

Management Systems and CSR Activities

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Top Management

Directors

Chairman of the Board

Akira Kiyota

Directors

Shigeharu Suzuki

Shin Yoshidome

Takashi Hibino

Makoto Shirakawa

Nobuyuki Iwamoto

Takatoshi Wakabayashi

Kazuo Oda

Saburo Jifuku

Tetsuro Kawakami

Ryuji Yasuda

Koichi Uno

Nobuko Matsubara

Keiichi Tadaki

Executive Officers



Shigeharu Suzuki

President and CEO
Head of Retail
President, Daiwa Securities
Co. Ltd.

1971 Joined Daiwa Securities Co. Ltd.
1997 Director, Chief Corporate Institutions Officer
1998 Managing Director
2001 Senior Managing Director
2002 Senior Managing Director, Daiwa Securities SMBC Co. Ltd.
(currently Daiwa Securities Capital Markets Co. Ltd.)
2003 Representative Senior Managing Director
2004 Director, President and CEO,
Daiwa Securities Group Inc.
Head of Retail
President, Daiwa Securities Co. Ltd.



Shin Yoshidome

Deputy President and COO
(Representative)
Head of Wholesale
President, Daiwa Securities
Capital Markets Co. Ltd.

1974 Joined Daiwa Securities Co. Ltd.
2000 Deputy Head of Nagoya Branch, Daiwa SBCM Co. Ltd.
(currently Daiwa Securities Capital Markets Co. Ltd.)
2001 Executive Officer
2004 Senior Executive Officer
Managing Director
2006 Director and Corporate Executive
Vice President, Daiwa Securities Group Inc.
Representative Senior Managing Director,
Daiwa Securities SMBC Co. Ltd.
(currently Daiwa Securities Capital Markets Co. Ltd.)
2007 Director, Deputy President and COO, (Representative)
Daiwa Securities Group Inc.
Head of Wholesale
President, Daiwa Securities SMBC Co. Ltd.



Takashi Hibino

Deputy President
Deputy Head of Wholesale
Deputy President, Daiwa
Securities Capital Markets Co. Ltd.

1979 Joined Daiwa Securities Co. Ltd.
2002 Head of Corporate Planning Department,
Daiwa Securities Group Inc.
Executive Officer, Daiwa Securities SMBC Co. Ltd.
(currently Daiwa Securities Capital Markets Co. Ltd.)
2004 Senior Executive Officer, Daiwa Securities Group Inc.
Director and Corporate Senior Executive Officer
2007 Director and Corporate Executive Vice President
2008 Deputy Head of Wholesale
Senior Managing Executive Officer,
Daiwa Securities SMBC Co. Ltd.
2009 Director and Deputy President, Daiwa Securities Group Inc.
Deputy Head of Wholesale
Deputy President, Daiwa Securities SMBC Co. Ltd.



Makoto Shirakawa

Deputy President
Deputy Head of Retail
Deputy President, Daiwa
Securities Co. Ltd.

1978 Joined Daiwa Securities Co. Ltd.
2003 Head of Financial Institutions Dept. I
Daiwa Securities SMBC Co. Ltd.
(currently Daiwa Securities Capital Markets Co. Ltd.)
2004 Executive Officer, Daiwa Securities Co. Ltd.
2006 Managing Director
2007 Senior Managing Director
2009 Deputy President, Daiwa Securities Group Inc.
Deputy Head of Retail
Deputy President, Daiwa Securities Co. Ltd.
2010 Director and Deputy President, Daiwa Securities Group Inc.



Masaki Shimazu

Deputy President
Deputy Head of Retail
Deputy President, Daiwa
Securities Co. Ltd.
Chairman of the Board,
Daiwa Securities SMBC
Principal Investments Co. Ltd.
Chairman of the Board,
Daiwa PI Partners Co. Ltd.

1976 Joined Daiwa Securities Co. Ltd.
2003 Deputy Head of Fund Banking Division,
Daiwa Asset Management Co. Ltd.
Executive Officer
2004 Executive Officer, Daiwa Securities Co. Ltd.
2005 Managing Director
2007 Representative Senior Managing Director
2010 Deputy President, Daiwa Securities Group Inc.
Deputy Head of Retail
Deputy President, Daiwa Securities Co. Ltd.
Chairman of the Board, Daiwa Securities SMBC
Principal Investments Co. Ltd.
Chairman of the Board, Daiwa PI Partners Co. Ltd.



Toshiro Ishibashi

Deputy President
Head of Asset Management
President, Daiwa Asset
Management Co. Ltd.

1973 Joined Daiwa Securities Co. Ltd.
1998 Director, Chief Investment Banking Officer
1999 Executive Officer, Daiwa SBCM Co. Ltd.
(currently Daiwa Securities Capital Markets Co. Ltd.)
2003 Managing Director, Daiwa Securities Co. Ltd.
2005 Senior Managing Director
2007 Representative Senior Managing Director
2008 Director and Deputy President,
Daiwa Securities Group Inc.
Deputy President, Daiwa Securities Co. Ltd.
2009 Deputy President,
Daiwa Securities Group Inc.
Head of Asset Management
President, Daiwa Asset Management Co. Ltd.



Takashi Fukai

Deputy President
Head of Research
President, Daiwa Institute of
Research Holdings Ltd.
President, Daiwa Institute of
Research Ltd.
President, Daiwa Institute of
Research Business Innovation Ltd.

1978 Joined Daiwa Securities Co. Ltd.
2001 Head of Kobe Branch
2002 Executive Officer
2005 Managing Director
2007 Senior Managing Director
2009 Director and Deputy President, Daiwa Securities Group Inc.
Deputy Head of Retail
Deputy President, Daiwa Securities Co. Ltd.
2010 Deputy President, Daiwa Securities Group Inc.
Head of Research
President, Daiwa Institute of Research Holdings Ltd.
President, Daiwa Institute of Research Ltd.
President, Daiwa Institute of Research Business Innovation Ltd.



