



# Corporate Governance

The Group is united in its efforts to build a highly transparent and objective corporate governance system, in order to earn the confidence of all our stakeholders and continually improve our corporate value.

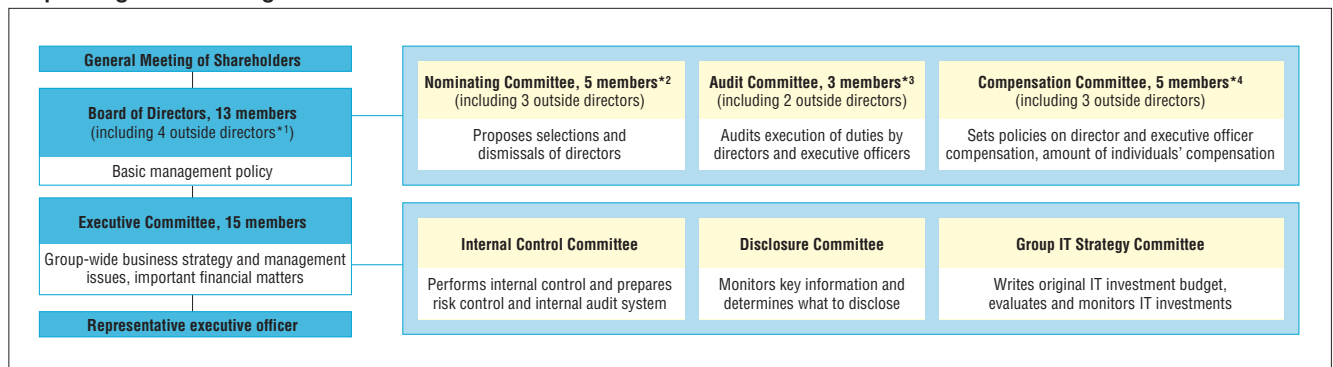
## Vision and medium-term goals for corporate governance

Against a backdrop of recent increasing market globalization and institutionalization, corporate governance has come to be considered vital for making investment decisions. Daiwa Securities Group believes that earning the confidence of all

stakeholders will enable it to continuously increase corporate value. The company actively incorporates outside viewpoints, building a transparent, dynamic, and efficient corporate-governance system that meets international standards. At the same time, we are leveraging the synergy of each group company to build a unified group-management system.

Issues and targets for fiscal 2006	Results and progress for fiscal 2006
Document internal standards relating to financial reporting and establish evaluation methods for the entire group.	<ul style="list-style-type: none"> <li>Created project team, selected business processes for key business sites and evaluation items, and began documentation company-wide.</li> </ul>
Prepare systems for each group company in compliance with upcoming changes in Japanese commercial law.	<ul style="list-style-type: none"> <li>Revised institutional design in accordance with the businesses of each group company, and revised regulations at each company in preparation for creation of internal-control system.</li> </ul>
Study performance evaluation methods.	<ul style="list-style-type: none"> <li>Studied method of evaluating performance of group companies that takes capital costs into account.</li> </ul>
Improve group management structures by promoting business continuity plans (BCP).	<ul style="list-style-type: none"> <li>Created crisis-management regulations and manuals at Daiwa Securities Group Inc. and major subsidiaries.</li> </ul>

## Corporate governance organization chart



\*1. Outside directors

Tetsuro Kawakami  
Counsel, Sumitomo Electric Industries, Ltd.

Ryuji Yasuda  
Professor, Hitotsubashi University  
Graduate School

Keisuke Kitajima  
Attorney

Koichi Uno  
Certified public accountant

\*2. Nominating Committee

internal Yoshinari Hara (Committee Chair)  
Chairman of the Board of Corporate Executive Officer  
Daiwa Securities Group Inc.

