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section

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Executive Compensation That Is Closely Linked to Performance

Compensation for directors and corporate executive officers is determined by the Compensation Committee. Executive compensation has three components: basic compensation; performance-based compensation; and share price-linked

compensation. Comprehensive criteria used in calculating performance-based compensation include consolidated ordinary income and ROE, as well as other factors such as results of management targets as outlined in the Medium-Term Management Plan.

Compensation Paid to Directors and Corporate Executive Officers of Daiwa Securities Group Inc. in FY2014

	Directors		Corporate Executive Officers		Total	
	Recipients	Amount	Recipients	Amount	Recipients	Amount
Amounts based on resolution of the Compensation Committee	8 persons	¥124 million	13 persons	¥1,035 million	21 persons	¥1,159 million

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

2. The above compensation amounts include a total of ¥85 million in stock acquisition rights granted as stock options to directors and corporate executive officers.

3. Compensation paid to the six outside directors totaled ¥88 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 internal control system to ensure the sound and appropriate 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. Through this system, the Group endeavors to ensure "business effectiveness and efficiency," "reliable financial reporting," "compliance with laws related to business activities," and "asset preservation."

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

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

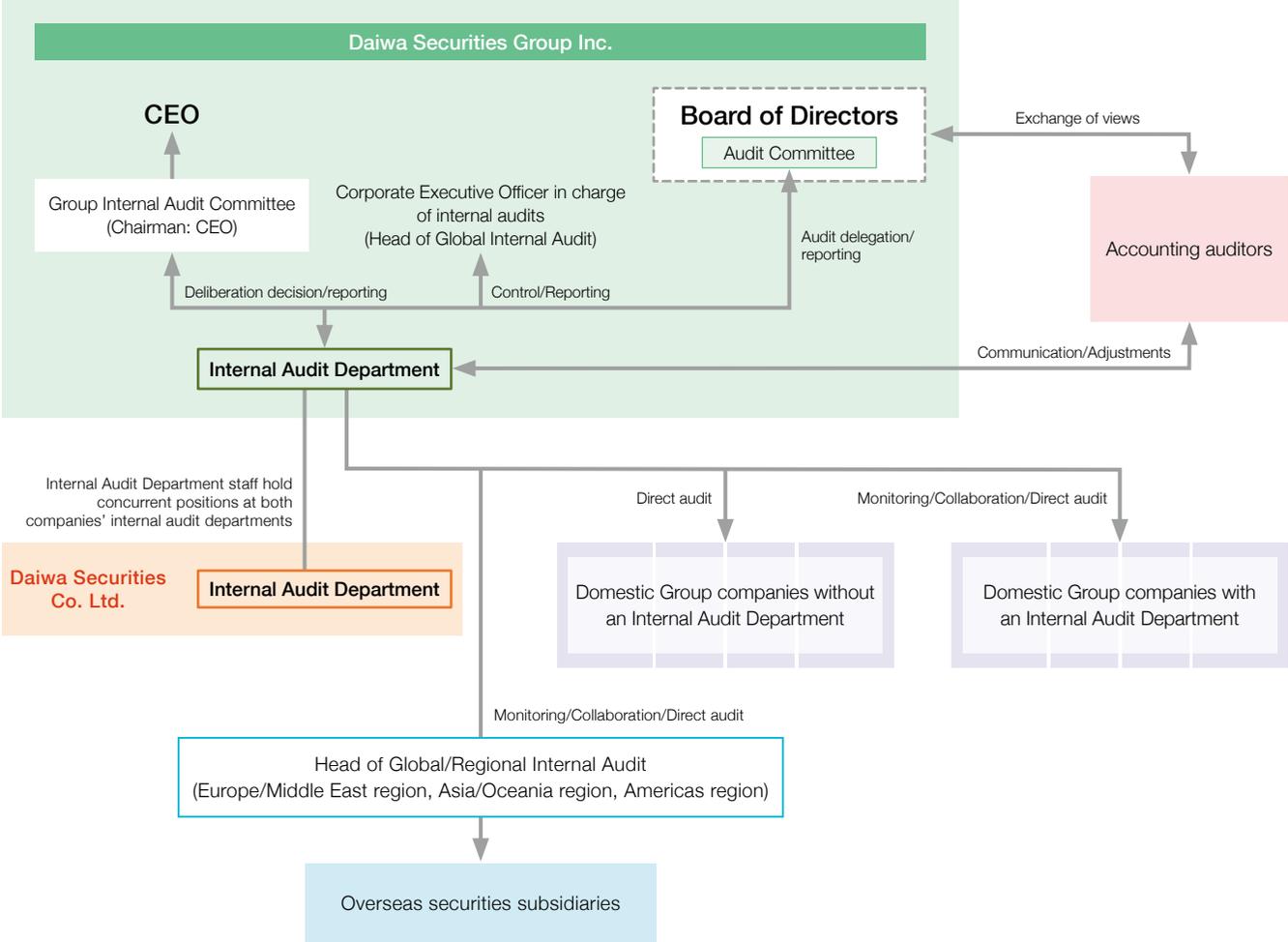
The Internal Audit Department pays special attention to certain aspects of the Group's internal auditing activities. They include the internal control systems at Daiwa Securities Co. Ltd. and overseas offices as a global financial instruments firm, the

internal control systems at Daiwa Next Bank, Ltd. as a bank, the status of businesses that involve the collaboration between Group companies, and the status of control over Group companies by the holding company. Reports to the Group Internal Audit Committee are not limited to the audit results conducted at Daiwa Securities Group Inc. and Daiwa Securities Co. Ltd., but also include highly important findings made during audits conducted on companies in Japan and overseas.

The Internal Audit Department collaborates with the internal auditing divisions of Group companies through periodic meetings, monitoring, and audits. It also formulates policies applying to all Group internal audits and risk-based audit plans, 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 degree to which these internal auditing activities satisfy The Institute of Internal Auditors' "International Standards for the Professional Practice of Internal Auditing," the global standard for internal auditing, is routinely evaluated by independent outside third parties, which helps to constantly improve the system.

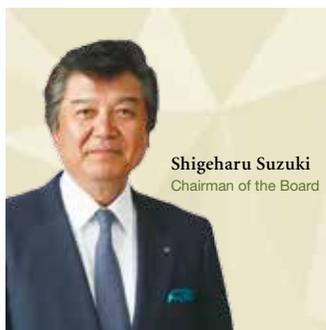
Internal Auditing System Diagram of Daiwa Securities Group



Directors (Members of the Board)

Chairman of the Board

Shigeharu Suzuki



Shigeharu Suzuki
Chairman of the Board

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

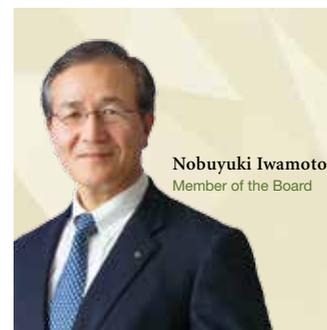
1971 Joined Daiwa Securities Co. Ltd.
1997 Member of the Board, Head of Corporate Clients Banking Division
1998 Executive Managing Director
2001 Senior Executive Managing Director
2002 Senior Executive Managing Director, Daiwa Securities SMBC Co. Ltd.
2003 Representative Director and Senior Executive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



Takashi Hibino
Member of the Board

President and CEO

1979 Joined Daiwa Securities Co. Ltd.
2002 Head of Corporate Planning Dept., 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
Member of the Board

Deputy President and COO
Head of Overseas Operations

1980 Joined Daiwa Securities Co. Ltd.
2001 Head of International Finance Dept., 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.