Nobuyuki Iwamoto

Corporate Executive Vice
President and CFO
Chief Planning/
Personnel Officer

1980 Joined Daiwa Securities Co. Ltd.
2001 Head of International Finance Department,
Daiwa Securities SMBC Co. Ltd.
(currently Daiwa Securities Capital Markets Co. Ltd.)
2005 Corporate Executive Officer and CFO,
Daiwa Securities Group Inc.
2006 Director and Corporate Executive Officer
2008 Director and Corporate Senior Executive Officer
2009 Director, Corporate Executive Vice President and CFO,
Daiwa Securities Group Inc.
Chief Planning/Personnel Officer



Takatoshi Wakabayashi

Corporate Executive Vice
President and CRO
Representative Senior
Managing Director,
Daiwa Securities Capital
Markets Co. Ltd.

1980 Joined Daiwa Securities Co. Ltd.
2004 Head of Personnel Department and Assistant to Head of
Planning, Daiwa Securities Group Inc.
2005 Corporate Executive Officer
Chief Legal Officer, Deputy Chief Personnel Officer and Head
of Personnel Department
2007 Executive Officer, Daiwa Securities SMBC Co. Ltd.
(currently Daiwa Securities Capital Markets Co. Ltd.)
2008 Senior Executive Officer
2009 Representative Managing Director
2010 Director, Corporate Executive Vice President and CRO,
Daiwa Securities Group Inc.
Representative Senior Managing Director,
Daiwa Securities Capital Markets Co. Ltd.



Kazuo Oda

Corporate Senior Executive
Officer and CIO
Managing Director,
Daiwa Securities Capital
Markets Co. Ltd.
Senior Managing Director,
Daiwa Institute of Research Ltd.

1976 Joined Daiwa Securities Co. Ltd.
1994 Head of Corporate System Development Department,
Daiwa Institute of Research Ltd.
(currently Daiwa Institute of Research Holdings Ltd.)
1999 Advisor
2002 Executive Officer
2004 Senior Executive Officer
2007 Senior Managing Director
2008 Representative Senior Managing Director, Daiwa Institute of
Research Ltd.
2009 Director, Corporate Senior Executive Officer and CIO,
Daiwa Securities Group Inc.
Senior Managing Director, Daiwa Institute of Research Ltd.
2010 Managing Director, Daiwa Securities Capital Markets Co. Ltd.



Keiko Uehara

Corporate Executive Officer
Head of Corporate
Communications

1982 Joined Daiwa Securities Co. Ltd.
2007 Head of Education and Training Department
2009 Corporate Executive Officer, Daiwa Securities Group Inc.
Head of Corporate Communications



Toshihiro Matsui

Corporate Executive Officer
Deputy Chief Planning/
Personnel Officer

1985 Joined Daiwa Securities Co. Ltd.
2008 Head of Corporate Planning Department,
Daiwa Securities Group Inc.
2009 Corporate Executive Officer
Chief Legal Officer
Deputy Chief Planning Officer
Head of Corporate Planning Department
2010 Deputy Chief Planning/Personnel Officer



Tetsuo Akuzawa

Corporate Executive Officer
Chief Legal Officer
Deputy Chief Personnel
Officer
Head of Secretariat Office
Head of Personnel Department

1985 Joined Daiwa Securities Co. Ltd.
2008 Head of Personnel Department, Daiwa Securities Group Inc.
2010 Corporate Executive Officer
Chief Legal Officer
Deputy Chief Personnel Officer
Head of Secretariat Office
Head of Personnel Department



Akira Kiyota

Corporate Executive Officer

1969 Joined Daiwa Securities Co. Ltd.
1994 Director, Deputy Head of Sales Division, and Head of East
Division
1997 Managing Director
Representative Managing Director
Deputy President
1999 President, Daiwa SBCM Co. Ltd.
(currently Daiwa Securities Capital Markets Co. Ltd.)
2004 Deputy Chairman of the Board and Corporate Executive Officer,
Daiwa Securities Group Inc.
Chairman of the Institute, Daiwa Institute of Research Ltd.
2005 Director, Daiwa Institute of Research Ltd.
2008 Chairman of the Board and Corporate Executive Officer,
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 Committee, Audit Committee, and Compensation Committee. The representative directors of major Group companies also serve as executive officers of the holding company, thereby allowing them to efficiently implement individual business strategies based on Group strategies.

The Nominating Committee met five times in FY2009 to discuss the composition of the Board of Directors and its effect on corporate governance, the basic policy for nominating candidates for directorships, and the selection of these candidates. The Nominating Committee selects candidates for directorships in light of the Group's

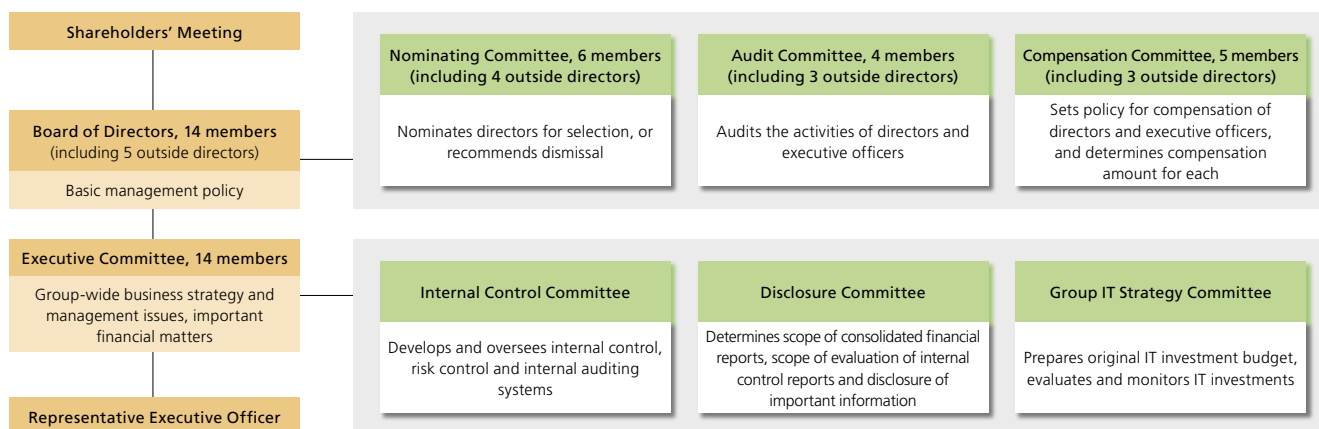
selection standards for the appointment of directors. These standards include criteria that help ensure the independence of outside directors. The Audit Committee met 12 times during FY2009. The committee evaluated the activities of directors and executive officers, focusing mainly on their efforts to implement an auditing structure and internal control systems. The Compensation Committee met four times in FY2009 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 13 times during FY2009 and outside directors had an approximately 98% 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 other factors such as which of the management goals outlined in the medium-term management plan have been met. We discontinued the retirement

Corporate Governance System



benefit system for directors at Daiwa Securities Group Inc., Daiwa Securities, and Daiwa Securities CM 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.

