Bank of Tokyo-Mitsubishi UFJ
5	Sumitomo Mitsui Banking Corporation
13	Daiwa Securities Group
15	Mitsubishi UFJ Trust and Banking Corporation
18	Mizuho Financial Group

"The Nikkei" Newspaper (Feb. 23, 2009 Issue) Popularity Ranking of Companies Where University Students Would Like to Work (Top-Tier Among Banks and Securities Companies)

Overall rank	Company
2	The Bank of Tokyo-Mitsubishi UFJ
6	Mizuho Financial Group
7	Sumitomo Mitsui Banking Corporation
8	Mitsubishi UFJ Trust and Banking Corporation
15	Daiwa Securities Group
33	The Sumitomo Trust and Banking
34	Nomura Securities