

Management Systems

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■ Corporate Governance

The Daiwa Securities Group clearly separates the supervisory and executive functions of management to create a highly transparent and objective corporate governance system. The Group is pursuing a management structure that improves the efficiency of head office operations and maximizes synergies between the Group companies. Under this structure, employees responsible for head office functions also perform similar roles for securities subsidiaries, in addition to the corporate executive officers of Daiwa Securities Group Inc.

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 system that maximizes synergies between Group companies while showcasing the independence and unique expertise of each Group member.

In June 2004, Daiwa Securities Group Inc. made a 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 corporate 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 the major Group companies also serve as corporate executive officers of the holding company, thereby allowing them to efficiently implement individual business strategies based on Group strategies.

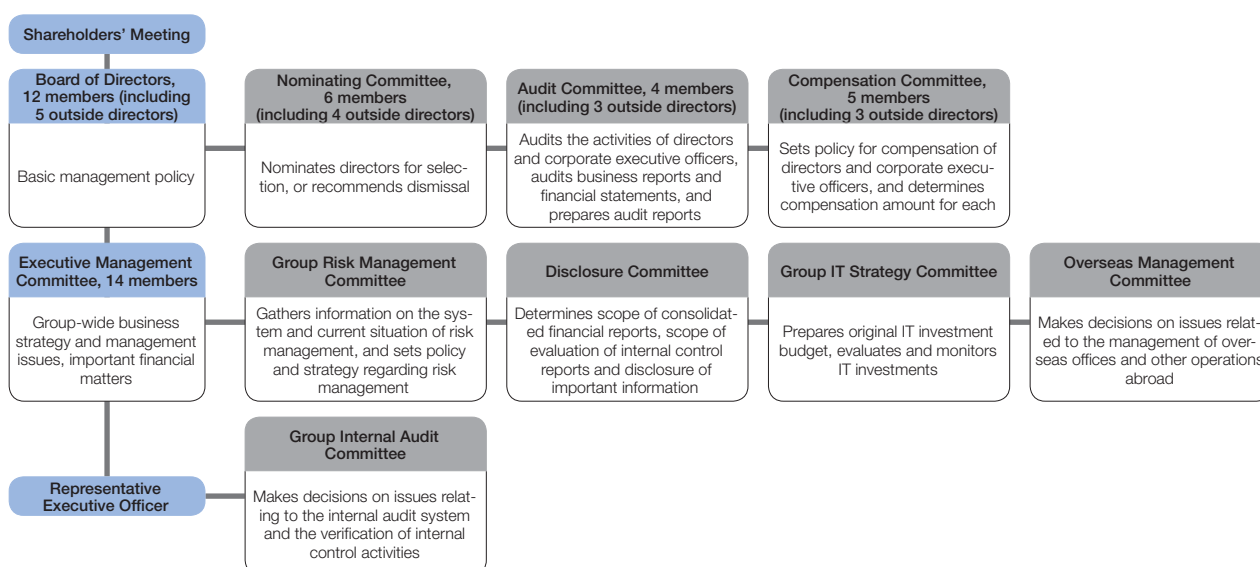
The Nominating Committee met three times in FY2012 to discuss the composition of the Board of Directors and its effect on corporate governance, the basic policy for nominating candidates for directorships, and the selection of these candidates. The Nominating Committee selects candidates for directorships in light of the Group's selection standards for the appointment of directors. These standards include criteria that ensure the independence of outside directors.

The Audit Committee met 12 times during FY2012. The committee evaluated the activities of directors and corporate executive officers, audited documentation including financial statements and business reports, and prepared an audit report for the period under review.

The Compensation Committee met five times in FY2012 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 10 times during FY2012, and outside directors had a 90% record of attendance.

Corporate Governance System at Daiwa Securities Group



Executive Compensation More Closely Linked to Performance

Compensation for directors and corporate executive officers is determined by the Compensation Committee. It generally has three components; basic compensation, performance-based

compensation, and stock-price-linked compensation.

Comprehensive criteria used in calculating performance-based compensation include 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.

Compensation Paid to Directors and Corporate Executive Officers of Daiwa Securities Group Inc. in FY2012

	Directors		Corporate Executive Officers		Total	
	Recipients	Amount	Recipients	Amount	Recipients	Amount
Amounts based on resolution of the Compensation Committee.....	7 persons	¥120 million	12 persons	¥807 million	19 persons	¥927 million

Notes: 1. The above amounts include performance-based compensation paid in this fiscal year.

2. The above compensation amounts include a total of ¥102 million in stock acquisition rights granted as stock options to directors and corporate executive officers.

3. Compensation paid to the five outside directors totaled ¥84 million.

4. Seven directors also served as corporate executive officers; their total compensation is included in the "Corporate Executive Officers" category.

Internal Control System and Internal Audit

In recognition that management is responsible for maintaining an effective internal control system to ensure the sound and proper execution of business, the Group, under the main initiative of Daiwa Securities Group Inc., has established a system for managing the Group's major business risks. The Group also maintains this internal control system for ensuring "business effectiveness and efficiency," "reliable financial reporting," "compliance with laws related to business activities," and "asset preservation." On April 1, 2013, a portion of the Compliance Department was split off into a newly established Compliance Control Department with the aim of strengthening internal control systems through greater specialization and efficiency in compliance-related control functions.

The Internal Audit Department verifies the internal control system. This department, established independently from all other departments and reporting to a full-time corporate executive officer, ensures internal audits to act as an important function of raising Group value through the creation of sound and efficient internal controls. The department's internal auditing plans and the results of internal audits are reported to and approved by the Group Internal Audit Committee, which is directly under the control of the CEO of Daiwa Securities Group Inc. Those are also reported to the Audit Committee.

Daiwa Securities Group Inc. seeks to raise corporate value by effectively conducting internal audits, and implements risk-based internal audits primarily through its Internal Audit Department.

The Internal Audit Department pays special attention to certain aspects of Group internal auditing activities, including the internal control systems at Daiwa Securities Co. Ltd. and the Group's overseas business offices as a global financial instruments firm, the internal control systems at Daiwa Next Bank, Ltd. as a bank, the status of Group-related businesses, and the status of controls at the parent over Group companies.

The Internal Audit Department collaborates with the internal auditing section of each Group company within the context of holding periodic meetings, monitoring activities, and performing audits. It also formulates policies that apply to all Group internal audits, plans risk-based audits, and monitors these activities. The Internal Audit Department maintains communications with the Audit Committee and accounting auditor, making any necessary adjustments to ensure that audits are performed efficiently. The Audit Committee on occasion asks the Internal Audit Department to conduct an audit.

■ 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.

The Daiwa Securities Group's Approach to Compliance

The Daiwa Securities Group is 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 its role in society. We aggressively conduct compliance training programs for our employees. These programs commence as soon as employees join the Group 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 Group 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 FY2012, Group companies continued to hold training related to insider trading regulations.

On April 1, 2013, compliance functions were divided into the Compliance Control Department, which oversees compliance controls throughout the Group, and the Compliance Department, which is in charge of supporting compliance related to the business operations of Daiwa Securities Co. Ltd. This new structure enhances the specialization and efficiency of compliance functions and will lead to a more robust Group compliance system.

Initiatives the Group took to eliminate any and all relations with corporate racketeers and other antisocial groups involved collecting information on their increasingly sophisticated methods by working in close contact with mainly police organizations and legal experts, and enhancing the Group's various outward procedures for scrupulously severing contact with such undesirable groups. As a result, a system of cooperation among Group companies to perform checks preventing the outflow of funds to antisocial forces is now in place.

Compliance Initiatives at Daiwa Securities Co. Ltd.

Daiwa Securities Co. Ltd. is taking measures, under the compliance program, to ensure the effective operation of its internal control system in order to ensure strict compliance with laws and regulations.

In FY2012, the Daiwa Securities Group worked to build more effective and efficient internal management systems, further improve customer solicitation and sales systems, and make qualitative improvements through an overhaul of internal management systems. For FY2013, the Company decided to create the following three compliance programs aimed at deepening understanding of the “true meaning” of internal rules, in moving towards achieving its management targets. The Company will strive to bolster its internal management systems further.

1. Program for upgrading and reinforcing Companywide internal management systems, and for fostering better awareness of professional ethics and compliance issues
2. Program for further improving quality of marketing, and firmly establishing customer-oriented sales
3. Program for building robust information management systems and system for eradicating antisocial forces

■ Top Management

Directors

(Members of the Board)

Chairman of the Board

Shigeharu Suzuki

Directors

Takashi Hibino

Nobuyuki Iwamoto

Akio Takahashi

Yoriyuki Kusaki

Saburo Jifuku

Masaru Shirataki

Ryuji Yasuda

Nobuko Matsubara

Keiichi Tadaki

Kensuke Itoh

Hiroki Tsuda

Corporate Executive Officers



Takashi Hibino
President and CEO
President, Daiwa Securities Co. Ltd.