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.

Compensation Paid to Directors and Executive Officers in FY2009

| Amounts based on resolution of the Compensation Committee | Directors | | Executive Officers | | Total | |
|---|------------|--------------|--------------------|--------------|------------|--------------|
| | Recipients | Amount | Recipients | Amount | Recipients | Amount |
| | 8 persons | ¥118 million | 16 persons | ¥880 million | 24 persons | ¥998 million |

- Notes: 1. The above compensation amounts include performance-based compensation.
2. The above compensation amounts include a total of ¥96 million in stock acquisition rights granted as stock options to directors and executive officers.
3. Compensation paid to the five outside directors totaled ¥79 million.
4. Eight directors also served as executive officers; their total compensation is included in the “Executive Officers” category.

“Internal Control Report System” to Govern Financial Disclosure Activities

In FY2008, 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 objective of “ensuring reliable financial reporting”—one of the four internal control objectives. 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 Group has been working for several years to establish such systems. In FY2006 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 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 2010.

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

Audit Committee

Saburo Jifuku (Chairman)
Koichi Uno
Nobuko Matsubara
Keiichi Tadaki

Compensation Committee

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



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
1996 Managing Director, Asia Pacific,
Member of the Board of Manage-
ment, A.T. Kearney, Inc.
2002 Chairman of A. T. Kearney, Far East
Asia
Visiting Professor, Hitotsubashi
University, Graduate School of
International Corporate Strategy
2003 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



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 Founded CPA UNO OFFICE
Part-time lecturer, Hitotsubashi
University, Graduate School of
International Corporate Strategy
2004 Outside Director, Daiwa Securities
Group Inc.



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

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 society. 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 employees 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 FY2009, the Group continued its focus on training related to insider trading from FY2008. The subject-matter of this training is being made more concrete through the use of such materials as the list of fines collected from financial offenders published by the Financial Services Agency. 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. In July 2009, the Group began participating in a real estate asset management business. The real estate investment trusts (REITs) that are managed as a part of this business, while not affected by laws regarding insider trading, have the risk of engaging in transactions that are similar to insider trading. In response to this risk, the Group developed trading rules for executives and employees that deal with REITs.

The Group is also taking steps to eliminate any and all relations with corporate racketeers and other antisocial groups. Daiwa Securities Group Inc. has organized the "Corporate Ethics Promotion Liaison Meeting," which meets once each quarter, in principle, and includes representatives from the departments responsible for compliance at each Group company. These meetings have been used as a tool to provide guidance on how to respond to such undesirable organizations. As one facet of this, in FY2009, guidance was provided through the use of actual case studies on response methods toward antisocial groups. Further, guidance detailing the importance of introducing policies regarding the elimination of gangs and other such organizations into such mediums as company regulations and contracts was also offered.

Daiwa Securities is taking measures, under the Group's compliance program, to establish an internal control system that will enforce strict compliance with laws and regulations, as well as with the basic principles of proper social behavior. These measures included the establishment of the Sales Inspection Department in order to improve the efficiency of and enhance audits of branch offices. Through such efforts, Daiwa Securities is bolstering its ability to fulfill its mission as a securities company.

Also, in order to ensure the efficiency and effectiveness of internal control systems, Daiwa Securities is focusing on improving the efficiency of clerical work by utilizing its system infrastructure as well as instituting various types of training and employee education programs. Previously, many sales branches have operated based on a system in which administration section managers also serve concurrently as internal administrators. However, in FY2010, all sales branches were switched-over to a system in which a single employee serves exclusively as the internal control supervisor. Through these efforts, Daiwa Securities is further enhancing its internal control structures.

Daiwa Securities CM has identified legal compliance and the creation of a strict internal control structure as among the most important issues for management to address. As a result, the company has formulated a detailed compliance strategy, which it has implemented as part of its compliance program. In FY2009, Daiwa Securities CM took steps to strengthen its systems to ensure the protection of compliance, including implementing measures geared toward fulfilling its responsibility to develop systems to control conflicts of interests, as defined in revisions to the Financial Instruments and Exchange Law, and eliminating transactions with antisocial groups. It also conducted training programs for all executives and employees to ensure that they are aware of and comply with all laws and regulations. In FY2010, Daiwa Securities CM will work to maintain and strengthen its compliance systems with the aim of expanding its business in Asia. At the same time, it will implement the rules regarding the revisions to the Financial Instruments and Exchange Law and strengthen its prevention systems to eliminate transactions with antisocial groups. Through such efforts, as well as through the enhancement of education programs, Daiwa Securities CM will develop an even more robust internal control structure going forward.

IT Strategy and Information Security

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

IT Governance System

The Group has established the “Group IT Strategy Committee”, chaired by the CIO, as a subcommittee of the Executive Committee. This committee deliberates and makes decisions on such issues as budgets for IT investment and the allocation of IT functions. Additionally, the “Group IT Management Council” has been established as a preliminary discussion forum for this committee. The council discusses IT-related matters of importance at the executive level, such as the construction of Group-wide infrastructure systems and the Group’s information security measures.

The council also periodically reports on issues regarding the management of system risk and information security risk throughout the Group to the “Internal Control Committee,” which is a division of the Executive Committee.

Strategic IT Initiatives

Amidst the rapidly increasing diversity and complexity of securities-related operations, IT is indispensable in providing customers with high-value-added products and services quickly, precisely, and reasonably priced.

The Group uses IT strategically to achieve its main goal of improving both the maintenance of its competitive edge and the effectiveness of control of the quality and costs of system services. In regard to IT investment planning, the Group rigorously selects the investment necessary for each individual operating division. At the same time, the Group gives high priority to the allocation of IT resources in key focus areas, such as enriching products and services for online trade in retail operations as well as improving and expanding the execution infrastructure in wholesale operations.