Directors

Takashi Hibino

Nobuyuki Iwamoto

Yoriyuki Kusaki

Hiroshi Nakamura

Keiko Tashiro

Masaru Shirataki

Ryuji Yasuda

Nobuko Matsubara

Keiichi Tadaki

Tadashi Onodera

Michiaki Ogasawara



Yoriyuki Kusaki
Member of the Board

Deputy President
Head of Retail

1980 Joined Daiwa Securities Co. Ltd.
2002 Head of Corporate Clients Banking 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
Member of the Board

Deputy President
Head of Wholesale

1980 Joined Daiwa Securities Co. Ltd.
2001 Head of FICC Dept., 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.
2014 Member of the Board and Deputy President, Daiwa Securities Group Inc. Deputy President, Daiwa Securities Co. Ltd.



Keiko Tashiro
Member of the Board

Executive Managing Director
Deputy Head of Overseas Operations
(Head of Americas)
Chairwoman of the Board,
Daiwa Capital Markets America Holdings Inc.

1986 Joined Daiwa Securities Co. Ltd.
2005 Head of Daiwa Direct Planning Dept., Daiwa Securities Co. Ltd.
2009 Senior Managing Director
2011 Senior Managing Director, Daiwa Securities Capital Markets Co. Ltd.
2012 Senior Managing Director, Daiwa Securities Co. Ltd.
2013 Executive Managing Director, Daiwa Securities Group Inc. Chairwoman of the Board, Daiwa Capital Markets America Holdings Inc.
2014 Member of the Board and Executive Managing Director, Daiwa Securities Group Inc. Chairwoman of the Board, Daiwa Capital Markets America Holdings Inc.



Masaru Shirataki
Member of the Board

- 1985 Joined Daiwa Securities Co. Ltd.
- 2011 Head of Group Internal Audit Dept., Daiwa Securities Group Inc.
Head of Internal Audit Dept., Daiwa Securities Co. Ltd.
Head of Internal Audit Dept., 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.



Nobuko Matsubara
Outside Director
(Member of the Board)

- 1964 Entered Ministry of Labour
- 1987 Director of International Labour Division
- 1991 Director-General of Women's Bureau
- 1997 Vice-Minister of the above Ministry
- 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
- 2014 Representative of Board of Directors and Chairwoman, Japan Small and Medium Enterprises Welfare Foundation



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 of Justice
- 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.



Tadashi Onodera
Outside Director
(Member of the Board)

- 1989 Director of DDI Corporation (currently, KDDI Corporation)
- 1995 Associate Senior Vice President, Director
- 1997 Executive Vice President, Director
- 2001 President of KDDI Corporation
- 2005 President and Chairman
- 2010 Chairman
- 2014 Outside Director (Member of the Board), Daiwa Securities Group Inc.



Michiaki Ogasawara
Outside Director
(Member of the Board)

- 1976 Entered Ministry of Posts and Telecommunications
- 2003 Director-General of Tohoku Bureau of Comprehensive Communication, Ministry of Internal Affairs and Communications
- 2004 Director-General of Kantou Bureau of Telecommunication, the above Ministry
- 2005 Deputy Director-General of the above Ministry
Director-General of Local Public Service Personnel Department, Local Administration Bureau, the above Ministry
- 2006 Director-General of Civil Protection and Disaster Management Department, Fire and Disaster Management Agency, the above Ministry
- 2007 Director-General of the Information and Communications Policy, the above Ministry
- 2008 Director-General of the Global ICT Strategy Bureau, the above Ministry
- 2010 Assistant Vice-Minister of the above Ministry
- 2012 Vice-Minister of the above Ministry
- 2013 Advisor of Daiwa Institute of Research Ltd.
- 2015 Resigned as Advisor of Daiwa Institute of Research Ltd.
Outside Director (Member of the Board), Daiwa Securities Group Inc.

Messages from Outside Directors

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 that included three committees reporting to the Board—the Nominating Committee, the Audit Committee, and the Compensation Committee. The Group has also 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; a Company with Three Committees since May 2015

Nominating Committee

Shigeharu Suzuki
(Chairman)
Takashi Hibino
Ryuji Yasuda

Nobuko Matsubara
Keiichi Tadaki
Tadashi Onodera

Audit Committee

Keiichi Tadaki
(Chairman)
Masaru Shirataki

Nobuko Matsubara
Michiaki Ogasawara

Compensation Committee

Ryuji Yasuda
(Chairman)
Shigeharu Suzuki
Takashi Hibino

Tadashi Onodera
Michiaki Ogasawara

Our social mission is to lead the transition “from savings to investment” and leverage the financial asset potential of Japan, which is steering in a new direction for growth. With the high intellect and passion of our employees, we can accomplish this mission. I believe Daiwa Securities Group has grown stronger through widespread measures aimed at promoting work-life balance—balancing professional and private lives—and diversity.

As the Group runs a rapidly changing capital markets business, I believe thorough risk management and increasing the ratio of stable earnings are the keys for the Group’s sustainable growth.

I think that “mission,” “passion,” and “sustainability” are the keywords that describe the Group’s governance. The results speak for themselves.

Ryuji Yasuda

Outside Director



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 expertise and experience in management strategy, which have been nurtured throughout his career in providing management advice. Mr. Yasuda has been a director for 12 years.



Nobuko Matsubara is currently the Chairwoman of the Japan Institute of Workers’ Evolution. Before that, she was the Vice-Minister of Labour, and served as the Ambassador of Japan to Italy, among other posts. The Company has drawn on Ms. Matsubara’s expertise and broad experience nurtured throughout her career in providing management advice. Ms. Matsubara has been a director for seven years.

Daiwa Securities Group, in short, is a company we can respect as one of the leading companies that drives the Japanese securities market. It makes me proud to be an outside director of the Group. The highly transparent business execution, the depth of prior explanation on matters to be placed before the Board, and the lively and earnest discussions by the Board of Directors, makes me realize the importance of self-improvement. More than anything else, in addition to the care given to employees and focus on their development, the emphasis placed on their health, and the support given to empower female employees, are the defining traits that make Daiwa Securities Group an excellent company in the eyes of society as a whole.

Nobuko Matsubara

Outside Director



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 expertise on legal and compliance issues nurtured throughout his career in providing management advice. Mr. Tadaki has been a director for six years.

When I was appointed as an outside director six years ago, the Japanese economy was suffering.

I think that the Daiwa Securities Group we know today was built on a foundation tempered by these trials and tribulations.