1979 Joined Daiwa Securities Co. Ltd.
2002 Head of Corporate Planning Department, Daiwa Securities Group Inc. Senior Managing Director, Daiwa Securities SMBC Co. Ltd.
2004 Member of the Board and Executive Managing Director, Daiwa Securities Group Inc.
2007 Senior Executive Managing Director
2008 Senior Executive Managing Director, Daiwa Securities SMBC Co. Ltd.
2009 Deputy President, Daiwa Securities Group Inc. Deputy President, Daiwa Securities SMBC Co. Ltd.
2011 President and CEO, Daiwa Securities Group Inc. President, Daiwa Securities Co. Ltd. President, Daiwa Securities Capital Markets Co. Ltd.
2012 President and CEO, Daiwa Securities Group Inc. President, Daiwa Securities Co. Ltd.



Nobuyuki Iwamoto
Deputy President and COO
Human Resources Officer
Head of Overseas Operations
Deputy President, Daiwa Securities Co. Ltd.

1980 Joined Daiwa Securities Co. Ltd.
2001 Head of International Finance Department, Daiwa Securities SMBC Co. Ltd.
2005 Senior Managing Director, Daiwa Securities Group Inc.
2006 Member of the Board and Senior Managing Director
2008 Executive Managing Director
2009 Senior Executive Managing Director
2011 Deputy President, Daiwa Securities Group Inc. Deputy President, Daiwa Securities Capital Markets Co. Ltd.
2012 Deputy President, Daiwa Securities Group Inc. Deputy President, Daiwa Securities Co. Ltd.



Akio Takahashi
Deputy President
Head of Wholesale
Deputy President, Daiwa Securities Co. Ltd.

1978 Joined Daiwa Securities Co. Ltd.
2003 Head of Equity Capital Markets Department, Daiwa Securities SMBC Co. Ltd.
2004 Senior Managing Director
2007 Executive Managing Director
2008 Member of the Board and Executive Managing Director
2009 Senior Executive Managing Director
2011 Deputy President, Daiwa Securities Group Inc. Deputy President, Daiwa Securities Capital Markets Co. Ltd.
2012 Member of the Board and Deputy President, Daiwa Securities Group Inc. Deputy President, Daiwa Securities Co. Ltd.



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

1980 Joined Daiwa Securities Co. Ltd.
2002 Head of Corporate Institutions Dept. III, Daiwa Securities SMBC Co. Ltd.
2004 Senior Managing Director
2007 Executive Managing Director
2009 Member of the Board and Senior Executive Managing Director, Daiwa Securities Co. Ltd.
2012 Member of the Board and Deputy President, Daiwa Securities Group Inc. Deputy President, Daiwa Securities Co. Ltd.



Hiroshi Nakamura
Deputy President
Deputy Head of Wholesale
Deputy President, Daiwa Securities Co. Ltd.

1980 Joined Daiwa Securities Co. Ltd.
2001 Head of FICC at Daiwa Securities SMBC Co. Ltd.
2005 Senior Managing Director, Daiwa Securities Co. Ltd.
2008 Executive Managing Director
2010 Member of the Board and Executive Managing Director
2011 Senior Executive Managing Director
2012 Senior Executive Managing Director, Daiwa Securities Group Inc. Senior Executive Managing Director, Daiwa Securities Co. Ltd.
2013 Deputy President, Daiwa Securities Group Inc. Deputy President, Daiwa Securities Co. Ltd.



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

1978 Joined Daiwa Securities Co. Ltd.
2003 Head of Financial Institutions Dept. I, Daiwa Securities SMBC Co. Ltd.
2004 Senior Managing Director, Daiwa Securities Co. Ltd.
2006 Member of the Board and Executive Managing Director
2007 Senior Executive Managing Director
2009 Deputy President, Daiwa Securities Group Inc. Deputy President, Daiwa Securities Co. Ltd.
2010 Member of the Board and Deputy President, Daiwa Securities Group Inc.
2012 Deputy President, Daiwa Securities Group Inc. President, Daiwa Asset Management Co. Ltd.



Takashi Fukai

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

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



Saburo Jifuku

Executive Managing Director and CRO
Executive Managing Director, Daiwa Securities Co. Ltd.

1982 Joined Daiwa Securities Co. Ltd.
2006 Managing Director of Personnel Department, Daiwa Securities Group Inc.
2008 Member of the Board and Senior Managing Director
2011 Senior Executive Managing Director, Senior Managing Director, Daiwa Securities Co. Ltd.
2012 Executive Managing Director, Daiwa Securities Capital Markets Co. Ltd.
2013 Member of the Board and Executive Managing Director, Daiwa Securities Group Inc.



Masaaki Goto

Executive Managing Director
Deputy Head of Overseas Operations (Head of Europe & Middle East)
Chairman of Daiwa Capital Markets Europe Limited

1982 Joined Daiwa Securities Co. Ltd.
2005 Head of Structured Finance, Daiwa Securities SMBC Co. Ltd.
2007 Corporate Executive Officer, Daiwa Securities Group Inc.
2010 Executive Managing Director, Daiwa Securities Capital Markets Co. Ltd.
2012 Executive Managing Director, Daiwa Securities Group Inc.
2013 Executive Managing Director (Corporate Executive Managing Director)



Koichi Matsushita

Executive Managing Director
Corporate Communication Officer
Executive Managing Director, Daiwa Securities Co. Ltd.

1984 Joined Daiwa Securities Co. Ltd.
2006 Kinki Group Manager
Head of Consulting Department, Kyoto Branch
2008 Senior Managing Director
2011 Executive Managing Director, Daiwa Securities Group Inc.
2012 Executive Managing Director, Daiwa Securities Capital Markets Co. Ltd.
2013 Executive Managing Director, Daiwa Securities Group Inc.
Executive Managing Director, Daiwa Securities Co. Ltd.



Toshihiro Matsui

Executive Managing Director
Corporate Planning Officer
Legal Officer
Deputy Human Resources Officer
Executive Managing Director, Daiwa Securities Co. Ltd.

1985 Joined Daiwa Securities Co. Ltd.
2008 Head of Corporate Planning Department, Daiwa Securities Group Inc.
2009 Senior Managing Director
2011 Executive Managing Director, Senior Managing Director, Daiwa Securities Co. Ltd.
2012 Executive Managing Director, Daiwa Securities Group Inc.
Executive Managing Director, Daiwa Securities Co. Ltd.



Toshihiko Onishi

Executive Managing Director
Internal Audit Officer
Executive Managing Director, Daiwa Securities Co. Ltd.

1984 Joined Daiwa Securities Co. Ltd.
2007 Managing Director and Assistant to Head of Planning at Daiwa Securities SMBC Co. Ltd.
2008 Seconded to Daiwa Securities SMBC Principal Investments Co. Ltd. (currently, Daiwa PI Partners Co. Ltd.)
2009 Member of the Board and Executive Managing Director, Daiwa Securities SMBC Principal Investments Co. Ltd.
2011 Member of the Board, Daiwa Securities Group Inc.
2013 Executive Managing Director, Daiwa Securities Group Inc.
Executive Managing Director, Daiwa Securities Co. Ltd.



Mikita Komatsu

Executive Managing Director and CFO
Deputy Corporate Planning Officer
Deputy Head of Overseas Operations
Executive Managing Director, Daiwa Securities Co. Ltd.

1985 Joined Daiwa Securities Co. Ltd.
2008 Daiwa Securities SMBC Co. Ltd. (President, Daiwa Securities SMBC Europe Limited)
2010 Senior Managing Director, Daiwa Securities Capital Markets Co. Ltd.
2011 Senior Managing Director, Daiwa Securities Group Inc.
2012 Senior Managing Director, Daiwa Securities Capital Markets Co. Ltd.
2013 Senior Managing Director, Daiwa Securities Group Inc.
Executive Managing Director, Daiwa Securities Co. Ltd.



Shigeharu Suzuki

Senior Managing Director
Chairman of the Board, Daiwa Securities Co. Ltd.

1971 Joined Daiwa Securities Co. Ltd.
1997 Member of the Board, Head of Corporate Institution Division
1998 Executive Managing Director
2001 Senior Executive Managing Director
2002 Senior Executive Managing Director, Daiwa Securities SMBC Co. Ltd.
2003 Representative Director and Senior Executive Managing Director
2004 Member of the Board, President and CEO, Daiwa Securities Group Inc.
2011 Chairman of the Board and Senior Managing Director, Daiwa Securities Group Inc.
Chairman of the Board, Daiwa Securities Co. Ltd.

■ 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, the Audit Committee, and the 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 corporate executive officers.

Note: A Company with Committees since May 2006

Committee Members

Nominating Committee

Shigeharu Suzuki
(Chairman)
Takashi Hibino
Ryuji Yasuda
Nobuko Matsubara
Keiichi Tadaki
Kensuke Itoh

Audit Committee

Keiichi Tadaki
(Chairman)
Masaru Shirataki
Nobuko Matsubara
Hiroki Tsuda

Compensation Committee

Shigeharu Suzuki
(Chairman)
Takashi Hibino
Ryuji Yasuda
Kensuke Itoh
Hiroki Tsuda

Masaru Shirataki
Member of the Board



1985 Joined Daiwa Securities Co. Ltd.
2011 Head of Group Internal Audit, Daiwa Securities Group Inc.
Head of Internal Audit, Daiwa Securities Co. Ltd.
Head of Internal Audit, Daiwa Securities Capital Markets Co. Ltd.
2013 Member of the Board, Daiwa Securities Group Inc.