Additionally, the Group aims to reduce the cost and time required to construct new systems as well as aims to provide steady system support services in a cost-efficient manner. To this end, the Group is continually advancing the standardization of its systems.

IT Strategies under “Passion for the Best” 2011

The Daiwa Securities Group’s medium-term management plan, “Passion for the Best” 2011, outlines the IT strategy to “achieve the IT function and framework with the competitive advantage built by the Group’s strategies and cost efficiency.” Acting in accordance with this strategy, the Group is implementing measures geared toward optimizing the scale and allocation of its IT functions as well as improving productivity in system development and management.

Additionally, the Group is focusing on strengthening its global IT development platform and IT systems in order to better support global businesses, centered on Asia.

IT Strategies Under “Passion for the Best” 2011 Medium-term Management Plan

Develop cost-effective IT function and framework with a competitive advantage, in line with the Group strategies

- ▶ **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 infrastructure 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**

Measures for Maintaining Information Security

In order to fulfill its social responsibility as an active participant in the financial and capital markets, as well as gain the trust of customers, the 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 other information resources are managed in a secure and appropriate manner.

Among the organizational measures that we have adopted is the “Information Security Group Minimum Standard,” which dictates the basic rules that all companies in the Group must adopt for handling information. In addition to introducing these information security rules at each company, we have appointed a “Chief Information Security Officer” at each Group company to oversee information management activities.

A variety of technical and structural measures have also been introduced to enhance security and ensure that Group information resources are managed appropriately, such as office automation through the use of thin clients and high-security access controls at the data center. The online trading systems of Daiwa Securities employ highly advanced encryption technology for data transmission and for user ID verification, thereby ensuring that clients are able to use the system safely and securely.

Efforts to Enhance the Level of Information Security

The Group is promoting the use of an Information Security Management System (ISMS), and we are constantly examining new ways to improve information security through a cyclical approach: “Plan / Do / Check / Act.”

Additionally, in recognition of the importance of human factors in effective information security systems, the Group has introduced training programs to educate all executives and employees in the basics of information security. A range of training programs has been designed with content tailored to the job functions of executives, section managers, those in charge of security-related operations, and other employees. The programs are offered periodically as group training sessions, as well as through e-learning.

Disclosure

The Daiwa Securities Group strives to earn the trust 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 communities, executives, 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 the “Disclosure Policy,” which outlines the Group’s basic approach to information disclosure and strives to provide information that is fair, prompt, and appropriate.

In addition, Daiwa Securities Group Inc. has established the “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. The committee is responsible for making final decisions regarding the disclosure of information. Major Group companies have also established their own regulations or “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

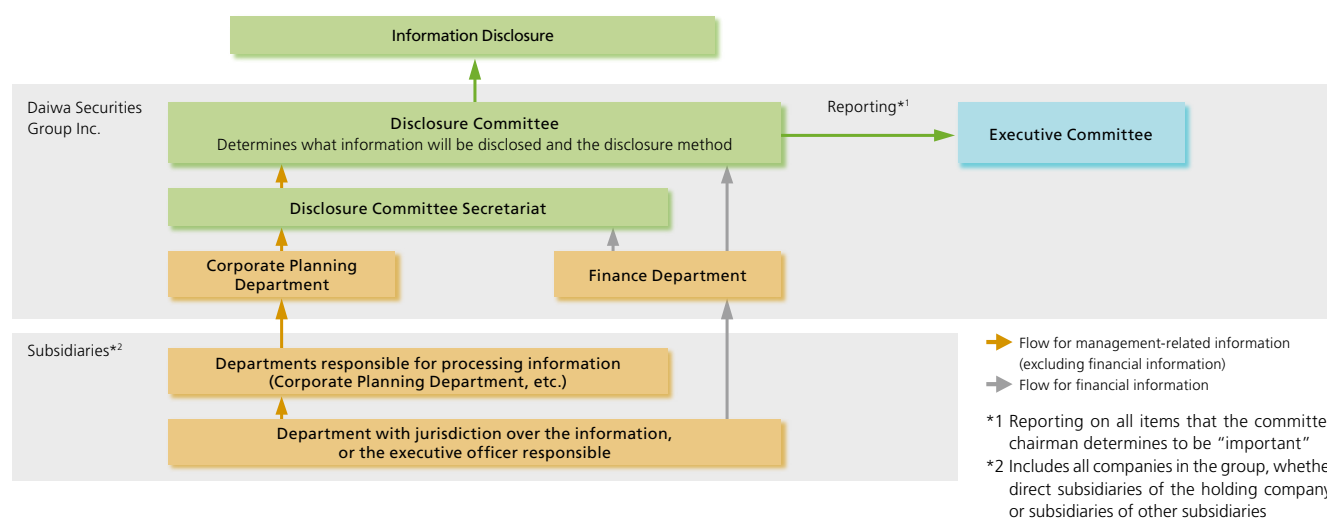
convenes once a month, to discuss the issues that affect disclosure activities for the Daiwa Securities Group as a whole.

Enhancing Investor Relations Activities

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

The Group strives to disclose information that is fair, prompt, and appropriate, 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) webpage of the Group’s website immediately after the official announcement. The Investor Relations Department conducts a conference call with domestic analysts and institutional investors on the evening of the same day, which is also streamed on the website in real time. A conference call with overseas investors is conducted later that same evening. The Group’s CEO holds Group strategy meetings for securities analysts and institutional

Flowchart of the Daiwa Securities Group’s Disclosure Activities



investors in Japan twice a year. In addition, the top management travels overseas to meet with institutional investors. In FY2009, top management held conferences, as it had in previous years, with investors in Europe, the US, Hong Kong and Singapore.

The Group also renewed its website in order to make it easier to understand for individual investors and overseas stakeholders. The new design layout allows even first-time users to easily find the page that they are looking for. Going forward, the Group will update the information available on all pages one after another to ensure the website is even useful. Additionally, a “Fact Sheet” is published in both Japanese and English, as a tool to communicate with investors and offer basic information on the 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 downtown hotel in Tokyo. 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. To encourage investors to exercise their voting rights, the Group allows shareholders to vote via the Internet or by mobile phone.

In FY2006, 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.



Daiwa Securities Group Inc. website top page
(URL: <http://www.daiwa-grp.jp/english/>)



Investor Relations page
(URL: <http://www.daiwa-grp.jp/english/irr/>)

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.”