By creating a work environment conducive to female employees and championing the transition from savings to investment, the Group has spearheaded the creation of services that are preferred by customers, meet their changing needs, and address sophisticated market risks. The Group has contributed to the continued progress of Japan's economy by declaring ahead of its rivals a policy of expanding employment. The Group has also been a strong force behind the creation of a securities market in Myanmar.

Employees' pride that Daiwa Securities Group is a leading company in the securities industry in terms of quality, is the driving force behind the rapid penetration of management policies throughout the entire Group.

Keiichi Tadaki
Outside Director

As an independent securities firm, Daiwa Securities Group has played a vital role in Japanese financial and capital markets. Corporate governance is essential for the Group to fulfill this role. As an outside director, I participate in Board meetings and various committees to confirm that the corporate governance systems of the Group are functioning adequately.

"Building trust," which is one of the Group's Corporate Principles, is the most essential and core philosophy of a financial institution. A business can develop only by building trust with all stakeholders as well as customers.

As an outside director, I will focus all of my efforts on ensuring the effectiveness of the governance functions of the Board of Directors.

Tadashi Onodera
Outside Director



Tadashi Onodera is currently Chairman of KDDI Corporation. The Company has drawn on Mr. Onodera's wealth of management experience and insight nurtured throughout his career at KDDI. Mr. Onodera has been a director for one year.



Michiaki Ogasawara has held positions as the Director-General of the Global ICT Strategy Bureau at the Ministry of Internal Affairs and Communications and as Vice-Minister at the same ministry. Mr. Ogasawara was newly appointed as an outside director at the Company's 2015 General Meeting of Shareholders to provide management advice based on his expertise and experience nurtured throughout his career in the ICT field.

Daiwa Securities Group has excellent Corporate Principles that recognize its diverse range of stakeholders. The Group will continue developing its business based on these principles, while addressing socio-economic issues in Japan, such as an aging society and further improvements in productivity. At the same time, the Group aims to take advantage of business opportunities in rapidly growing Asian countries, and leverage recent advances in technology to raise corporate value over the medium and long term.

I will contribute to the further development of Daiwa Securities Group by fulfilling a governance function role as an outside director, based on my extensive experience in the government centered on the information communications field.

Michiaki Ogasawara
Outside Director

Corporate Executive Officers

President and CEO
President,
Daiwa Securities Co. Ltd.

Takashi Hibino

Deputy President and COO
Head of Overseas Operations
Deputy President,
Daiwa Securities Co. Ltd.

Nobuyuki Iwamoto

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

Yoriyuki Kusaki

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

Hiroshi Nakamura

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

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

Senior Executive Managing Director
Deputy Head of Retail
Senior Executive Managing Director and
Member of the Board,
Daiwa Securities Co. Ltd.

Senior Executive Managing Director
Corporate Planning Officer
Human Resources Officer
Senior Executive Managing Director and
Member of the Board
Daiwa Securities Co. Ltd.



Makoto Shirakawa

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.
Deputy President, Daiwa Securities Co. Ltd.
2012 Deputy President, Daiwa Securities
Group Inc.
President, Daiwa Asset Management
Co. Ltd.



Takashi Fukai

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.
Deputy President, Daiwa Securities
Co. Ltd.
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.



Seiji Nakata

1983 Joined the Company
2005 Head of Structured Products Dept.,
Daiwa Securities SMBC Co. Ltd.
2006 Senior Managing Director
2007 Senior Managing Director,
Daiwa Securities Group Inc.
2009 Executive Managing Director,
Member of the Board and Executive
Managing Director
2010 Member of the Board and
Executive Managing Director,
Daiwa Securities Capital Markets Co. Ltd.
2012 Senior Executive Managing Director,
Daiwa Securities Co. Ltd.
2015 Senior Executive Managing Director,
Daiwa Securities Group Inc.
Senior Executive Managing Director and
Member of the Board,
Daiwa Securities Co. Ltd.



Toshihiro Matsui

1985 Joined Daiwa Securities Co. Ltd.
2008 Head of Corporate Planning Dept.,
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.
2014 Senior Executive Managing Director,
Daiwa Securities Group Inc.
Senior Executive Managing Director and
Member of the Board,
Daiwa Securities Co. Ltd.

Executive Managing Director
Deputy Head of Overseas Operations
(Head of Americas)
Chairwoman of the Board,
Daiwa Capital Markets America
Holdings Inc.

Keiko Tashiro

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



Toshihiko Onishi

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



Mikita Komatsu

Executive Managing Director and CRO
Executive Managing Director and
Member of the Board,
Daiwa Securities Co. Ltd.



Hiroyuki Inose

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

Shigeharu Suzuki

1984 Joined Daiwa Securities Co. Ltd.
2007 Managing Director and Assistant to
Head of Corporate Planning,
Daiwa Securities SMBC Co. Ltd.
Seconded to Daiwa Securities
SMBC Principal Investments Co. Ltd.
(currently, Daiwa PI Partners Co. Ltd.)
Member of the Board and Executive
Managing Director, Daiwa Securities
SMBC Principal Investments Co. Ltd.
2008 Senior Managing Director,
Daiwa Securities SMBC 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.

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

1984 Joined Daiwa Securities Co. Ltd.
2010 Head of Group Risk Management Dept.,
Daiwa Securities Group Inc.
2011 Senior Managing Director,
Daiwa Securities Group Inc.
Senior Managing Director,
Daiwa Securities Co. Ltd.
Senior Managing Director,
Daiwa Securities Capital Markets Co. Ltd.
2012 Senior Managing Director,
Daiwa Securities Group Inc.
Senior Managing Director,
Daiwa Securities Co. Ltd.
2014 Senior Managing Director,
Daiwa Securities Group Inc.
Member of the Board,
Daiwa Securities Co. Ltd.
2015 Executive Managing Director,
Daiwa Securities Group Inc.
Executive Managing Director and
Member of the Board,
Daiwa Securities Co. Ltd.

Note: Please also refer to details of directors on page 46 of this report for information on corporate executive officers whose photographs are not presented on this page.

Compliance

Daiwa Securities Group has four corporate principles. They are “building trust,” “placing importance on personnel,” “contributing to society,” and “maintaining healthy earnings results.” The Group believes that compliance is a significant element for achieving these principles. The goal of the Group’s compliance activities is not merely to “comply with laws and regulations,” but to earn the trust of customers, markets, society, and stakeholders.

Raising Compliance Awareness

Daiwa Securities Group rigorously observes regulations and exercises self-discipline so that it can contribute to the sustainable growth of society while maintaining high ethical standards. We conduct training programs for new graduates when they join the Group, and continue through regularly scheduled training sessions throughout their careers, thus ensuring that every employee is aware of, and thoroughly understands, compliance issues. The Group trains its employees so that even when the Group pursues new business ventures in areas where the regulatory structure is incomplete, they can return to the basic approach of laws and regulations, act sincerely in light of socially accepted ideas and common sense, and maintain strong self-discipline and legal awareness.