Ryuji Yasuda
Outside Director
(Member of the Board)



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 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 Stepped down as Chairman of A.T. Kearney, Far East Asia Chairman of the Board, J-Will Partners Co., Ltd.
Outside Director (Member of the Board), Daiwa Securities Group Inc.
2004 Professor, Hitotsubashi University, Graduate School of International Corporate Strategy
2006 Stepped down as Chairman of the Board, J-Will Partners Co., Ltd.

Ryuji Yasuda is currently a Professor of Hitotsubashi University's Graduate School of International Corporate Strategy. Before that, he was a partner at various prominent consulting firms. The Company has drawn on Mr. Yasuda's specialized knowledge and experience in management strategy nurtured throughout his career for management advice. His term as a director of the Board is 10 years.

Nobuko Matsubara

Outside Director
(Member of the Board)



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 Chairwoman, Japan Institute of Workers' Evolution
2008 Outside Director (Member of the Board), Daiwa Securities Group Inc.
2012 Honorary Chairwoman, Japan Institute of Workers' Evolution

Nobuko Matsubara is currently the chairwoman of the Japan Institute of Workers' Evolution. Before that, she was the Vice Minister of Labor, and served as the Ambassador of Japan to Italy, among other posts. The Company has drawn on Ms. Matsubara's specialized knowledge and broad experience nurtured throughout her career for management advice. Her term as a director of the Board is five years.

Keiichi Tadaki
Outside Director
(Member of the Board)



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
2004 Superintending Prosecutor of the Tokyo High Public Prosecutors Office
2006 Prosecutor General
2008 Stepped down as Prosecutor General Attorney at law
2009 Outside Director (Member of the Board), Daiwa Securities Group Inc.

Keiichi Tadaki is currently an attorney at law. Before that, he was the Vice Minister of Justice, and served as the Superintending Prosecutor of the Tokyo High Public Prosecutors Office and the Prosecutor General. The Company has drawn on Mr. Tadaki's wealth of experience and specialized knowledge on legal and compliance issues nurtured throughout his career for management advice. His term as a director of the Board is four years.

Kensuke Itoh
Outside Director
(Member of the Board)



1959 Joined Kyoto Ceramic Co., Ltd. (currently, Kyocera Corporation)
1975 Member of the Board and Senior Managing Director
1979 Executive Managing Director
1981 Senior Executive Managing Director
1985 Representative Director and Deputy President
1989 Representative Director and President
1999 Representative Director and Chairman of the Board
2005 Advisor and Senior Managing Director
2009 Advisor
2011 Outside Director (Member of the Board), Daiwa Securities Group Inc.
2013 Advisor, Kyocera Corporation

Kensuke Itoh is currently an advisor to Kyocera Corporation, after having served as its President, among other representative positions. The Company has drawn on Mr. Itoh's wealth of management experience and insight nurtured throughout his career at Kyocera for management advice. His term as a director of the Board is two years.

Hiroki Tsuda

Outside Director
(Member of the Board)



1972 Entered Ministry of Finance
2002 Director-General of Tokyo Customs, Ministry of Finance
2003 Deputy Vice Minister for Policy Planning and Co-ordination
2004 Deputy Vice Minister of Finance
2006 Director-General of the Budget Bureau
2007 Administrative Vice Minister
2008 Professor of Waseda University, Graduate School of Faculty of Political Science and Economics
2013 Outside Director (Member of the Board), Daiwa Securities Group, Inc.

Hiroki Tsuda has previously served as the Director-General and the Vice Finance Minister at the Ministry of Finance and a professor at the Graduate School of Public Management, Waseda University. Management believes his specialized knowledge and extensive career experience will be of enormous value to the Company.

■ Disclosure

The Daiwa Securities Group works 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

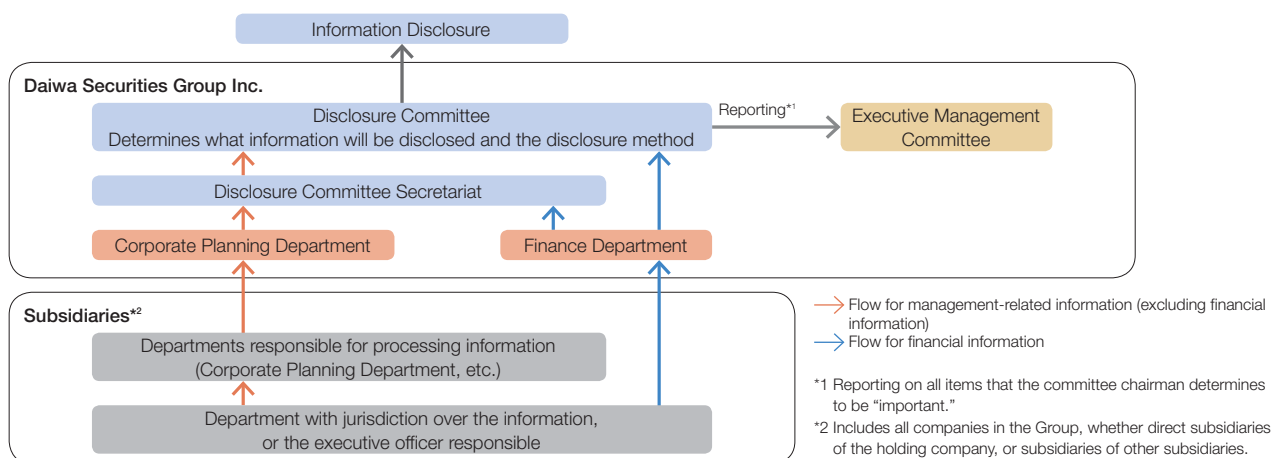
The Daiwa Securities Group has formulated the Disclosure Policy, which outlines the Group's basic approach to information disclosure and strives to provide information that is fair, prompt, and appropriate.

In addition, Daiwa Securities Group Inc. has established the Disclosure Committee—a sub-committee of the Executive Management 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 Office handles disclosure to shareholders, investors, and analysts. The Corporate Communication Department is responsible for communications with the mass media and 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.

Flowchart of the Daiwa Securities Group's Disclosure Activities



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 Act 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."

■ 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 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 Strategy

IT Governance System

The Group has established the Group IT Strategy Committee as a subcommittee of the Executive Management Committee. This committee deliberates and makes decisions on such issues as budgets for IT investment and the allocation of IT functions. IT investment budgets are drawn up after projects are rigorously screened based on necessity, and funds are prioritized for investment budgets that contribute to the achievement of Group management targets and business strategies.

The Group IT Management Committee, which serves as a prior consultation mechanism for the Group IT Strategy Committee, was established as a venue for executive officers to discuss investment themes common to all Group companies.

IT Strategy

With the aim of achieving sustainable growth, the Daiwa Securities Group has been promoting two IT strategies (basic IT policies) of “raising the cost-competitiveness of business infrastructures through reconstruction,” and “strengthening IT governance” under its Medium-Term Management Plan “Passion for the Best” 2014, which commenced in FY2012.

In FY2012, we focused on system upgrades for handling a broader range of products and services, such as the launch of foreign currency deposits and Premium Service, and measures were undertaken to right-size systems while upgrading them with new technology.

In FY2013, we plan to flexibly execute strategic investments that contribute to earnings growth, such as IT investments in increasing work efficiency in the Retail Division. We will also continue to reinforce Group IT governance by periodically checking the IT investment plans of each Group company.

Information Security

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 Group has adopted a full spectrum of information security policies at companies throughout the Group to ensure that 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 client technology and high-security access controls at the data center. The online trading systems of Daiwa Securities Co. Ltd. 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 has put in place a self-assessment scheme for employees in order to maintain and build upon the current level of information security across the Group as a whole. Each Group company has formulated further initiatives tailored to meet the information security needs of the products and services they offer. 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. The programs are offered periodically as group training sessions, as well as through e-learning.

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.

Risk Management Policy

The Daiwa Securities Group Inc. has established “The Rule of Risk Management” governing all activities by the Group companies to manage risk in order to ensure that they conform to the following basic policies:

1. Management’s proactive involvement in risk management.
2. Implementing a risk management system commensurate with the nature of such risks in the Group’s management.
3. Understanding comprehensive risk based on integrated risk management and strengthening capital.
4. Clarifying the risk management process.

Limits are set for each type of risk so as to control risk within an amount suitable for the management strength of the Group.