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, by properly balancing risks and returns, and by implementing effective risk control and management.

Basic Risk Management Policy

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

1. Management shall demonstrate an active concern for 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.

Types of Risks

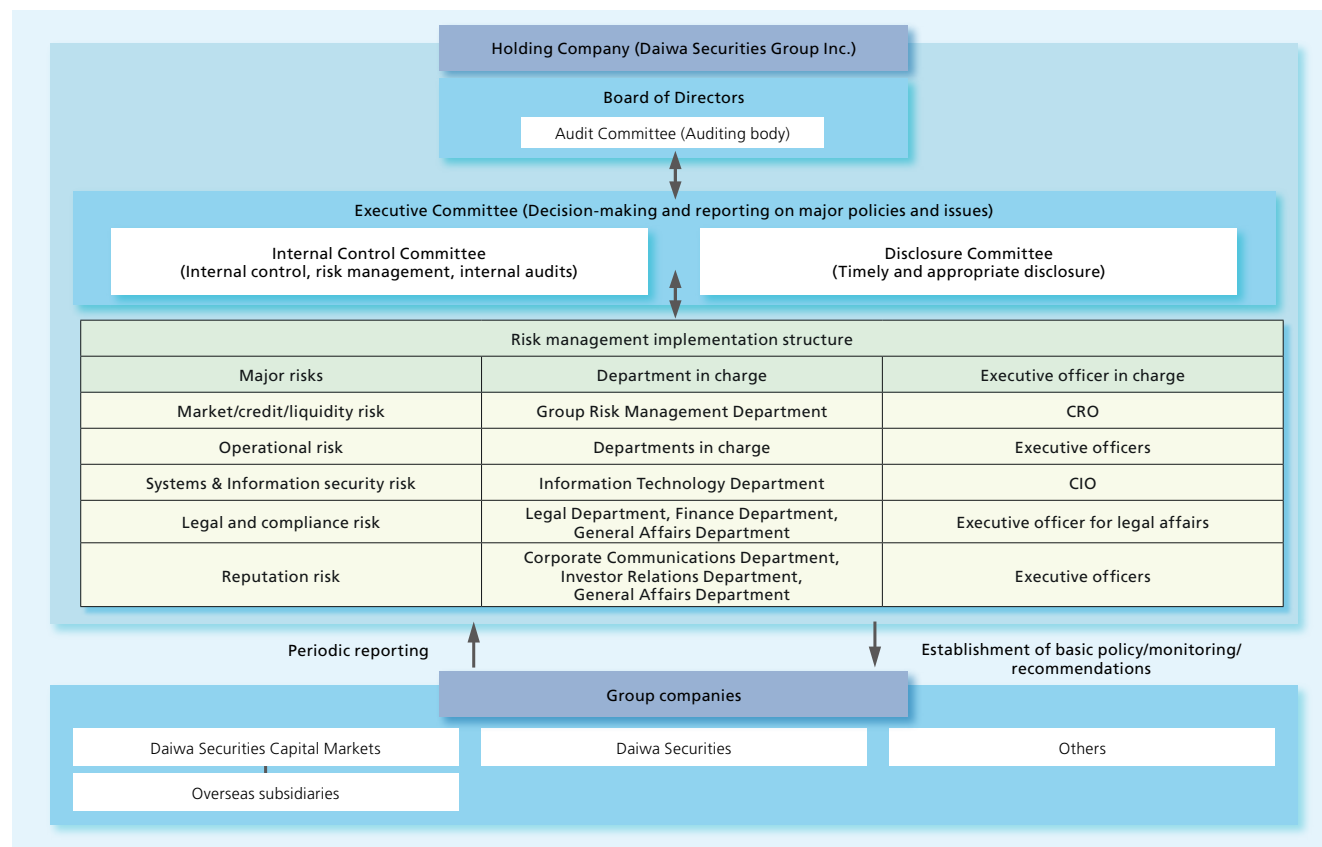
The Daiwa Securities Group faces various risks in the course of its business activities. The Group therefore believes that it is important

to properly identify, evaluate, and manage these risks in order to maintain healthy financial and earnings structures. Daiwa Securities Group Inc. engages in risk management to clearly identify risks based on the respective Group company’s business characteristics and risk profile. The types of risks that have been deemed important to manage include market risk, credit risk, liquidity risk, operational risk, systems-related risk, information security risk, legal and compliance risk, and reputation risk.

Risk Management System

The Board of Directors of the Company has approved “basic risk management regulations.” These regulations define basic policies related to risk management, the types of risk that are necessary to be

Risk Management System



managed, and the executive and department in charge of risk management. Based on these policies, risk management systems are being unified throughout the Group. Further, principal Group companies have established risk management departments and assigned executives in charge of risk management, which has allowed individual companies to develop risk management systems based on the characteristics and scale of the risks faced by that company. Daiwa Securities Group Inc. maintains close contact with the risk management departments within each principal Group company, and has developed systems through which these issues can be discussed, by reporting instances of risk and issues related to the risk management systems to the Internal Control Committee.

In April 2010, Daiwa Securities Group Inc. established the “Group Risk Management Department” to manage risks comprehensively and directly for the entire Group, and assigned the Chief Risk Officer (CRO) to head this organization.

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 commodity prices.

Most of the Group’s trading positions are exposed to market risk. Therefore, it is of paramount importance to quantify the impact that market fluctuations have on the value of financial assets and liabilities in order to gain a more objective understanding.