In FY2014, to further push forward these initiatives, the Group documented the Minimum Points to Fulfill as Daiwa Securities Group (hereafter, “Group Minimum Standard”). Specifically, in addition to the existing Group Minimum Standard for Information Security, the Group has instituted and publicized a Group Minimum Standard to prevent insider trading and to eliminate relations with antisocial groups, and it checks the implementation of these initiatives within the Group.

Compliance Training

Group companies, while raising compliance awareness and spreading corporate ethics, routinely conduct verification and training so that employees can exercise self-discipline under any circumstances. The Group conducts various compliance training, which also includes using e-learning systems. Daiwa Securities conducts a broad range of training with a practical emphasis starting with Compliance Training for all employees, as well as compliance education and instruction for new graduates and newly appointed managers, group training, and training on firewall regulations.

In addition to the existing Information Security Training through e-learning for employees of each Group company, in FY2014, the Group enhanced its compliance training by conducting training on the Prevention of Insider Trading and the Elimination of Relations with Antisocial Groups.

Initiatives to Eliminate Antisocial Groups

The Group takes initiatives to eliminate any and all relations with antisocial groups and is involved in 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. In addition, the Group has been taking a unified approach to eliminate any and all relations with antisocial groups by measures including information-sharing among Group companies on how to eliminate antisocial groups.

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 to gain the strong trust of customers, the Group has adopted a full spectrum of information security policies at companies throughout the Group to ensure that personal information received from customers and other information resources are safely and accurately protected.

The Group has created a Minimum Standard on Information Security, which is the basic policy followed by Group companies when they make their own regulations. Internal rules on information security are made available through the intranet to ensure that all employees and executives adhere to them. Using e-learning and other resources, the Group conducts training, education, and check tests on information security on a periodic basis.

Since FY2014, as part of its education and training on cyber security, the Group has been conducting “targeted email attack” drills.

Disclosure

Daiwa Securities Group works to communicate proactively and provide fair and appropriate information in a timely manner so that customers, stakeholders, investors, local communities, employees and executives clearly understand and properly evaluate the Group's activities.

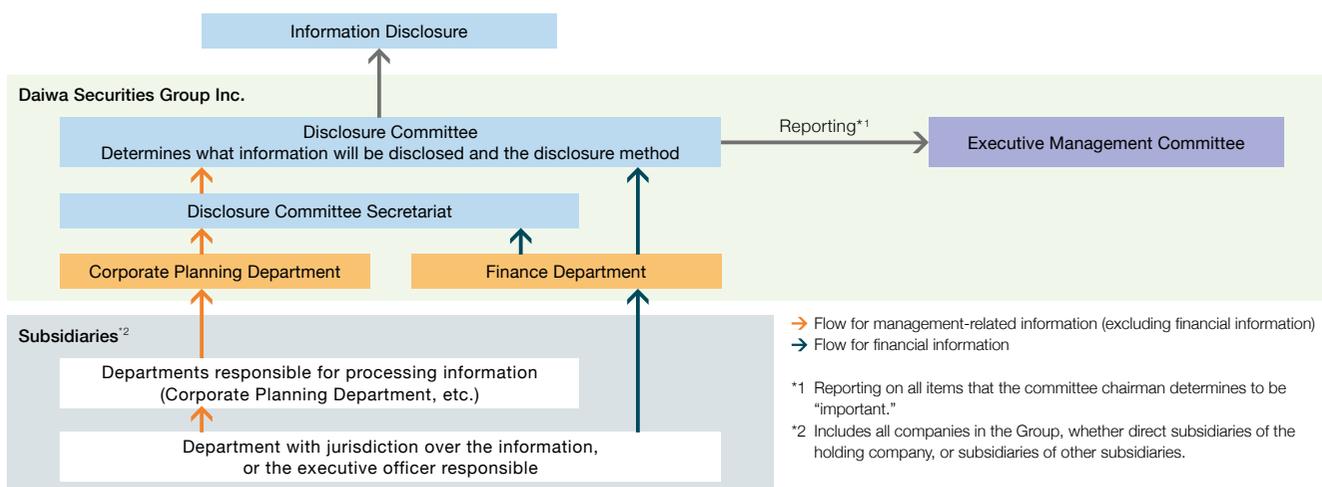
Disclosure System

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

In order to realize the policy's spirit, Daiwa Securities Group Inc. has established the Disclosure Committee—a sub-committee of the Executive Management Committee—based on the Group's Disclosure Regulations, which makes final decisions regarding the disclosure of information. Main Group companies have also established their own regulations on management-related information, which govern the appropriate collection of information and presentation of reports to Daiwa Securities Group Inc.

The Group clearly allocates responsibilities for disclosure, depending on the intended recipient of the information. The Group's 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 Group companies take part in the Group PR/IR Meeting, which convenes once a month, to share disclosure-related information across the Group.

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 the Management of Systematic Risk

As the “customer’s first choice securities group,” Daiwa Securities Group leverages its IT strategy to provide customers with high value-added products and services swiftly, accurately, and at an appropriate cost. Furthermore, the Group protects information assets including personal information from a wide range of internal and external threats, and takes steps to mitigate systematic risks by monitoring information systems on a daily basis so that it can provide safe and stable services to customers.

IT Governance Structure

The Group has established the Group IT Strategy Committee as a sub-committee of the Executive Management Committee. The committee deliberates and makes decisions on issues including budgets for IT investment and the allocation of IT functions inside the Group. IT investment budgets are drawn up in accordance with management strategies while weighing the importance of unifying IT strategies, and funds are prioritized for investment budgets that contribute to the achievement of Group management targets and business strategies. Even while the Group systematically and flexibly responds to the trend for tighter global financial regulations such as Basel III, it controls IT costs at an appropriate level as a Group.

The Group IT Management Committee, which serves as a prior consultation mechanism for the Group IT Strategy Committee, was established for executive officers to discuss medium-term IT strategies and issues common to each Group company.

IT Strategy

To achieve the management vision of “leading the capital markets in Japan and Asia, and becoming the customer’s first choice securities group,” Daiwa Securities Group will promote two IT strategies (basic IT policies), namely, “strategic IT investment” and “strengthening IT governance” under its Medium-Term Management Plan, “Passion for the Best” 2017.

In FY2014, while responding to the trend of tighter financial regulations, the Group worked to improve the efficiency and quality of Nippon Individual Savings Account (NISA) and sales activities, and concentrated allocation of resources to areas that enhance customer convenience. In this way, the Group has worked to build a foundation for it to play a leadership role in the shift “from savings to investment” in Japan.

In FY2015, the Group will expand its service platform to become the customer’s best partner, while responding flexibly to global regulations and government policies, including the integration of NISA and financial income taxation and the Social Security and Tax Number System.

Further, to raise the quality of our customer proposals and increase our flexibility, the Group will expand support tools for sales staff, with a focus on smart devices. It will also aggressively leverage artificial intelligence (AI) and information communications technology (ICT), and further enhance customer services.

Measures toward Information Security

Daiwa Securities Group is proactively strengthening its information security measures, and implementing measures to protect information assets including its customers’ personal information, while adopting the latest technological trends.