Types of Risks

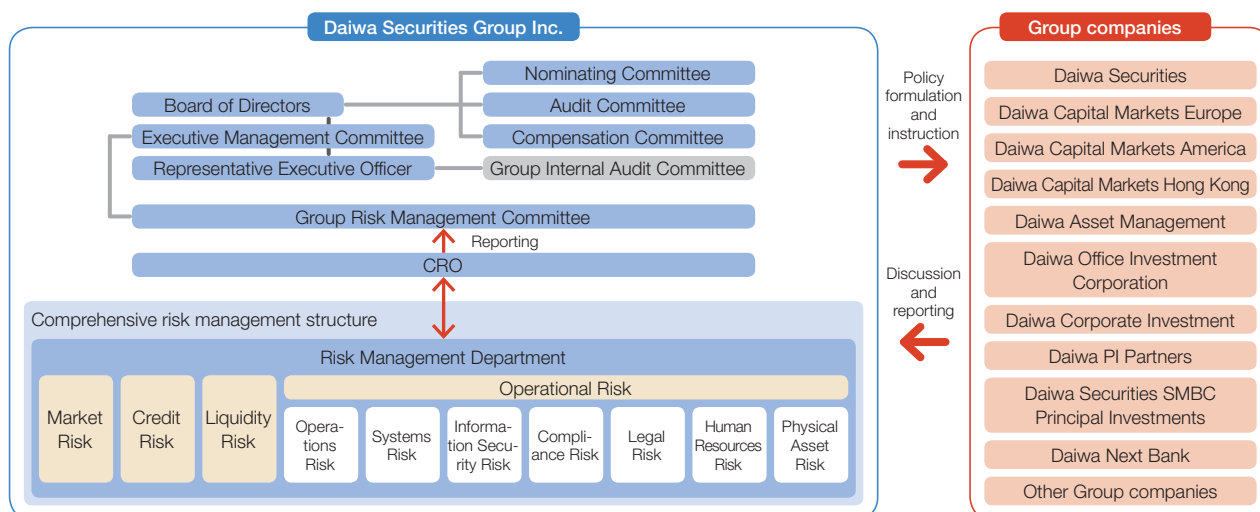
The Daiwa Securities Group faces various risks in the course of its business activities. The Group therefore believes that it is important to properly identify, evaluate, and manage these risks in order to maintain healthy financial and earnings

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, and reputation risk.

Risk Management System

The Board of Directors of Daiwa Securities Group Inc. has approved “The Rule of Risk Management”. This rule defines basic policies related to risk management, the types of risk that are necessary to be managed, and the executive and department for each major risk. Each subsidiary conducts risk management suitable for the risk profile and size of each business in accordance with these basic policies related to risk management. Daiwa Securities Group Inc. monitors the system and situation of its subsidiaries’ risk management. Also, the Group Risk Management Committee, as a sub-committee of the Executive Management Committee of Daiwa Securities Group Inc., receives reports about risk

Risk Management System



exposures obtained via the aforementioned monitoring of subsidiaries and themes concerning their risk management system and discusses and resolves those issues. In addition, major Group companies regularly hold risk management committee meetings in order to strengthen their risk management.

Major Risks and Methods of Management

Market Risk Management

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.

In terms of the Group's trading business, the Group sets limits on Value at Risk (VaR), which indicates the maximum potential loss at a specific confidence level, position, and sensibility, with consideration given to the financial status of the Group and the business plans and budgets of the departments exposed to trading positions. The Risk Management Department monitors market risk for the Group as a whole and reports daily on the status of market risk to management. In addition, considering the case of severe market fluctuation and potential VaR, which do not appear under the calculation based on statistical hypotheses drawn from set time periods of empirical data, the Group carries out stress tests using scenarios based on actual empirical market data, as well as hypothetical stress event scenarios.

Note: Value at Risk (VaR) represents the maximum possible loss within a given probability distribution caused by future price fluctuations, assuming that a certain position is held for a specific period of time.

Credit Risk Management

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.

Before the Group can take on a transaction involving credit risk in its trading business, the Group assigns a line of credit to the counterparty mainly based on its credit rating. Subsequently, the Group carefully monitors estimations of the notional value of the relevant principal and adherence to the amount of credit used.

In particular, in businesses such as the Wholesale business, where the exposure to credit risk is comparatively high, the Group determines the credit standing of each counterparty by conducting quantitative and qualitative evaluations based on a credit evaluation model. The Group then assigns a line of credit to each counterparty, taking into account various transaction conditions such as the credit period and availability and appropriateness of collateral. In addition, the Group measures credit VaR and also periodically monitors the effects of large exposure to a single counterparty.

Value at Risk (VaR)

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

	(Billions of yen)							
	6/11	9/11	12/11	3/12	6/12	9/12	12/12	3/13
Daiwa Securities Group (Consolidated)								
VaR (Month-end)	3.81	3.39	1.94	1.49	1.74	1.55	1.77	1.63
Quarterly.....								
High.....	4.59	4.21	3.52	2.54	2.15	2.29	2.02	2.43
Low	2.74	3.04	1.86	1.39	1.38	1.29	1.20	1.16
Average	3.61	3.62	2.75	1.94	1.71	1.77	1.54	1.61
By Risk Factor (Month-end)								
Equity	1.70	0.77	0.82	0.42	0.68	0.48	0.95	0.56
Interest	4.00	3.39	1.35	1.62	1.48	1.32	1.67	1.52
Currency.....	0.63	0.70	0.68	0.59	0.60	0.47	0.50	0.96
Commodities.....	0.02	0.08	0.23	0.02	0.01	—	—	—

Management of Market Risk and Credit Risk

Unrelated to Trading Business

Besides trading business, the Group also owns operational investment securities related to the investment business; loans and marketable securities related to the banking business; and investment securities that are held for the purpose of maintaining business relationships. Although such assets are also exposed to market and credit risks, the risk management of such assets is conducted in accordance with the risk characteristics unique to each line of business.

Liquidity Risk Management

Liquidity risk refers to the risk of suffering losses due to cash management difficulties or becoming subject to financing at markedly higher costs than usual as a result of an abrupt change in market conditions or a worsening of the Group's finances. The 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 funds based on the policy of efficiently and periodically ensuring ample liquidity necessary for the continuation of its business.

In order to prevent fluctuations in the market from affecting the continuation of our business activities, the Group is constantly striving to secure the stability of fund procurement. Particularly in recent years, the Group 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 global financial crises or credit crunches. Additionally, as it can be anticipated that such crises may make it difficult to procure new funds and reacquire existing funds, the repayment periods of procured capital are staggered with funds procured from diverse sources.

The Group is establishing a liquidity management system based on the Liquidity Coverage Ratio as defined by the Basel Committee on Banking Supervision. Under this system, daily checks are performed to ascertain that liquidity portfolios are sufficient to cover both unsecured short-term funds procured falling due within a fixed time period and the estimated outflow of funds in the event of a number of envisioned stress scenarios in that same period. This system makes it possible for the Group to continue operations even in the event that procuring funds without collateral for one whole year became an impossibility.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from 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.

Major Group companies conduct risk control self-assessments (RCSAs) and control their operational risks properly in other ways in accordance with a set of rules Daiwa Securities Group Inc. has set forth on operational risk management. In addition, the Group has taken other necessary measures, such as the institution of rigid rules concerning authority and the preparation of procedural manuals for automating office operations and reducing human error. Each Group company strives to reduce operational risk according to the nature of its own business.

Reputation Risk Management

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 in charge of 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 regarding its reputation.

■ CSR Initiatives

The Daiwa Securities Group recognizes that its mission is to contribute to the development of society and the economy through daily operations, including wealth management for investors and support for the financial strategies and other aspects of corporations and public institutions. Deepening the bond of trust we share with our stakeholders, including customers, shareholders, employees, and society, is essential to the accomplishment of our enduring mission and sustainable growth together with society.

Corporate Principles of the Daiwa Securities Group

Building trust	The trust and approval of customers form the very foundation of the Daiwa Securities Group. The Group will always place the needs of customers first, and strive to develop the advanced, specialized skills to offer them the most-attractive products and services of any securities group.
Placing importance on personnel	The source of the Group's competitiveness lies in the capabilities of its employees. The Group will promote the creativity of employees by offering them a challenging and self-directed working environment that encourages their abilities and appropriately rewards their contributions.
Contributing to society	The Daiwa Securities Group will seek to benefit the economy and society through the development of healthy financial markets. In addition to scrupulously observing both regulations and internal policies, the Group will strive to maintain a high sense of morality and duty, endeavoring to continue contributing to the sustainable growth of the societies in which we operate.
Maintaining healthy earnings results	The Group will always seek to develop healthy business operations and to increase corporate value for the benefit of shareholders. By providing customers with attractive products and services, the Daiwa Securities Group will seek to generate strong profits and healthy returns for shareholders.

Key CSR Issues for Daiwa Securities Group

To achieve its corporate principles and realize a sustainable society, the Group seeks to initiate even more effective CSR activities. Based on the requests and opinions we have received from our stakeholders thus far, we have addressed the following key issues:

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

Human resources are the key to addressing these issues. We believe keeping each and every one of our executives and employees motivated and proud of their work is essential for tackling these key issues.