Based on this view, 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 exposure to 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 its 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)

(¥ billion)

| | | 6/08 | 9/08 | 12/08 | 3/09 | 6/09 | 9/09 | 12/09 | 3/10 |
|-----------------|---------|------|------|-------|------|------|------|-------|------|
| VaR (Month-end) | | 3.16 | 2.65 | 1.83 | 3.89 | 1.77 | 2.81 | 2.99 | 4.33 |
| Quarterly | High | 4.56 | 2.75 | 9.95 | 7.99 | 4.08 | 3.71 | 5.13 | 7.07 |
| | Low | 2.09 | 1.30 | 1.41 | 1.39 | 1.77 | 1.62 | 2.53 | 2.63 |
| | Average | 2.95 | 2.10 | 3.16 | 3.18 | 2.89 | 2.44 | 3.64 | 5.26 |

By Risk Factor (Month-end)

| | | | | | | | | |
|-------------|------|------|------|------|------|------|------|------|
| Equity | 1.44 | 0.59 | 0.67 | 0.89 | 0.89 | 0.95 | 0.78 | 0.57 |
| Interest | 3.73 | 2.87 | 1.29 | 2.75 | 1.24 | 0.86 | 2.36 | 4.27 |
| Currency | 1.03 | 1.39 | 0.75 | 2.88 | 1.28 | 2.57 | 1.71 | 1.01 |
| Commodities | 0.02 | 0.00 | 0.01 | 0.24 | 0.01 | 0.01 | 0.00 | 0.00 |

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 regard to transactions that involve exposure to credit risk, before the transaction is made the Company assigns the transaction partner a credit limit based on their credit rating. Subsequently, the Company carefully monitors estimations of the nominal value of principal and the amount of credit used.

In the wholesale business, where the exposure to credit risk is comparatively high, 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 and appropriateness of collateral, and validity of associated contracts—to determine the probability of repayment. In addition, credit-VaR calculations are used to periodical confirm the effects of large offerings of credit.

Market Risks And Credit Risks Unrelated To Trading Positions

The Group also owns private equity and other investments related to principal investment businesses and venture capital, as well as investment securities unrelated to its trading positions that are held for a long-term perspective for the purpose of maintaining business relationships. While market risk and credit risk may arise in relation to these assets, each business is faced by risks with particular characteristics. Accordingly, 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

The Daiwa Securities Group, while employing a variety of financial assets and liabilities, conducts its business with a focus on securities-related operations as its core business. Accordingly, it procures capital based on the policy of efficiently ensuring ample liquidity necessary for the continuation of its business.

The Group's methods of fund procurement include unsecured means, such as the issuance of straight corporate bonds, medium-term notes, loans from other financial institutions, commercial paper, and call money. They also include such secured means as gensaki trading (repurchase agreements) and repo operations. Through the optimal combination of these methods, the Daiwa Securities Group is engaging in the efficient and stable fund procurement.

In order to ensure financial stability and prevent fluctuations in the market from affecting the continuation of our business activities, the Company is constantly striving to secure the stability of fund procurement. From the latter half of FY2008, the Company has been accumulating liquidity through such means as fund procurement through the market as well as loans from financial institutions, in preparation for unforeseen events such as those caused by financial crises or credit crunches. Additionally, as it can be anticipated that such crises may make it difficult to reacquire capital from new and existing sources, the repayment periods of procured capital are staggered.

Further, the Group has established policies to manage liquidity. In order to ensure the ability to procure short-term unsecured capital, Daiwa Securities Group Inc. maintains a liquidity portfolio consisting of cash, deposits, government bonds, and other highly liquid instruments as well as a supplementary-liquidity portfolio consisting of relatively liquid instruments.

At the end of FY2009, the value of the liquidity portfolio totaled ¥810.9 billion. The total of the liquidity portfolio and the supplementary-liquidity portfolio was ¥2,355.4 billion, which is equivalent to 190.1% of total short-term unsecured capital at the end of FY2009.

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 as a result the need to manage such operational risk grows each year.

Specialized sections have been set up in each Group company to address operational risk, and conferences are also held to consider any 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, Information Security Risk

Systems-related risk and information security risk refer to the potential for incurring losses due to a computer breakdown or malfunction, or other systems-related problem, or the inappropriate use of a computer. It also covers the risk that the security of information resources (confidentiality, completeness, availability) is not properly protected against threats from inside or outside of the Company.

The Group has developed regulations and manuals that define the basic procedures for reducing and preventing the occurrence of such risks as well as the management of information resources. Internal audits are used as an opportunity to periodically confirm whether or not these regulations are being adhered to. At the same time, the Group is working to maintain and strengthen the precautionary measures that enable it to quickly uncover problems related to computer systems and properly repair them. Further, steps are being taken to improve the understanding and awareness of information security held by executives and employees.

Legal and Compliance Risk

Legal and compliance risk includes regulatory risk, which is the 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 laws 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 managed through the principles of Group management with securities-related operations as its core business. It must abide by the Financial Instruments and Exchange Law, as well as 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 nonoperational matters, high standards of discipline are expected of financial instruments dealers and brokers and their personnel with regard to market rules and regulations, such as those related to insider trading.

To ensure that these regulations are observed, the Group has set up compliance sections at each Group 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 a 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 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 through straight corporate bonds, medium-term notes, loans from other financial institutions, commercial paper, call money, gensaki trading (repurchase agreements), and repo operations. The Group adopts an appropriate mix of these methods in order to procure capital effectively. When utilizing medium- and long-term instruments, such as straight corporate bonds and medium-term notes, the Group maintains a constant awareness of trends in the financial markets, thereby procuring capital at the most advantageous time possible.

Financial Stability

The Group exercises great care to ensure that it always has access to a stable supply of capital, and thereby avoids 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 constantly monitors whether there are sufficient capital on hand and its 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. In congruence with the basic policy of maintaining the financial stability of the Daiwa Securities Group, the Group's domestic and overseas securities subsidiaries (including Daiwa Securities and Daiwa Securities CM) as well as Daiwa Corporate Investment conduct fund procurement based on the characteristics of their business, and work to maintain the liquidity necessary to continue their business activities. Daiwa Securities Group Inc. also conducts basic fund procurement activities for other subsidiaries, and manages Group-wide finances comprehensively with the goal of allocating capital effectively.

Contingency Plan

The Group has established a contingency plan as part of dealing with liquidity risk. The details of this contingency plan are monitored and reviewed on a regular basis, and both the fund procurement plan and the contingency plan are adjusted, when necessary, to account for any new risk scenario that might become apparent.

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

Under its new medium-term management plan, the Daiwa Securities Group has adopted a financial strategy that 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 that 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 Group as a whole. In addition, it will promote greater coordination among members of the 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 its financial management activities more flexible and more effective.

Human Resource Management

The Daiwa Securities Group derives much of its competitive strength from its personnel. To maximize competitiveness, the Group fosters a working 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.” One of the best ways for a company to improve customer satisfaction, which in turn will raise shareholder value, is to seek out optimal systems and methods for motivating employees.