Cyber-attacks and other external threats have become more serious and advanced over the past few years. The Group recognizes the importance of developing an organizational structure as a response to these threats, and has set up a Computer Security Incident Response Team (CSIRT) in the IT Department that specializes in cyber security measures. The Group works on the prevention and early detection of problematic behavior.

Countermeasures for System Faults

Daiwa Securities Group promotes the internal development and standardization of systems, and works to provide stable, high-quality services to customers.

Regular discussions take place on the operational status of information systems with Daiwa Institute of Research Ltd. and Daiwa Institute of Research Business Innovation Ltd., in order to analyze and ascertain patterns of previous faults. That information is used to shorten recovery times and to prevent the recurrence of the same faults.

Risk Management

While Daiwa Securities Group pursues profitability and growth, it also recognizes the importance of appropriately identifying, evaluating, and effectively managing various risks associated with its business operations. The Group aims to continuously improve its corporate value by maintaining a sound financial base and profit structure that is balanced in terms of risks and returns, and by implementing appropriate risk management.

Risk Management Policy

Daiwa Securities Group Inc. has established “The Rules of Risk Management” which governs the risk management activities of the Group. These rules outline the following basic policies:

- 1 Management’s proactive involvement in risk management.
- 2 The structure of a risk management system that responds to features of the risks held by the Group.
- 3 Understand overall risk based on integrated risk management, secure strong capital and the soundness of liquidity.
- 4 Clarify the risk management process.

Limits are set for each type of risk so as to control risk within an amount that can be endured by the Group’s management strength.

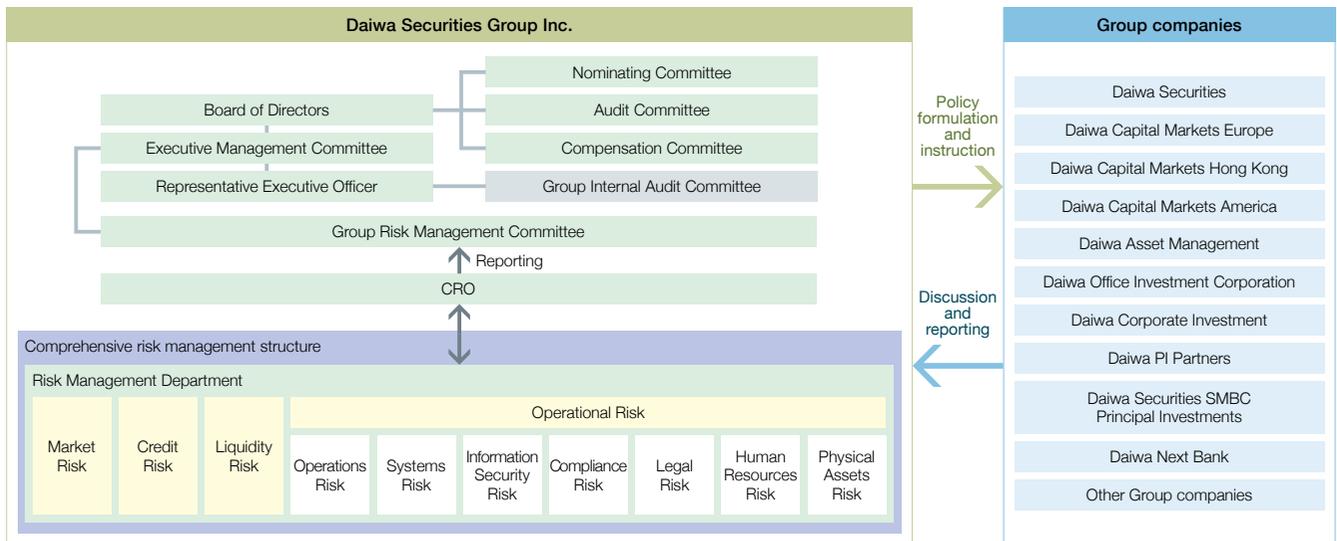
Types of Risks

Daiwa Securities Group faces various risks in the course of its business activities. The Group therefore believes that it is important to identify, and appropriately evaluate and manage those risks in order to maintain a sound financial base and earnings structure. Daiwa Securities Group Inc. determines the risks that need to be managed, and conducts risk management 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 reputational risk.

Risk Management System

The Board of Directors of Daiwa Securities Group Inc. has approved “The Rules of Risk Management.” The rules define basic policies related to risk management, the types of risks that need to be managed, and the responsible executive and department for each major risk. Each of the Group’s subsidiaries conducts risk

Risk Management System



management that responds to the risk profile and size of each business in accordance with the abovementioned basic policies. Daiwa Securities Group Inc. monitors its subsidiaries, and reports the risk exposures and issues concerning the risk management system to the Group Risk Management Committee. This is a sub-committee of the Executive Management Committee of Daiwa Securities Group Inc., and it discusses and resolves any issues that are reported. In addition, major Group companies regularly hold risk management meetings in order to strengthen their risk management system.

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)*, position, and sensitivity, with consideration given to the financial status of the Group and the business plans and budgets of each division running the trading books. The Risk Management Department monitors market risk across the Group, and reports the status of market risk to management on a daily basis. In addition, in order to complement the limits of VaR, which is calculated based on statistical hypotheses with empirical data for a set period of time, the Group performs stress tests using historical and hypothetical scenarios.

* Value at Risk (VaR) represents the maximum possible loss of a given trading portfolio with a given probability over a given time horizon.

Credit Risk Management

Credit risk refers to the risk of losses caused in cases where a counterparty of a trade or the issuer of a financial product held by the Group suffers a default, or credibility deteriorates.

The credit risk of the Group's trading activities involves counterparty risk and issuer risk. For counterparty risks, the Group assigns a line of credit to the counterparty mainly based on its credit rating before entering into a trade with the counterparty. Subsequently, the Group monitors whether this line of credit is being followed.

Issuer risk for financial instruments held through market-making activities is monitored mainly by checking the risk of changes to the credit spread. The Group also routinely monitors the effects of large amounts of credit.

Management of Market Risk and Credit Risk Unrelated to the Trading Business

Besides the trading business, the Group also owns operational investment securities related to the investment business, loans and securities related to the banking business, and investment securities that are held for the purpose of maintaining business relationships. Those assets are also exposed to market and credit risks, and risk management is conducted according to the risks that are unique to each line of business.

The Daiwa Securities Group (Consolidated) Value at Risk

Range and Assumption of VaR • Scope: Trading accounts • Confidence level: 99% (one-side test) Holding period: 1 day
• Adjusted for price correlation between products

	(Billions of yen)							
	6/13	9/13	12/13	3/14	6/14	9/14	12/14	3/15
VaR (Month-end)	1.96	1.30	1.41	1.48	1.29	2.00	2.07	2.32
Quarterly								
High	2.41	2.95	2.47	2.33	1.94	2.30	2.37	3.46
Low	1.31	1.09	1.21	1.09	1.22	1.08	1.42	1.61
Average	1.84	1.57	1.65	1.52	1.50	1.48	1.95	1.93
By Risk Factor (Month-end)								
Equity	1.11	0.81	0.64	0.82	0.45	0.49	0.43	0.70
Interest	1.33	1.28	1.35	1.36	1.40	1.82	1.90	2.27
Currency	0.65	0.22	0.19	0.20	0.32	0.39	0.76	0.32
Commodities	—	—	0.01	—	—	—	—	0.02

Liquidity Risk Management

Liquidity risk refers to the risk of suffering losses due to cash management difficulties or having to finance at markedly higher costs than usual as a result of a change in market conditions or a deterioration of Group companies' finance. The Group uses a variety of financial assets and liabilities to conduct its business with a focus on securities-related operations as its core business. Accordingly, it procures funds based on the policy of efficiently and stably ensuring ample liquidity necessary to continue its business.