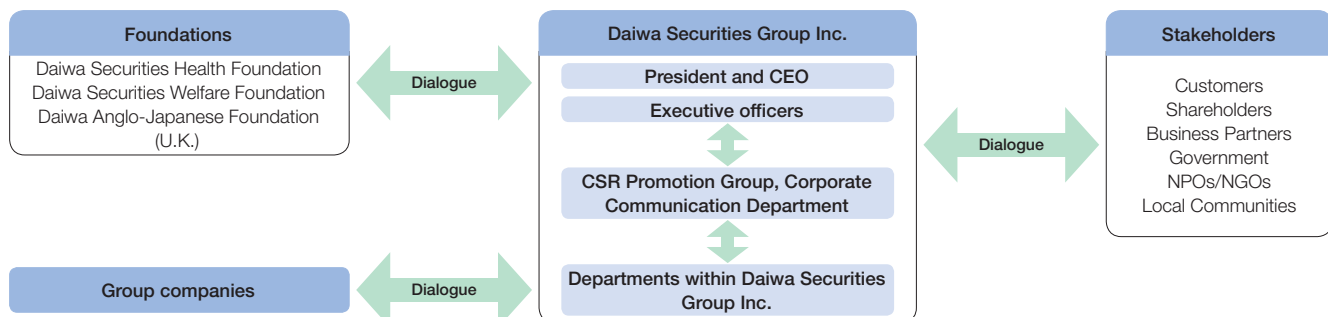
In addition to these two CSR issues, the Group strives to create a rewarding workplace in which our executives and employees can take pride.

▼
To achieve its corporate principles, the Daiwa Securities Group anchors its CSR activities in these goals.

CSR Promotion System

The CSR group of the Corporate Communication Department at Daiwa Securities Group Inc. compiles information in external and internal meetings and actively holds dialogues to ensure that feedback from a wide range of stakeholders is reflected in the Group's activities. The CSR group also engages in various activities, including giving CSR lectures during an induction course for newly recruited employees and sharing information on CSR in department

head meetings and departmental liaison meetings, thus promoting awareness of CSR throughout branches across Japan and major overseas sites and building cooperative frameworks. The section also organizes dialogues on various CSR issues with opinion leaders in the broader society and posts them on the CSR website of Daiwa Securities Group Inc. as "Thinking about CSR Together" (only selected dialogues are available in English).



Contributing through Our Core Business

We as a financial service company play a vital social role by building a bridge between, on the one side, the need of the private sectors to raise capital or the need of the public sector to finance various projects, and, on the other side, the need of individual and institutional investors, pension funds, and others for efficient asset management. Human rights, labor, and the environment are also issues in society. The financial service industry has a social responsibility and a key role in contributing to sustainable development in countries, regions, communities, and industries by creating a flow of money, the lifeblood of any economy, through financial and capital markets.

On the fund-raising side through issuing equities, bonds, and other securities products, the Group provides advice and assistance to companies in their efforts to raise money for capital expenditures and R&D, as well as for national governments, local governments, international institutions, and public corporations seeking to raise funds for public works projects.

On the investment side, the Group provides appropriate investment information and advice tailored to each customer's situation and goals. It offers a comprehensive and diverse lineup of financial instruments and services to meet the various needs of individual and institutional investors as well as pension funds.

In recent years, the Group has paid particular attention to supporting countries with a deep interest in such issues as the environment, society, and governance (ESG), providing Socially Responsible Investment (SRI) funds as a means to assist the corporate sector albeit in an indirect manner, and promoting Impact Investments that directly help to resolve societal issues. From its position as a financial institution, the Daiwa Securities Group is endeavoring to contribute to society by developing and marketing these products. In addition to pursuing economic gain, the Group is dedicated to resolving a host of social issues.

Initiatives Related to Socially Responsible Investment (SRI) Funds

SRI funds evaluate and select potential component stocks and bonds for their social and environmental efforts, ethics, and other nonfinancial performance, as well as the levels of sales and profit. Included in these funds are companies that exhibit outstanding environmental performance. In this regard, Eco-funds are limited to environmental performance and invest exclusively in companies operating environment-related businesses. Investing in such funds enables investors to indirectly support countries and firms actively engaged in environmental conservation efforts and CSR activities via the financial market.

Daiwa Securities' principal SRI funds include the Daiwa SRI Fund, which is a stock investment trust that invests in issues that are selected on the basis of their CSR efforts and sustainable growth strategies, the Daiwa Eco Fund that invests in issues based on the company's stance toward environmental initiatives and improvement of corporate values focusing on the use of

shareholders' equity, and the Russell Global Environment Technology Fund, which invests in companies that provide environmental technologies and services worldwide.

Total net assets of SRI funds under management by the Daiwa Securities Group stood at ¥68.4 billion at the end of March 2013 (Source: Daiwa Securities).

Impact Investment Initiative

Impact Investing differs from SRI in that it places emphasis on investments directly affecting the environment and society. Not only pursuing economic benefits, but it also is a way to allocate assets solely to activities targeted at resolving social issues, such as poverty and climate change.

The Daiwa Securities Group has continued supporting the resolution of social and environmental issues by offering various types of Impact Investment products as a responsible financial institution. The principal instrument is bonds. In FY2012, cumulative offerings of Impact Investment bonds covered six issues and totaled ¥72.1 billion.

In February 2013, the Daiwa Securities Group arranged the issuance and sale of Agri Bonds by Rabobank Nederland, a financial institution that is engaged in financing global agribusiness. The net proceeds from the bonds will support Rabobank Nederland in the work that they do for various projects, lending, and other financial support as a part of efforts to enhance sustainable agribusiness practices in developing countries. This derives from the success of the previous issuance on July 2012, which represented the first Agri Bonds issued by the bank as a private-sector institution.

The Daiwa Securities Group together with the International Finance Facility for Immunisation (IFFIm) announced the issuance and sale of Vaccine Bonds in March 2013. The bonds were successfully distributed to investors in full with the net proceeds used to fund immunization programs for children in developing countries. This was the fifth issuance of IFFIm's Vaccine Bonds arranged by us, with the total amount now standing at around ¥125.0 billion.

Cumulative offerings of Impact Investment bonds in Japan amounted to ¥697.2 billion at the end of March 2013, of which ¥450.2 billion, or 65%, was arranged by the Daiwa Securities Group (Source: Daiwa Securities).

Coinciding with the 2012 International Monetary Fund/World Bank Annual Meetings held in Tokyo in October 2012, the Daiwa Securities Group held a seminar for investors to introduce and explain the issuance of Green Bonds and Microfinance Bonds in conjunction with the World Bank Group. As one of many varied and diverse initiatives, pertinent Impact Investing information was also posted on the Group's website.

■ Impact Investing Forum held

Again coinciding with the 2012 International Monetary Fund/World Bank Annual Meetings, a forum for individual investors was held in Tokyo on October 11, 2012. Organized in conjunction with the World Bank Group, the forum centered on the topic of “resolving global environmental issues and poverty—the initiatives of the World Bank/IFC and the role of socially responsible investment.”

Moreover, a major Impact Investing forum was held in Tokyo on November 20, 2012 with a similar event organized for Osaka. Coinciding with the issuance of bonds by the Japan International Cooperation Agency (JICA), this forum was based on the theme of “creating global ties through international cooperation—approach to social contribution aimed at resolving global issues.”

Each of these forums was attended by a considerable number of people. Recognized not only as an opportunity to provide information on Impact Investing and contributions to societal solutions through investment, but these initiatives also stimulated lively debate on the approach to future investments.



■ Vaccine Bonds cited as among the 25 most-influential deals in contributing to society

Since arranging the inaugural issuance of Vaccine Bonds in Japan in March 2008, the Daiwa Securities Group has been involved in over one-third of the funds raised through the issuance of IFFIm Vaccine Bonds. On June 19, 2012, bond issuances by IFFIm were cited by Euro Week magazine as among the 25 most-influential deals in contributing to society. This is a clear indication of the pioneering role played by Vaccine Bonds in raising several billions of U.S. dollars in Japan through Impact Investing.

■ Recognized as a young global leader

Satoru Yamamoto, a Daiwa Securities employee engaged in the launch of Microfinance Bonds and other Impact Investing bonds, was recognized as one of the “Young Global Leaders (YGLs) for 2012” by the World Economic Forum in March 2012. Individuals under the age of 40, YGLs represent the future leadership, and are selected on the basis of their potential for excelling on the world stage. Recognition and awards reflect the expectation that YGLs will play a prominent role in creating the future.

Great East Japan Earthquake SME Reconstruction Support Fund

Daiwa Corporate Investment Co., Ltd. established the reconstruction support fund in January 2012 to support small and medium-sized enterprises (SMEs) devastated by the Great East Japan Earthquake. Targeting unlisted private companies, the fund aims to expeditiously provide risk finance mainly in the form of equity. By supplying finance for a variety of purposes, including restoration and reconstruction following the earthquake disaster, new business development, the shift to a new industry or line of business, business reorganization and succession, and business incubation, the goal is to actively support companies in their efforts to secure renewed growth and development. In this manner, every effort is being made to bring about a recovery in disaster-stricken areas and to contribute to sustainable expansion.

In March 2012, the first investment was provided to two companies with their head offices located in Iwate and Miyagi prefectures. Currently, the fund is financed and supported by a number of entities, including the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN, as well as such institutions as The 77 Bank, Ltd., Bank of Iwate, Ltd., Aomori Bank, Ltd., and Toho Bank, Ltd., which maintain the bulk of their business in the Tohoku region.