Advanced Evaluation System and Performance-based Remuneration

The Group adheres strictly to both results- and performance-oriented standards of evaluation in order to ensure that its personnel system is fair and objective. In response to changes in the Group’s personnel distribution and social environment, the Group reviewed and revised all aspects of its personnel system in April 2010. The goal of this undertaking was to develop a working environment in which all employees can remain highly motivated in their work, from entering the Company until retiring.

In order to ensure the fair and objective treatment of employees, the Group uses both 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. Daiwa Securities has established the “President’s Awards,” which are awarded twice a year in an effort to further motivate employees. A similar award program has been introduced at Daiwa Securities CM.

The Group has also adopted an employee remuneration system that is based on job category as well as performance appraisals using a detailed, job-specific evaluation process. At the deputy general manager level, this could result in up to a 16-fold difference in bonuses and up to a three-fold difference in salary, based on results from FY2009. Performance-based annual remuneration systems were introduced for analysts and fund managers whose annual salaries reflect analyst rankings or fund performance.

Skill Enhancement Opportunities and Career Development Options for Employees

The Group continues to upgrade its personnel support systems, which encourage employees to enhance their skills and obtain qualifications related to financial services, such as toward becoming a securities analyst or financial planner. We also have implemented various programs that train employees in important skills, including helping them to acquire practical business skills such as giving presentations or coaching subordinates, as well as training for the next generation of managers. Additionally, we are developing a working environment in which employees can learn English through such means as e-learning programs. 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 857 applicants, 141 of whom have successfully qualified for transfers.

Promotion of a Balance Between Work and Personal Life

If employees are able to maintain a harmonious balance between work and personal 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.”

| | |
|-------------------------|--|
| Promotion System | Daiwa Securities Group Inc. has established the “Work-Life Balance Promotion Committee,” which is supervised by the Group CEO, who has assumed the post of “Chief Work-Life Balance Officer” (CWO). In order to embody these policies, the “Work-Life Balance Promotion Section” has also been established within the Personnel Department of Daiwa Securities Group Inc. |
| Example Measures | <p>▶ Encouraging employees to leave the office by 7 p.m. and take paid annual leave Beginning in 2007, Daiwa Securities Group Inc. and Daiwa Securities have been promoting a “leave the office by 7 p.m.” policy, which was adopted by Daiwa Securities CM in 2008. In addition, these three companies in 2008 adopted a policy that encourages employees to take their paid annual leave.</p> <p>▶ Promoting family visits to the workplace Since 2008, the Group has organized an open day event that gives family members an opportunity to visit the office. This provides the Group with an opportunity to express thanks for the support families 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. In 2009, approximately 4,200 family members took part in this event.</p> <p>▶ Conducting 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, 30 such seminars have been conducted and approximately 2,600 employees have taken part.</p> <p>▶ Enriching support for the balancing of work and child care or nursing care We are working to enrich and promote our systems to support employees who are working while also undertaking child care or nursing care. At the same time, we are developing a working environment that makes these systems easier to use. In FY2009, we established a support desk related to child care and nursing care as well as enhanced systems to support employees returning to work. In April 2010, we introduced a system in which regular employees are able to work shorter hours and improved our paid leave system for employees with young children that have not yet completed the third grade of elementary school.</p> |

Human Resource Initiatives Under the Medium-term Management Plan

Under the Daiwa Securities Group’s 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 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 the “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 Group understands that employees need to maintain a harmonious balance between their work and personal life, and that leisure activities can be invaluable as a way to deepen friendships and a sense of solidarity among Group employees. Therefore, in FY2007, the Group introduced both the “Support System for Club Activities” and the “Support System for Internal Company Events.” To date, employees have established 21 separate clubs under the “Support System for Club Activities.”

Support and Employment for Veteran Personnel

The 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 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 on year, but the Group is actively promoting many of them into managerial positions. In FY2009, four female members have been newly appointed as executive officers across the whole Group.



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

Awards in FY2009

| Host | Title |
|--|---|
| The Ministry of Health, Labour and Welfare | FY2009 “Commendations for Enterprises Promoting Equal Employment / Work and Family Harmonization” Corporation Awards for the Promotion of Gender Equality “Excellence Award from the Minister of Health, Labour and Welfare” |
| The “Council for Promotion of Work-Life Balance” (Japan Productivity Center) | Excellent-Award (Organizational Activity Section) at the 3rd “Work-Life-Balance Award in 2009” |
| Nikkei Inc. | The “Nikkei Child-Raising Support Award 2009” |
| TOYO KEIZAI Inc. | Work-Life Balance Prize at the 3rd “Diversity Management Awards” |

“Diamond Weekly” Magazine (Jan 23, 2010 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 |
|--------------|--|
| 2 | The Bank of Tokyo-Mitsubishi UFJ |
| 4 | Sumitomo Mitsui Banking Corporation |
| 8 | Daiwa Securities Group |
| 9 | Nomura Securities |
| 10 | Mitsubishi UFJ Trust and Banking Corporation |

Liberal Arts Majors-Female

| Overall rank | Company |
|--------------|--|
| 2 | The Bank of Tokyo-Mitsubishi UFJ |
| 4 | Sumitomo Mitsui Banking Corporation |
| 15 | Mitsubishi UFJ Trust and Banking Corporation |
| 18 | Daiwa Securities Group |
| 21 | Mizuho Financial Group |

CSR Initiatives

We believe that the Daiwa Securities Group has a corporate social responsibility (CSR) to contribute to “society” through its core businesses. It is important that each and every employee is always aware of social issues in his or her daily work. We actively promote CSR awareness among all employees and communicate with various stakeholders in the society, which will lead to enhance corporate value of the Group.

Important CSR Challenges for the Daiwa Securities Group

The Daiwa Securities Group aims to realize a higher level of effectiveness in its CSR activities in order to build a sustainable society. For this reason, we have established the following two important CSR challenges based on feedback received from stakeholders.