Shigeharu Suzuki  
Director and President (CEO)  
Daiwa Securities Group Inc.

external Tetsuro Kawakami  
Ryuji Yasuda  
Keisuke Kitajima

\*3. Audit Committee

internal Kenji Hayashibe (Committee Chair)  
Director  
Daiwa Securities Group Inc.

external Keisuke Kitajima  
Koichi Uno

\*4. Compensation Committee

internal Yoshinari Hara (Committee Chair)  
Shigeharu Suzuki

external Tetsuro Kawakami  
Ryuji Yasuda  
Koichi Uno

## Corporate governance system

Daiwa Securities Group Inc. has adopted a committee system, with the goals of greater agility in decision making, enhancing the supervisory functions of the Board of Directors, and making management more transparent. Our corporate governance system consists of the Board of Directors, which serves in a supervisory role; the Nominating, Audit, and Compensation Committees; the Executive Committee, which serves as the executive body, and the Internal Control, Disclosure and Group IT Strategy Committees, which are subcommittees of the Executive Committee.

Although our Chairman of the Board, who chairs the Board of Directors, is also an executive Officer, he does not have any specific duties as an Executive Officer.

▶ **WEB** Preventing conflicts of interest between group companies

### ◎ Supervisory function

The Board of Directors consists of 13 directors, including four outside directors. The Board of Directors determines key management policy and supervises executive duties. In order to perform this supervisory role from multiple viewpoints in accordance with the demands of society, the policy for selecting new board members states that candidates must have a strong sense of ethics and lead by example. Additionally, external directors are experts in such fields as law and executive management.

Our supervisory function is reinforced by the Audit Committee and the Office of the Audit Committee. The Audit Committee, which consists of a majority of outside directors\*, plays a central role in the supervision of executive duties. The Audit Committee is assisted by the Office of the Audit Committee, which has no executive duties, and has different systems for assignment and evaluation.

\* Outside directors as defined by Article 2-15 of the Company Law.

### ◎ Executive body

The Executive Committee, consisting of 15 executive officers, is located at Daiwa Securities Group Inc. The Executive Committee

discusses and makes decisions regarding key issues for executive management, including the business strategy of the Group as a whole and group-wide management issues. In order to ensure uniform management across the Group, some of the executive officers of Daiwa Securities Group Inc. also serve as key directors in group companies.

## Fiscal 2006 initiatives

### ◎ Group-wide rollout of internal control

We are strengthening our initiatives in anticipation of the internal-control and reporting system under the Financial Instruments and Exchange Law, which will go into effect in April 2008. We have created four working groups—company-wide control, general IT control, business processes, and verification—and in fiscal 2006 we documented the operational flow, risks, and control of a number of business processes as a pilot project. The various divisions of Daiwa Securities Group Inc. play a leading role in each working group. They determine the responsible divisions and persons within each group company, coordinating a group-wide effort. In fiscal 2007, the working groups are promoting documentation of company-wide control, general IT control, and business processes across the Group, and are evaluating and verifying internal control.

### ◎ Revision of systems for group companies consequent to enactment of new Company Law

In accordance with the enactment of the new Company Law in May 2006, we have revised our management system throughout the Group.

One of the features of the new law is a much broader range of choices regarding the company's institutional design. In response, we have made several revisions, including revisions to the articles of incorporation of each group company. In addition to assigning appropriate directors and corporate auditors, we implemented measures to enable general shareholders meetings to be conducted on paper. We have created systems to promote faster and more appropriate business operations.

▶ **WEB** Consideration of performance-evaluation methods

▶ **WEB** BCP initiatives

## >> Targets and main action plans for fiscal 2007

We will carry out group-wide documentation and verification during fiscal 2007, and build a system that fully enables compliance with the internal control and reporting system relating to financial reporting, which will first go into effect in fiscal 2008.

With regard to the business continuity plan we have been developing since fiscal 2006 as well, we will strengthen a system for contact between group companies, and complete the business continuity manual in July 2007. In addition, we plan to make broad

revisions after we move our headquarters building in December 2007.

As our businesses become increasingly diverse due to the rollout of new businesses within the Group, we will also design flexible institutions in accordance with the size and businesses of each company, ensuring a high degree of unity within the Group.

We will raise the level of information security within the Group by moving forward with the operation in conformity with Information Security Management System (ISMS).