Support for Cultivating a Capital Market in Myanmar

Daiwa Institute of Research Ltd. (DIR), Tokyo Stock Exchange Group, Inc. (currently, the Japan Exchange Group), and the Central Bank of Myanmar concluded a memorandum of understanding pertaining to cooperation toward establishing a securities exchange and supporting the cultivation of a capital market in Myanmar in May 2012. A major component of the memorandum is the establishment of a securities exchange in 2015. This is expected to provide companies in Myanmar with additional fund-raising opportunities while facilitating investors' wealth and support for financial strategies. In the ensuing period, DIR has put in place a variety of measures aimed at providing genuine support. In addition to providing recommendations to government officials, DIR has held seminars in Myanmar, and taken steps to accept trainees.

Cooperation is also being provided to JICA's Myanmar economic reform support survey. This initiative is designed to put forward policy proposals and promote human resource development to enhance policy proposal capabilities recognized as essential in bringing about definitive economic expansion in Myanmar. Together with the Japan Exchange Group, DIR is responsible for providing training in connection with capital markets. Support also takes the form of policy proposals advanced by specialists throughout the Group in each of the economic and financial fields.

Working in conjunction with several Japanese companies, steps have been taken to provide a cloud computing operating environment to the Central Bank of Myanmar as a part of efforts to enhance efficiency. Operations came online in December 2012. In the same month, and again in January and February 2013, OA training was conducted for Central Bank employees.

The Daiwa Securities Group will continue to harness its collective strengths to help cultivate a capital market in Myanmar going forward.



Establishing a Fund to Support Foreign Students from Myanmar

The Daiwa Securities Group established the Daiwa Japan-Myanmar Fund for the purpose of assisting students, who could be expected to lead Myanmar's financial markets in the future, to study in Japan on April 1, 2013. Shigeharu Suzuki, the Company's chairman, was appointed director of the Fund.

Individuals from among the employees of Myanmar's Ministry of Finance and Revenue, the Central Bank, and Myanmar Economic Bank as well as students were selected to travel to Japan and study for a period of around six months at the Graduate School of Public Policy of the University of Tokyo from October. Topics to be covered include securities-related legislation in countries throughout Asia, the role of central banks, and monetary policy. In addition, plans are in place to provide participants with training within Daiwa Securities and at the Tokyo Stock Exchange as a means of deepening knowledge and understanding in connection with the business of financial service companies.

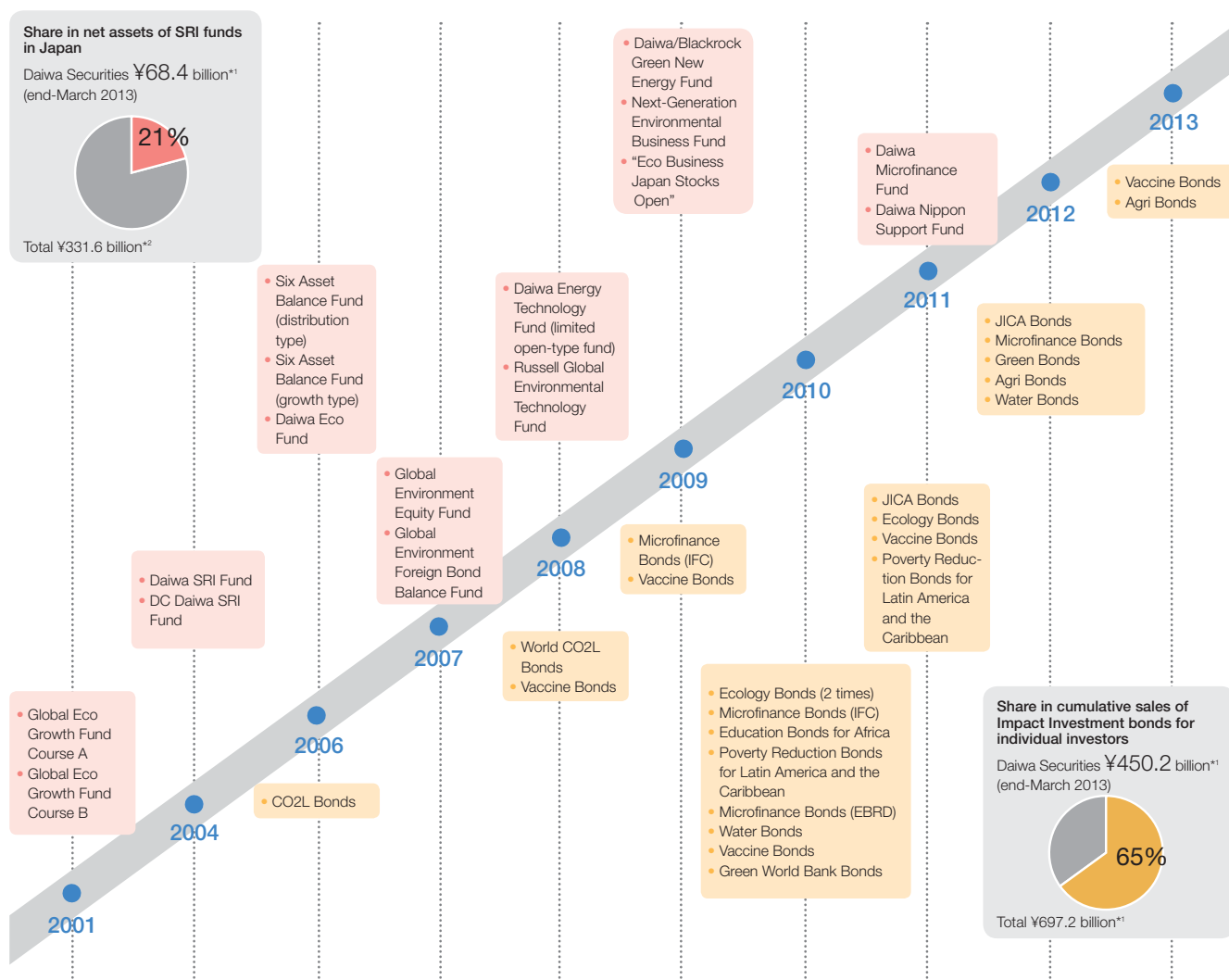
Working toward the establishment of a Myanmar Securities Exchange in 2015, the Daiwa Securities Group is providing infrastructure support, including the development of exchange rules and regulations and the construction of appropriate IT systems. At the same time, the Company is actively working to develop the human resources necessary to carry Myanmar's financial markets forward.

Megasolar Power Project

Daiwa PI Partners Co. Ltd, a subsidiary of the Daiwa Securities Group, mobilizing its impressive investment performances and know-how in their private equity investments, non-performing loan investments, mezzanine financing, and investment funds management, etc, has been actively involved in investments pertaining to renewable electric energy businesses. As a part of its investment activities, in March 2013, Daiwa PI Partners executed a memorandum of understanding with Taiheiyo Kouhatsu Inc. with regard to a megasolar power generation project on a site owned by Taiheiyo Kouhatsu in Kushiro, Hokkaido.

Through investments in renewable electric energy businesses, Daiwa PI Partners will seek out investment opportunities in expanding energy and infrastructure-related fields, and provide solutions for social challenges, including the transformation of the energy-supply structure.

Daiwa Securities Group's History of SRI Funds and Impact Investment Bonds



*1 Source: Daiwa Securities

**2 Source: Daiwa Fund Consulting Co. Ltd.

Initiatives Related to Employees and Executives

A key facet of the Daiwa Securities Group's corporate principles is the focus on human resources. The source of the Group's competitiveness lies in the capabilities of its employees. The Group will promote the creativity of each and every employee by offering them a challenging and self-directed working environment that encourages their abilities and appropriately rewards their contributions. The Daiwa Securities Group believes that maximizing the motivation of every executive and employee will improve customer satisfaction and consequently enhance shareholder value. We take a range of measures to ensure that all of our executives and employees feel a sense of job satisfaction and that their families and friends share in their pride to be part of the Group.

In addition, the Group has taken steps to clarify its "identity," which has developed through a process of evolution grounded in its corporate principles. This identity expresses the basic philosophy and mind-set of the Group's corporate culture since its foundation. We hope that the Daiwa Spirit will enhance employees' sense of unity and togetherness and thus the Group's overall cohesiveness.

Hiring Approaches and Trends

The Daiwa Securities Group would like all of its employees to be highly motivated and to stay with the Group from hiring to retirement. In addition, the Group has put in place and announced details of its guidelines for fair employment screening and selection, which are based on three fundamental principles. These guidelines ensure that the Group recruiting practices remain open and fair. All new college graduates recruited by the Group, including those with disabilities, are brought on as full, regular employees. This helps to encourage new hires to feel a sense of trust and pride in the Group and a sense of solidarity with their colleagues. On April 1, 2013, 523 new employees joined the Group.

Our approach to retaining quality human resources is simply to provide an environment in which diverse individuals can perform to their full potential. Daiwa Securities has also put forward a strategy for strengthening its business in Asia. In this regard, considerable emphasis is being placed on securing human resources who are capable of excelling on the world stage.

Encouraging Work-Life Balance

One of the Daiwa Securities Group's CSR targets is to promote an advanced level of work-life balance. The Group is committed to pursuing working styles that enable employees to achieve a

balance between their private and professional lives, and makes efforts to create an environment in which both men and women can work in a variety of ways. Not only do we seek to establish systems that enable diverse work styles, but we also work to change employee awareness by ensuring employees leave work before 7 p.m., by encouraging them to take all their paid holidays, and by setting a day of welcoming family visits to the workplace.