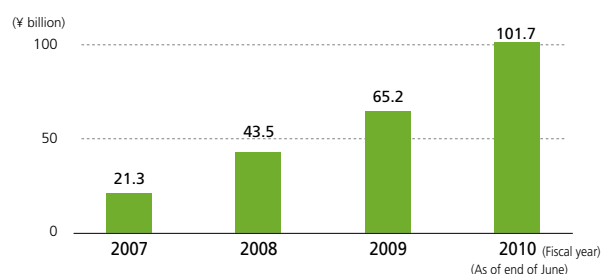
1. Leverage financial capabilities to contribute to a sustainable society
2. Develop sound financial and capital markets for the next generation

1. Leverage financial capabilities to contribute to a sustainable society

Currently, the world we live in is facing a host of social issues that threaten its sustainability. These include environmental challenges such as climate change and the loss of biodiversity, as well as issues regarding the widening gap between rich and poor within the global economy. We believe that the financial sector is uniquely positioned to offer solutions to these issues.

Specifically, by offering investors Impact Investment vehicles—for which the social objectives are clear to investors—such as Vaccine Bonds and Microfinance Bonds, we are contributing to creating flows of capital that lead to solutions to social issues.

Impact Investment Bonds Total Issue Amount by Fiscal Year

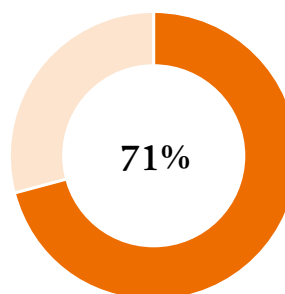


Sales of Impact Investment Bonds

(¥ billion)

| Name | Issue Date | Issue Amount (Approx.) |
|---------------------------|-------------------|------------------------|
| Vaccine Bonds | March 19, 2008 | ¥21.3 |
| | February 20, 2009 | 40.8 |
| | March 24, 2010 | 30.9 |
| World CO2L (“Cool”) Bonds | June 26, 2008 | 2.7 |
| Microfinance Bonds | November 20, 2009 | 24.6 |
| | June 15, 2010 | 8.7 |
| Green World Bank Bonds | February 3, 2010 | 9.7 |
| Water Bonds | April 16, 2010 | 60.4 |
| Climate Awareness Bonds | May 21, 2010 | 32.6 |

Daiwa Securities’ Market Share of Impact Investment Bonds



Source: Daiwa Securities * Bonds sold for retail investors (as of June 30, 2010)

Daiwa Securities Group Stakeholders

| Securities markets | Shareholders | Investors | Issuers | Customers |
|---|--|--|---|---|
| The Group cooperates with all those who operate or participate in the securities markets, to promote the development of healthy and reliable markets. | 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. | 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. | The Group supports the efforts of corporations and public organizations to procure capital by issuing stocks and bonds. | The Group strives to maintain equitable relationships with all business partners, while working to promote a sustainable society. |

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

Financial and capital markets are a part of the social infrastructure that has become indispensable in recent years. In order to build a sound and sustainable society, we consider the ongoing development of fair and transparent markets to be the core social mission of financial institutions.

One way in which we work to accomplish this mission is through providing high-quality financial information. We run Daiwa Securities Information TV*, Japan's only channel dedicated to securities and economic information. With the goal of providing high-quality information on financial and capital markets to a wide audience, it broadcasts not only analyst research, but also a wide variety of business and economic news pertinent to daily life.

Further, we recognize that improving the level of financial literacy, especially among young people, is crucial in order to develop sound financial markets. Toward this end, we continue to participate in corporate training programs, build academic-industrial alliances, and work in cooperation with "Junior Achievement (JA)," the world's largest non-profit organization (NPO) promoting economic educational activities for youth.

* Daiwa Securities Information TV offers economic and financial programs centered on market news. It airs on Sky PerfectTV channel 766 and some cable TV channels from 7 a.m. to 2 a.m. For more information (in Japanese only), please see <http://daiwa766.jp/>.

Corporate Citizenship Activities

The Daiwa Securities Group engages in a variety of activities to fulfill its duty as a good corporate citizen. These activities include supporting education and research related to economics and finance, supporting culture and the arts, and aiding regional communities and the international society through cooperation with various foundations and NPOs.

For example, a part of the profits earned from the sale and management of the investment trust "Daiwa Eco Fund" are donated to Japan for Sustainability (JFS), an NPO with which the Daiwa Securities Group has cooperative ties. The money is used to sponsor a series of lectures for students. In addition, the "Daiwa Anglo-Japanese Foundation" promotes mutual understanding and friendship between Japan and the UK, each year inviting Daiwa Scholars from the UK to visit Japan.

The "Daiwa Securities Health Foundation" supports research aimed at preventing and treating lifestyle diseases, and works to increase awareness of health maintenance and improvement. In addition, the "Daiwa Securities Foundation" supports a wide range of

volunteer activities associated with social welfare and medical treatment.

We also cooperate with NPOs to support other types of benevolent activities and disaster relief operations.

CSR Activities Outside of the Company

It is necessary for corporations, as well as countries and international organizations, to play a vitally important role in the effort to build a sustainable society.

In January 2010, the Group became Japan's first securities company to join the "United Nations Global Compact"^{*1}. We have also participated in the "Carbon Disclosure Project (CDP)"^{*2} since March 2004, the "United Nations Environment Programme Finance Initiative (UNEP FI)"^{*3} since November 2004, and the "Principles for Responsible Investment (PRI)"^{*4} since it began in 2006. Through such initiatives, we are continuing to engage in CSR activities based on international trends.

^{*1} United Nations Global Compact: Launched in July 2000, the United Nations Global Compact is a policy-making platform for companies committed to sustainability and responsible business practices. Members are required to incorporate certain principles in the fields of human rights, labour, the environment, and anti-corruption in their business activities.



^{*2} CDP: An alliance of institutional investors concerned about climate change, this project asks corporate leaders to disclose information regarding their stance on environmental issues and measures to protect the environment.

^{*3} 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.

^{*4} 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.

Inclusion in SRI Indices

The Daiwa Securities Group Inc. has been selected for inclusion in the "Dow Jones Sustainability World Index (DJSI World)" for the eleventh consecutive year. DJSI World is an SRI stock index devised by Dow Jones Indexes (US) and SAM Group (Switzerland), which assesses corporate sustainability. In addition, since September 2006 the Group has been selected as a component of the "FTSE4Good Index," an SRI stock index operated by the FTSE Group.

| Government | NPOs/NGOs | Local communities | Employees and their families |
|---|---|--|---|
| 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. | 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. | 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 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. |