In order to prevent market fluctuations 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, with the anticipation that such crises may make it difficult to procure new funds and reacquire existing funds, the Group diversifies repayment periods and fund sources.

Daiwa Securities Group has established a liquidity management system that consists of the regulatory consolidated liquidity coverage ratio as well as its own liquidity management indicators. Under this system, the Group performs daily checks to ascertain that the liquidity portfolios in place are sufficient to cover the repayment of unsecured short-term funds due within a certain time period as well as the estimated outflow of funds under stress in an appropriate time frame - here a number of stress scenarios are adopted. The system enables the Group to continue its business operations even when it becomes impossible to procure funds without collateral for a whole year.

Operational Risk Management

Operational risk is the risk of losses that occur when internal processes, people, and systems do not perform adequately or do not function; it can also arise from external events.

As the Group's business becomes more sophisticated, diversified, and systemized, the accompanying risks become more varied. As a result, the importance of managing operational risk has grown each year.

Major Group companies control their operational risks appropriately by measures including risk control self-assessments (RCSAs), in accordance with rules on operational risk management set by Daiwa Securities Group Inc. In addition, the Group has taken other necessary measures, including the implementation of rigid rules concerning authority, the automation of office operations for reducing human errors, and the preparation of procedural manuals. Each Group company strives to reduce operational risk according to the nature of its own business.

Reputational Risk Management

Reputational risk refers to the possibility of the Group sustaining unforeseen losses and the Group's counterparties being adversely affected due to a deterioration of its reliability, reputation, and assessment caused by the spread of rumors or erroneous information. There are no uniform procedures for managing reputational 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 responsible for reporting information that could turn into reputational risk to the Disclosure Committee. That way, Daiwa Securities Group Inc. can obtain and centrally manage information, and it disseminates accurate information in a prompt manner according to the decisions of the Disclosure Committee.

The Group strives 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 that it 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.

Corporate Social Responsibility (CSR)

CSR Initiatives

The Daiwa Securities Group believes that its business activities like providing financial advice and investment banking, play important functions in social and economic development and regards them as our mission.

To continue to fulfill our mission whilst expanding our business, we trust that it is essential to maintain close ties with our stakeholders.

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 the Daiwa Securities Group

To achieve our corporate principles and realize a sustainable society, 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

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

Under the guidance and directions of the Executive Officer (Head of corporate communications) in charge of CSR, the CSR Group of the Corporate Communication Department at the Daiwa Securities Group Inc. gathers information and proactively engages in dialog through internal and external meetings in order to incorporate feedback from a variety of

stakeholders, and periodically share with the Executive Officer information regarding CSR issues and progress resolving these issues through meeting reports and other means. We also work to build cooperative frameworks and spread awareness of CSR throughout our departments and at overseas bases, while giving lectures on CSR for new employee training sessions across the Daiwa Securities Group.



With Our Employees

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, and is clearly stated as the “Daiwa Spirit.” We hope that the “Daiwa Spirit” will enhance employees’ sense of unity and togetherness and thus the Group’s overall cohesiveness.

Hiring and Employment Measures

The Daiwa Securities Group would like all of its employees to be highly motivated and to stay with the Group from hiring to retirement. 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, 2015, 681 new employees joined the Group.

Our approach to retaining quality human resources is to provide an environment in which diverse individuals can perform to their full potential. In order to lead the development of capital markets in Japan and Asia, and become the securities group of choice, considerable emphasis is being placed on securing human resources who are capable of excelling on the world stage.

Employment of people with disabilities

The Daiwa Securities Group has around 170 employees with disabilities working in a wide range of roles at its headquarters, in sales branches, and in contact centers. The Group started recruiting new graduates with disabilities 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. We also actively increased recruitment opportunities, holding briefings about the company for new graduates, participating in career expos, and implementing job placement support programs for university students with disabilities.

Once people with disabilities 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 are dispatched to locations of their choice and engage in community-based consulting and sales from a long-term perspective. In accordance with the enactment of revisions to the Act on Stabilization of Employment of Elderly Persons in 2013, and as

the careers of employees grow longer, we associate our sustainable growth as a company with the employment of older people who wish to continue learning and working in a meaningful way as a part of the organization. Daiwa Securities Co. Ltd. is greatly expanding its training programs for employees aged 45 and older, and has introduced a License Certification System that provides incentives to employees to improve their skills and polish their acumen as professionals.

In addition, the Daiwa Securities Group offers the “Daiwa Master Program” to actively support the success of highly motivated and skilled veteran employees. Senior advisors can work up to the age of 70 under the Daiwa Master Program.

Human Resource Development and Skill Advancement

The Daiwa Securities Group’s competitiveness derives from its human resources. The Group has a management vision to lead the advancement of capital markets in Japan and other parts of Asia and be the customer’s first-choice full-service securities firm. To realize this vision, we focus on human resource development with the aim of creating a professional group. We offer extensive training programs to employees from the time new graduates are just getting their start as Group employees, as we believe that it is critical for them to receive a solid basic education immediately after joining the Group. Our varied training options ensure that employees not only acquire the fundamental skills, but also learn about the Group’s corporate philosophy and commitment to CSR. We have systems in place to rapidly train employees up to professional levels.

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 security and compliance.

Education and training system

The Daiwa Securities Group trains employees tailored to their skill levels based on a Group-wide policy. We aim to foster a sense of solidarity among Group employees across divisions while offering training opportunities at group meetings.

Daiwa Securities Co. Ltd. helps employees raise their skills to new levels, and has set up new programs that aim to improve specializations. We also have training programs for managerial personnel to improve organizational productivity further. The Daiwa Securities Group views the first two years of an employee’s career as a period for their basic training into a professional. The Daiwa Basic Program covers this period of training, and it is being expanded from FY2015.

Supporting employees trying to earn credentials

The Daiwa Securities Group encourages employees to improve their English skills as a part of their professional training into globally effective personnel. Daiwa Securities Co. Ltd. sees Financial Planner (AFP and CFP) and Securities Analyst

qualifications as core requirements, and encourages employees to acquire these certifications. Daiwa Securities Co. Ltd. had 590 employees with CFP certifications as of March 31, 2015, the highest number in the industry.

Since FY2014, we have had an Inheritance Planner Certification program in place. Certification candidates are selected from among employees with CFP qualifications, undergo practical training in-house, and those who pass are certified as personnel with advanced expertise through an in-house qualification system.