In addition, the Daiwa Securities Group has adopted systems aimed at supporting its employees in both areas of childrearing and nursing care that exceed statutory requirements. In FY2012, a survey concerning the Group's efforts to support both the career and childrearing needs of its employees was conducted to solicit input from all Group employees. This survey was designed to ascertain the degree to which employees were using the Group's systems and to collect feedback focusing particularly on employee needs. Drawing on the results of the survey, the Group is working to further improve conditions and put in place a pleasant working environment for all employees. Prior to an employee returning to work after taking childcare leave, interviews are conducted with relevant department, office, and branch heads. In this manner, energies are being channeled toward ensuring a smooth return to work.

We will continue promoting initiatives designed to attract the kind of high-caliber employees who build an enterprise that achieves great performance.

Encouraging Women to Succeed

We are trying to appeal more to women's individual interests by introducing thriving female employees as role models in internal publications and providing opportunities for cross-company communication, in order to increase the number of women in management positions.

A career consultation service has been set up on the Group's internal Initiatives for Work-Life Balance site. Female executive as well as department, office, and branch heads give advice to the concerns and inquiries of junior female employees. By increasing the number of role models, we are making it easier for the Group's female staff to envision a career path. In this context, there has been a sharp increase in female employees aspiring to advance their careers by switching to career-track and regional career-track positions in recent years. From FY2009 to FY2012, about 750 female employees converted to career-track positions.

We will continue to increase the number of female managers, aiming to develop female leaders who will drive the future of Japan's financial industry.

Main Initiatives for Work-Life Balance and Female Employee Support Plan

Program name	Program description
Professional Return Plan (rehiring of sales staff)	Offers opportunities for re-employment to former full-time employees who left their jobs after marriage or childbirth.
Job Location Change System*	Offers a position in a new location when an employee must relocate after marriage or spouse's job transfer.
Childcare leave	Employees can take childcare leave until their child's third birthday.
Exemption from or restricted overtime work	Employees can apply for an exemption from overtime work until their child completes the third grade of elementary school. Employees can also apply for restricted overtime work until their child completes elementary school.
Daycare subsidy	The Group offers subsidies for daycare expenses until the employee's child begins elementary school.
Expanded leave system	The Group encourages employees to take paid vacation and has introduced leave for marriage preparations or "family day" leave to give employees a chance to spend quality time with their families.
Follow-up on program use	The Personnel Department keeps track of individual employees' childcare-related schedules and notifies them of programs available at the appropriate time.
Support after returning to work	Enables employees to return to work after a period of childcare leave. The return to work guidelines were revised in FY2011. Daiwa WLB Station, a work-life balance promotion website that focuses on various support systems related to childrearing and nursing care, provides information for employees on childcare leave and helps facilitate their smooth return to the workplace.

* Number of employees using the program at Daiwa Securities (As of the end of FY2012): 106 (cumulative)

Upgrading and Expanding Education and Training Systems for Young Employees

Daiwa Securities launched the Daiwa Basic Program, a two-year intensive basic educational program for new hires. After entering the Company, new employees are trained in several areas, including product and business knowledge, product proposal skills, and business etiquette through an Annex Education Program run by a designated instructor. Later, each employee is assigned to a particular department, where an experienced officer close to the new employee's age provides one-to-one training and guidance through a mentor system. Care is taken to provide training at a level appropriate to each individual employee.

From FY2013, the Annex Education Program has been expanded to career-track newly hired employees, while employees entering their second year of employment will fall within the scope of the mentor system. Through these initiatives, we are working to upgrade and expand our education and training systems for young staff and to put in place an environment that is conducive to learning.

Moreover, a new program that provides opportunities for employees entering their third year to gain promotion has been created from FY2012. This is expected to help instill greater motivation and passion for work.

Handicapped Person's Employment

The Daiwa Securities Group has around 180 employees with handicaps working in a wide range of roles at its headquarters, in sales branches, and in telephone call centers. The Group started recruiting new graduates with handicaps as regular employees (general office staff) in FY2008 and, in addition, in FY2011, broadened recruitment into the career-track employee, regional career-track employee, and customer service employment streams. On the other hand, we actively increased recruitment opportunities, holding briefings about the company for new graduates, participating in career expos, and implementing job placement support programs for handicapped university students. Once people with handicaps are hired, we provide support for career advancement, for example, creating opportunities for them to enter the career-track and regional career-track employment streams.

Support for the Success of Veteran Employees

The Daiwa Securities Group has in place a Senior Advisor System that provides veteran employees with a wealth of experience to play an active role in the workplace. Senior advisors (at present approximately 150) are dispatched to locations of their choice and engage in community-based consulting and sales from a long-term perspective. In addition, the Daiwa Securities Group offers the Daiwa Master Program to actively support the success of highly motivated and skilled employees. Employees can work as "masters" up to the age of 65 subject to meeting certain rehiring criteria. Applicants who have not met the required rehiring standards also have the opportunity to work up to the prescribed age. The possibility also exists for rehired employees to work past the prescribed age on a contract renewal basis in the event of outstanding performance and contribution.

Human Resource Development Initiatives

The source of the Group's competitiveness derives from the capabilities of its employees. Under its management vision, the goal of

the Daiwa Securities Group is to become Asia's leading financial services group possessing and leveraging a solid business platform in Japan. Guided by this vision, the Daiwa Securities Group focuses on human resource development with the aim of creating a professional cadre. In particular, we believe that the time immediately after joining the Group—when new graduates are just getting their start as full members of society and Group employees—is a critical period for a solid basic education. Accordingly, we offer extensive training programs at this important time. Our varied training options ensure not only employees acquire the fundamental skills, but also they learn about the Group's corporate philosophy and commitment to CSR.

We also believe that our employees must have a firm understanding of corporate ethics and compliance in order to ensure the development of sound financial and capital markets—a key issue for the Daiwa Securities Group. Accordingly, we offer regular training on information management and compliance.

■ Evaluation system

At the Daiwa Securities Group, we believe that a fair and well-accepted evaluation system is crucial in keeping all employees highly motivated in their jobs. As part of this, we implement a multifaceted evaluation system for managers. This involves subordinates and related departments assessing their manager's job performance in the course of daily operations and the results being fed back to the manager. It is intended to improve managerial skills and improve the Group's overall productivity. This comprehensive system also takes compliance-related performances into account.

In addition, our aim is to create a personnel evaluation system that motivates all employees, regardless of the year they entered and whether they are young, mid-career, or experienced veterans, to move to the next stage and work in positions with major responsibilities.

■ Supporting employees trying to earn credentials

Daiwa Securities sees financial planner credentials (AFP and CFP) and securities analyst qualifications, or The Chartered Members of the Securities Analysts Association of Japan (CMA) as core qualifications. The Group aims to have all employees acquire at least one of these certifications and is particularly keen to have the highest number of employees in the industry with the Certified Financial Planner (CFP) certification.

In addition, the company provides generous support by, for example, subsidizing certification costs so that employees can enhance their specialized skills and become professionals. At the same time, the company encourages its employees to brush up communication skills in English.

Human Rights Education Initiatives

The Daiwa Securities Group aspires to further improve its corporate culture, which emphasizes respect for human rights in its basic principles. In 1984, Daiwa Securities Group Inc. set up a Human Rights Awareness Promotion Committee and is actively engaging in related educational activities. Chaired by the Human Resources Officer, with the head of the Human Resources Department as deputy chair, the committee is comprised of six members, including the managing director of the Compliance Control Department, the managing director of the Corporate Communication Department, and the managing director of the General Affairs Department. Every effort is made by the committee to fulfill its mandate. Organizations are set up underneath this committee, with all heads of Group departments and branches serving as leaders, to follow the committee's plans and engage in human rights education and awareness activities. These activities not only help deepen awareness but also ensure an accurate understanding of human rights and social integration issues.

In May 2011, the committee was instrumental in revising and announcing the Group's Basic Policy for Initiatives Addressing Human Rights and Social Integration Issues.

In FY2012, immediately after the initiation ceremony for the Group's new employees on April 1, a group training was held for new hires. In July, training was conducted as usual for 143 managers (employees promoted to managing director and director). This was also extended to 445 mid-level employees, who had been promoted to associate director.

In addition to calling for human rights awareness slogans from employees and their families, the Group's employees were also given the opportunity to watch a video on the subject during Human Rights Week. Human rights awareness training workshops were then held by every division to allow employees to discuss what they had learned from the video. In FY2012, 11,630 employees were able to watch this video, with 9,997 going on to participate in the follow-up discussions. Moving forward, we will continue to implement initiatives relating to recruitment, human resources, and the workforce to ensure that our systems are fair and free from discrimination or prejudice.

Basic Policy for Initiative Addressing Human Rights and Social Integration Issues

- (1) The Daiwa Securities Group supports and complies with the protection of human rights as advocated internationally and does not infringe on human rights within the limits of its influence.
- (2) The Daiwa Securities Group educates and instructs the Group's employees with accurate information on human rights and social integration issues.
- (3) At the same time, the Group views human rights and social integration issues as our own problem, not somebody else's problem, and fosters a sensitivity that enables empathy with the pain of others.
- (4) We provide an equitable working environment free of discrimination that values people.
- (5) Each employee is a member of society unburdened by prejudice.

Specific Activity Details

- (1) Respect the rights of all stakeholders and ensure that all employees interact with local communities and customers with a deep awareness toward human rights
- (2) Adhere strictly to fair and open employee screening and evaluation as well as labor management
- (3) Further upgrade and expand human rights education and awareness activities within the Group, systematically implement training, and solicit feedback

The Human Rights Awareness Promotion Committee (May 18, 2011)

Environmental Initiatives

The Daiwa Securities Group is cognizant that the natural environment is the very foundation of human life, so protecting it is essential to ensuring a sustainable society. Through our mainstay activities, we strive to help resolve environmental issues by investing in products that can reduce the environmental burden, and also by making investments that help to make environmental technologies and infrastructure more widely available.

At the same time, we are working to establish a system that efficiently collects data on Daiwa's environmental load. We are also focused on raising employees' environmental awareness to empower them to reduce the environmental burden in daily business operations. To further enhance these activities, we formulated our Environmental Vision, Environmental Principles, and Basic Environmental Policies to clarify our approach and basic stance.

Climate Change Initiatives

In every facet of its ongoing mainstay activities, the Daiwa Securities Group is promoting collaboration between the public and private sectors in an effort to mitigate the effects attributable to climate change.

Among a host of measures, the Group is assisting in the procurement of funds for use in financing climate change mitigation projects in developing countries. In specific terms, we are marketing Green Bonds and Water Bonds issued by the World Bank and the Asian Development Bank as a part of efforts to channel monies from investors in Japan toward the development of renewable energy and water infrastructure projects in developing countries. Moreover, the Group has taken the initiative to pursue a megasolar power project to better contribute to reducing CO₂ emissions.

The Japan Securities Dealers Association issued its Environmental Action Plan covering the period from FY2013 on March 19, 2013. Under this plan, each member of the Association has pledged to reduce its per square meter of floor space electricity consumption by 10% or more in FY2020 compared with the level recorded in FY2009. The Daiwa Securities Group is striving to achieve this goal as a member of the Association.

Environmental Vision/Environmental Principles/ Basic Environmental Policies

Environmental Vision

The Group is dedicated to protecting the precious global environment and preserving it for future generations by leveraging financial capabilities.

Environmental Principles

The Group recognizes the importance of environmental principles such as the effort to combat global warming, recycling and reuse of raw materials, and preserving biodiversity, in order to create a sustainable society for the 21st century. The Group pledges to contribute to solving environmental issues through its business as a financial service company and to constantly seek new ways to reduce its environmental impact as a responsible corporate citizen.

Basic Environmental Policies

1. Make positive environmental contributions through our core business activities
We shall seek to develop and provide financial products and services that promote a low-carbon, recycling-oriented and symbiotic society.
2. Implement an environmental management system
We shall implement an environmental management system and constantly seek new ways to improve environmental activities. In addition, we shall support environmental education and publicity efforts, while promoting environmental protection efforts by employees.
3. Take steps to save natural resources, reduce energy consumption, and promote biodiversity
We shall continue to progress in our efforts to reduce the use of natural resources and energy, and seek ways to improve materials- and energy efficiency (including efforts to improve business efficiency). We shall also take steps to reduce water use and reduce, reuse and recycle other materials to contribute to a more environmentally friendly society. Furthermore, considering the importance of biodiversity, we shall seek a symbiotic relationship with the environment and use safe, clean methods of materials procurement.
4. Promote environmental communication
Working in concert with business partners, the local community, NGOs and NPOs, we shall actively disseminate information about environmental issues, and communicate our concern for the environment to customers and society at large.
5. Strictly observe environmental regulations
We shall always endeavor in environmental assurance, observing environmental laws and regulations in addition to the Group's environmental policies.

(May 22, 2012)

Takashi Hibino

Daiwa Securities Group Inc.
President and CEO

Initiatives to Reduce Environmental Burden

When Daiwa Securities upgrades equipment, such as air conditioners, power supply units, power conversion equipment, and water supply and drainage units in its branches, the Company requires that products that meet the highest ("top runner") standards are adopted to ensure that equipment with a low environmental load is installed. "Top runner" standards are recommended in Japan's Act on the Rational Use of Energy, which requires that manufacturers clear benchmarks ensuring that energy-saving products are manufactured.

e-Member Service

Daiwa Securities provides an online service that allows customers to request a wide range of electronic reports. Reports cover such areas as transaction balances and other pertinent details and replace written (hard-copy) reports. Reports received in an electronic format can, in principle, be accessed and confirmed as and when required, saved to personal computers, and printed over a period of five years after initial receipt. Customers who have applied as e-members are also provided with certain services free of charge. This includes Japanese share account custody fees and commissions on Internet-based account activity.

In addition to enhancing customer convenience, this service and the trend toward paperless transactions helps conserve natural resources.

Initiatives in Society

As a good corporate citizen, the Daiwa Securities Group engages in a variety of activities in an effort to support each of the economic, financial education, and research fields. This support is channeled through cultural and artistic activities, as well as support for foundations and nonprofit organizations (NPOs) that benefit local, regional, and global society. As one example, the Group continues to provide reconstruction support to those areas devastated by the Great East Japan Earthquake.

Initiatives to Promote Economic/Financial Education

With the aim of helping young people gain the capacity to shape the future through economic and financial education, the Daiwa Securities Group collaborates with business and academia to provide a host of education support programs for elementary, junior, and senior high school students as well as teachers.

In partnership with Junior Achievement Japan (a public interest incorporated association), an economic and financial education activity association for young people, we are implementing programs for both students and teachers. Furthermore, and at the request of the Japan Securities Dealers Association, schools, and other entities, we are welcoming students and teachers into our custom-made programs to have them understand roles of financial and capital markets, financial products, and our business practices.

The Group also provides a variety of seminars and university lectures that offer guidance on how financial issues are involved in each individual's daily life, and promote understanding of socially responsible investment.

■ Finance Park

The Daiwa Securities Group is a special supporter of the Finance Park established by Junior Achievement Japan in Shinagawa, Tokyo, in June 2005. The goal of the park is to provide a space where junior and senior

high school students can develop personal finance and life-planning skills. Daiwa has provided funds for the establishment of the facility and continues to support the setup of simulated shops and offices. The Group also provides personnel support.



In January 2007, Junior Achievement Japan opened an office in Kyoto. Up to March 31, 2013, 39,185 students had taken part in action programs that teach students how to make solid decisions in personal finance and life planning.

During FY2012, 2,401 students took part in programs at the Shinagawa Finance Park, and 5,320 students participated in programs held at the Kyoto Finance Park.

■ Council for Economic Education Japan (CEE-Japan)

The Daiwa Securities Group was deeply engaged in the establishment of CEE-Japan in January 2009 with the goal of providing economic education training programs for schoolteachers. The Daiwa Securities Group is CEE-Japan's main sponsor, providing not only the inaugural funds but also ongoing support, together with seven other influential companies.

By the end of March 2013, 1,450 teachers had participated in workshops and forums, including those the trial run that took place in 2009.

■ KidZania

The Daiwa Securities Group is a supporter of KidZania, a theme park designed to provide young children from the age of three through to junior high school students with work experience. Currently, the Group has established securities consulting pavilions at facilities in Tokyo and Koshien (Hyogo Prefecture). As a part of this initiative, children serving as securities company consultants speak with investors regarding investment options. Consultants call on surrounding pavilions to assess the level of activity, number of visitors, and conduct hearings relating to the status of top sellers. Drawing on their findings, consultants then put forward their investment recommendations.

Children gain an insight into the workings of a company, the importance of finance, and the role that financial service companies play within the finance sector. At the same time, this initiative helps improve the level and scope of their financial literacy.

■ Financial lectures for beginners (with sign language and captioning)

The Daiwa Securities Group holds financial lectures that cover a wide range of money-related topics. In addition to outlining a general stance toward personal finance, these encompass financial planning and basic financial knowledge. To cater to the needs of a broad audience, these lectures are presented using sign language and simultaneous captioning. As a part of our engagement for creating a sustainable society, this program is scheduled to take place on a quarterly basis between 2013 and 2014 with different themes each time.

Daiwa Securities Phoenix Japan Program

In May 2012, Daiwa Securities Co. Ltd. established a Great East Japan Earthquake relief assistance program in an effort to help rebuild essential social infrastructure in the devastated area. It involves donating half of its custodian fees from the Daiwa Nippon Support Fund Vol. 3-Phoenix Japan. The Company is donating these fees to the Japan NPO Center's Japan Earthquake Local NPO Support Fund for NPOs on the ground (designated aid) for five years. The proceeds are used to give grants to NPOs working in the affected areas.

In May 2013, seven grants totaling ¥31 million (including ¥1.5 million for joint training aid) were made as the first year grant.

We hope that people in the affected area will reconstruct their communities through combined efforts with local NPOs in which this program provides grants.