In addition, the company provides generous support by, for example, subsidizing certification costs so that employees can enhance their specialized skills and become professionals.

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 job experience whether they are young, mid-career, or experienced veterans, to move to the next stage and work in positions with major responsibilities.

Striving to Create a Pleasant Working Environment

Encouraging work-life balance (WLB)

One of the Daiwa Securities Group's targets is to promote an advanced level of WLB. 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.

Since FY2013, Daiwa Securities Co. Ltd. has held meetings of the WLB Advisory Committee with directors, department managers and employees in attendance to discuss and advice on measures related to promoting work-life balance. Meetings are held once a quarter.

The Daiwa Securities Group has adopted systems aimed at supporting its employees in both areas of child-rearing and nursing care that exceed statutory requirements. Surveys concerning the Group's efforts to support both the career and childrearing needs of its employees have been conducted to solicit input from all Group employees. These surveys are designed to ascertain the degree to which employees are using the Group's systems and to collect feedback focusing particularly on employee needs. Drawing on the results of the surveys, 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. Even during childcare leave, employees are still eligible for promotions and raises based on their contributions to date. Starting in FY2014, Daiwa Securities Co. Ltd. offers a Childrearing Support Leave system that encourages male employees to take leave and help with childrearing.

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

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

Program name	Program description
Professional Return Plan (re-hiring 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.
Spouse Work Reassignment Leave System	In the event a spouse is reassigned to work in a location that is untenable for the employee to commute to work at Daiwa Securities Co. Ltd., the employee may opt to take leave for a certain period (up to five years)
Childcare Leave	Employees can take childcare leave until their child's third birthday.
Childcare Support Leave	When a spouse gives birth or returns to work, leave may be taken (first two weeks of pay is guaranteed for childcare leave).
Exemption from Overtime Work	Employees are exempt from overtime work until their children complete the third grade of elementary school.
Restricted Overtime Work	Employees are exempted from overtime work over a certain number of hours until their children finish 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.
Support after Returning to Work	Enables employees to return to work after a period of childcare leave. Daiwa WLB Station, a WLB 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.

Encouraging women to succeed

The Daiwa Securities Group proactively appoints talented human resources regardless of gender. Promotions are based on fair evaluations, and we believe creating a work environment where people from diverse backgrounds can maximize their abilities will lead to improvement in corporate value.

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 WLB site. Female executives as well as heads of each department, office, and branch give advice on the concerns and inquiries of female employees. There are a total of seven women in top management positions across the Daiwa Securities Group, including three female executives at Daiwa Securities Group Inc. The number of women in management positions has increased every year, totaling 262 women at Group companies as of March 31, 2015. The ratio of women in management positions has risen from 2.2% (at the end of FY2004) to 6.3% at the Group, and from 2.3% to 7.5% at Daiwa Securities Co. Ltd.

By increasing the number of role models, we are making it easier for the Group's female staff to envision their 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. To date, more than 850 female employees converted to career-track positions. An increasing number of employees have also taken advantage of our Professional Return Plan, a system for re-hiring employees who left work to raise children or care for family members, starting them at the same level of compensation as when they left. This has helped us secure talented personnel who support operations.

Starting in FY2014, Daiwa Securities Co. Ltd. has held the Daiwa Woman's Forum as a means to support career development for women, by offering help with career planning, skill acquisition, and an opportunity for networking among female employees.

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.

External evaluations

The Daiwa Securities Group's personnel policies and initiatives are evaluated by external parties.

- Daiwa Securities Group ranked 13th overall in the May 2014 Nikkei Woman survey of the 100 Best Companies Where Women Play Active Part and ranked 1st in the Active Use of Women's Ability category.
- In March 2014, the Daiwa Securities Group was selected as a "Nadeshiko Brand" company in FY2014 and as a "Health and Productivity" company, designations co-sponsored by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange.

Human Rights Education Initiatives

Based on its corporate principles, the Act on Promotion of Education and Enlightenment of Human Rights, the United Nations Global Compact and ISO 26000, the Daiwa Securities Group is strengthening efforts to educate its employees about human rights with the aim of improving a corporate culture rooted in the basic principles of human rights.

In 1984, the Group set up the Human Rights Awareness Promotion Committee with the objective of promoting human rights education and training to deepen awareness and ensure an accurate understanding of human rights issues, such as social integration issues in Japan. The committee is currently chaired by the director as Human Resources Officer at Daiwa Securities Group Inc., with the director as deputy Human Resources Officer and head of the Human Resources Department as deputy chairs, along with five department heads including Executive Officer and General Manager of the Corporate Communications Department, the General Affairs Department, and Compliance Control Department (all positions held on a concurrent basis). Under the guidance of the Committee, the heads of all Group departments act as members in charge of promoting its mission. In May 2011, the Committee revised and published the Basic Policy for Initiatives Addressing Human Rights and Social Integration Issues.

In FY2014, the Daiwa Securities Group provided group training for new employees and training for employees being promoted to such positions as managing director, director and associate director. All Group executives and employees viewed films on human rights and then adjourned to Human Rights Awareness Workshops for group discussions within their divisions. A contest was also held among Group executives, employees and their families, for drafting a Human Rights Awareness Slogan to promote broader and deeper understanding of human rights.

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 Considerations

Protecting the global environment, the basis of our livelihoods, is essential for a sustainable society. Through its business activities, the Daiwa Securities Group strives 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 focusing on raising employees' environmental awareness to empower them to reduce the environmental burden in daily business operations.

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 environment policies.

(May 22, 2012)
Takashi Hibino
Daiwa Securities Group Inc.
President and CEO

Climate Change Initiatives

In every facet of its ongoing business 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, while implementing various initiatives and developing services.

Financing for projects to combat climate change mostly in developing countries

The Daiwa Securities Group provides financing for projects in developing countries to manage energy and combat climate change. Through the sale of Green Bonds and other financial products, the Group supplies risk money from Japanese investors to renewable energy and other projects in developing countries.

Participation in smart community experiments promoted by national and local governments

Daiwa Institute of Research Business Innovation Ltd. participates in three separate experimental smart community projects being promoted by the Ministry of Economy, Trade and Industry, Saitama Prefecture and Kawasaki City. The experimental projects entail the use of HEMS* installed in homes to manage energy usage in the home and the community, as well as the provision of government, community and lifestyle-related services to invigorate the local community. Through these experiments, we contribute to the improvement in daily conveniences, invigoration of regional economies, and creation of environmentally friendly cities.

* Home Energy Management System; the system for supporting energy management, including the display and control of electric power and other energy sources used in the home.

Initiatives to Reduce Environmental Impact of Business Activities

Initiatives at branch offices

When installing air conditioning systems and other new equipment at its branch offices, Daiwa Securities Co. Ltd. has a requirement that the equipment must be certified under Top Runner standards, and continues to upgrade its energy-saving equipment. The company decided in FY2014 to start replacing the passenger vehicles* at its branch offices with eco-cars and hybrid vehicles over the next few years. In FY2014, 418 eco-cars and nine hybrid vehicles were introduced. In FY2015, we plan to replace more cars with 142 eco-cars and 25 hybrid vehicles.

* 1,021 passenger vehicles as of March 31, 2015

Offering environmentally friendly services

Daiwa Securities Co. Ltd. provides an online service that allows customers to request a wide range of electronic reports. Reports cover such areas as each transaction or balance and other pertinent details as a substitute for written notifications (hardcopy 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.

With Society

As a good corporate citizen, the Daiwa Securities Group engages with regional and international communities in a variety of ways, including education about the economy and finance. The Group also continues to provide reconstruction support to those areas devastated by the Great East Japan Earthquake.

Initiatives to Promote Economic/Financial Education

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 and has established securities consulting pavilions at facilities in Tokyo and Koshien (Hyogo Prefecture).

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.



Donation of educational books on the economy

In March 2015, Daiwa Securities Co. Ltd. donated educational books on the economy* to all elementary schools in Sendai City and Kesenuma City in Miyagi Prefecture, Iwaki City in Fukushima Prefecture and in Iwate Prefecture that were damaged by the Great East Japan Earthquake. We plan to donate the textbook to all public libraries in Japan, and eventually to all elementary schools around the country.

* "Economic Puzzle Sleuths: Understanding the True Meaning of Money" written by Susumu Okano, a Senior Executive Managing Director at the Daiwa Institute of Research Ltd.



Finance Park

Junior Achievement Japan has established a Finance Park in Shinagawa, Tokyo and another in Kyoto with the goal of providing a space where junior high school students can develop and practice life-planning skills. New Finance Park facilities in Iwaki (Fukushima Prefecture) and in Sendai (Miyagi Prefecture) opened in FY2014. As a special sponsor, the Daiwa Securities Group financially supports the opening of these facilities, and also provides personnel support.



Student Company Program

This program is offered in high schools and teaches students how to set up and manage a company. Employees from the Daiwa Securities Group participate in the program as outside directors of the companies that have been established on a virtual basis in the classroom by students.

Participants in the program learn about corporate management and how business is conducted in the world. In continuation from the previous fiscal year, in FY2014, the Group supported this program in Tokyo Metropolitan high schools, creating financial materials and offering advice about corporate management.

Social Finance Seminar

The Daiwa Securities Group holds events to promote Impact Investment and to learn about economic and financial systems (with sign language and word interpreters). On October 7, 2014, we held the Social Finance Seminar with a panel discussion to introduce methods, case studies, and groups involved in social finance. The seminar was attended by 86 people of various ages interested in this topic.

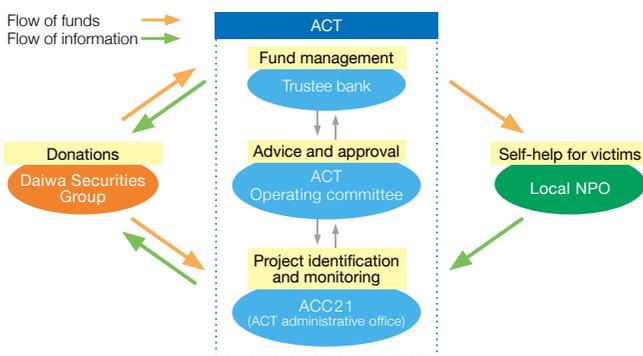


Disaster Reconstruction Support Initiatives

Daiwa Securities Group Tsunami Reconstruction Fund

The Daiwa Securities Group Tsunami Reconstruction Fund was established as a fund to assist with the reconstruction of regions devastated by the Indian Ocean earthquake and tsunami in December 2004. Over the 10 years from FY2005 to FY2014, a total of ¥100 million was distributed out of the Fund at a constant amount of ¥10 million each year. The Fund provided local NPOs with support grants for assistance in Indonesia, India and Sri Lanka, three countries damaged by the natural disaster.

The Fund leverages financing systems including charitable trusts and micro-financing schemes to assist with locally guided reconstruction activities.



Daiwa Securities Phoenix Japan Program

In May 2012, the Daiwa Securities Group established a reconstruction assistance program to rebuild the social foundation of regions affected by the East Japan Earthquake. The program donates a portion of management fees from the Daiwa Nippon Support Fund Vol. 3—Phoenix Japan to local designated NPOs through Japan NPO Center's Japan Earthquake Local NPO Support Fund. The Fund supports NPOs working in the affected areas to help people reconstruct their lives and communities.

In June 2014, ¥44.04 million was donated to the fund, and a total of ¥32.10 million was distributed to ten different recipients in the third round of assistance. The Group will continue to promote programs that are able to operate stably over the long term.



Assistance for damage caused by torrential rain in Hiroshima

The Daiwa Securities Group donated ¥10 million to the Hiroshima 8/20 Torrential Rain Damage Assistance Fund to help

the people of Hiroshima recover from heavy damage caused by torrential rainfall in August 2014.

Initiatives through Foundations

Daiwa Securities Health Foundation, a Public Interest Incorporated Foundation

The Daiwa Securities Health Foundation was established in 1972 in commemoration of the Group's 30th anniversary, to support medical research. Since 1973, the Daiwa Securities Health Foundation has supported outstanding research projects focusing on improving health, medical care and welfare for middle-aged and elderly people. FY2014 marked the 41st year of this program, the Foundation disbursed a total of ¥30 million composed of 30 separate grants of ¥1 million each.

Daiwa Securities Foundation, a Public Interest Incorporated Foundation

Daiwa Securities Foundation was established in 1994 to commemorate the 50th anniversary of the Group's foundation to make contributions to society out of our profits. The Foundation provides grants to organizations and groups doing volunteer work in welfare and medicine.

Since FY2011, the Foundation has provided support to organizations and groups involved in volunteer work that assists victims of the Great East Japan Earthquake.

Daiwa Myanmar-Japan Foundation

On April 1, 2013, the Daiwa Securities Group established the Daiwa Myanmar-Japan Foundation to support human capacity building for the purpose of achieving sustainable economic growth in the country. The Foundation has been helping with the development of key personnel for cultivating capital markets in Myanmar, by offering scholarships to young staff working in the Myanmar government for studying abroad in Japan. On December 2, 2013, the Foundation signed a memorandum of understanding concerning cooperation in human capacity building with the Myanmar Institute of Certified Public Accountants and has been helping with the training of public accountants in Yangon.

Daiwa Anglo-Japanese Foundation (Chartered in the UK)

The Daiwa Anglo-Japanese Foundation was established in 1988 to commemorate our 25th year of operations in Europe, in part with contributions from Daiwa Securities for fostering closer ties between the UK and Japan. The Foundation awards grants for projects that contribute to deeper ties between Japan and the UK, offers research assistance for students and academic researchers in both Japan and the UK, awards the Daiwa Scholarship*, and holds events that promote understanding of Japan in the UK.

In commemoration of its 25th year, the Foundation held a celebratory event at the ambassador's residence at the UK Embassy in Tokyo on October 2014.

* Daiwa Scholarships are awarded to university graduates in the UK to open up opportunities to study Japanese and undertake work assignments in Japan.