

Daiwa Securities Group CSR Report

Building a Sustainable Society

2009

What we can do

What will the world be like when these 28 babies become adults?
The precious faces of these infants—all children of Daiwa Securities Group employees—
express our hopes for the future. At the Daiwa Securities Group, we are determined
to take responsibility as individuals and to do our part as a company to create
a sustainable society living in happiness and in harmony with an unspoiled Earth.





Daiwa Securities Group CSR

As employees of the Daiwa Securities Group, we carry out our duties with pride while feeling a significant sense of responsibility to society. And while enjoying an excellent quality of life, each employee is committed to doing the absolute best job possible.

Last year also marked the birth of new family members among many of our employees. We are giving serious consideration to what we can achieve through our financial capabilities and what actions need to be taken to develop industry in harmony with the environment. In addition, we are providing a higher quality of life for the next generation in Japan and the world, including the babies that grace the cover page of this report.



To realize a sustainable society, the Daiwa Securities Group seeks to initiate even more effective CSR activities.

Key Issues:














- 1. Leverage Financial Capabilities to Contribute to a Sustainable Society**
- 2. Develop Sound Financial and Capital Markets for the Next Generation**

Based on the requests we have received from stakeholders thus far, the Daiwa Securities Group established a set of key issues in 2007. The implementation of these issues was given the utmost priority.

This time, the Group has reaffirmed the CSR initiatives that need to be realized and has undertaken a revision of its key issues with the aim of implementing CSR activities that are even more effective.

To that end, we have integrated the existing four key issues—(1) Adding a Social Perspective to Investment, (2) Commitment to the Development of a Sound Securities Market, (3) Contribution to the Global Environment and (4) Providing Information for a Sustainable Society—into the two key issues listed above.

Contents

	Daiwa Securities Group CSR	
	Key Issues/Table of Contents	1
	Our Contribution	2
	Our Mission	3
	Our Initiative	4
	Corporate Principles/Editorial Policy	6
	Description of the Daiwa Securities Group's Business	7
	Message from the President and CEO	8
	Management Summary	11
	Discussion with Stakeholders	12
	Approaches to Key Issues	
	1. Leverage Financial Capabilities to Contribute to a Sustainable Society ...	16
	2. Develop Sound Financial and Capital Markets for the Next Generation ...	20
	Corporate Citizenship	24
	CSR Issues: Performance and Targets	26
	Initiatives for Reducing Environmental Impact	28
	Third-party Opinion	29
	The Daiwa Securities Group's CSR Activities/Inquiries	30
	Third-party Evaluations	
	<i>Daiwa Securities Group CSR Report 2009 Booklet and Web Edition</i> ...	31

OUR CONTRIBUTION

1. Leverage Financial Capabilities to Contribute to a Sustainable Society

Modern society is faced with a multitude of problems that threaten the sustainability of the planet and communities worldwide, including environmental issues such as climate change as well as the widening gulf between rich and poor.

The Daiwa Securities Group promotes the flow of capital to solve social problems and to realize a sustainable society through financial and capital markets in such areas as the development and sales of financial products that add a social perspective to investment.

Products such as vaccine bonds and World CO2L bonds developed through these efforts are not only attractive as investment products but are also appealing because they open up an avenue for investors to indirectly participate in finding solutions to problems related to the global environment and society.

In addition to these achievements, the Group actively provides financial assistance to companies that have social value in areas including environmental technology and offers investment information regarding these companies.

“The vaccine bonds project was a valuable experience as it gave me the opportunity through my work to contribute to saving the lives of children in developing countries. At the same time, it is critical that a system facilitating cooperation within the Group be in place in order to make this type of global project a success. Although I had to work very hard to issue these bonds, I was able to meet a number of people through the process and gained new insights. To me, vaccine bonds are a financial product that reveals the Group’s strong willingness to meet the challenges associated with undertaking new projects that have a social perspective.”

Kazuma Muroi

*DCM Section
Capital Markets Department
Daiwa Securities SMBC Co. Ltd.*

Joining the company in 2005, Mr. Muroi currently engages in the underwriting of nonresident bonds, having worked in the Planning Department of the Investment Banking Business and other sections. During the vaccine bond project, he was in charge of making recommendations to and coordinating with the World Bank, which was acting as a financial manager.



Mr. Muroi at 10 months old

OUR MISSION

2. Develop Sound Financial and Capital Markets for the Next Generation

In order to promote the move from savings to investment and provide an abundant supply of funds vital for sustainable social growth, we believe that the development of sound and vigorous financial and capital markets is essential.

For the Daiwa Securities Group, compliance is not limited simply to observing the law but extends to actions that preserve the trust of customers and society. Maintaining the highest ethical standards, all executives and employees take it upon themselves to identify and make improvements regarding operational risks and problems as they carry out their daily duties. In addition, the Group undertakes thorough measures to reinforce its system for monitoring unfair transactions and to eliminate antisocial forces in order to establish trustworthy financial and capital markets that are transparent and fair.

Taking advantage of the experience and knowledge developed through its core business, the Daiwa Securities Group focuses on economic and financial education for youth and the dissemination of information to society. By doing so, the Group will develop sound financial and capital markets for the next generation.

“ Having been employed at Daiwa Securities for over ten years, I have worked earnestly to build relationships of trust with customers at the Kunitachi Branch. In order to foster long-term customer relations, it is important to establish routine communication. For example, I believe that through various small things such as contacting customers regarding paperwork and procedures, they gain a greater sense of trust and feel more at ease. Rather than being something extraordinary, I think compliance revolves around the more fundamental and straightforward idea of always thoroughly carrying out one's duties in full consideration of the customer. ”

Amika Omi

Senior Assistant Manager
No. 2 Asset Consultant Department
Kunitachi Branch

Ms. Omi joined Daiwa Securities Co. Ltd. in 1999 in a clerical position at the Kunitachi Branch and then switched to a regular position with prospects for promotion in 2001. Ms. Omi has received numerous awards in recognition of her many exceptional achievements as an account executive.



Ms. Omi at six months old



OUR INITIATIVE

Building a Rewarding Workplace for Executives and Employees

Human resources are at the core of the Daiwa Securities Group's efforts to implement its CSR key issues.

To keep executives and employees highly motivated to contribute to the Group and society, it is imperative to have a rewarding workplace. There is a direct link between the high level of satisfaction of executives and employees and that of customers and shareholders.

To get staff to carry out their duties with a high level of motivation and to take on challenges in the workplace, we believe that it is important to generate greater vitality for work and enhance work efficiency by striking a balance between work and private life.

Regardless of gender or age, we will take active steps to promote a work-life balance with the aim of becoming the "the number one company in terms of working conditions."

“ At first, everyone considered work-life balance as an issue related to women in the workplace. As I worked to promote this idea, there was a gradual change in people's attitudes towards long working hours, which had long been considered a virtue. With the understanding of customers, we established the policy of leaving work before 7:00 p.m., which gradually made everyone aware that they have control over their own time. In addition, an increasing number of men are taking childcare leave. With the aim of becoming the number one company in terms of working conditions for all executives and employees, we will continue to take steps to establish effective systems. ”

Risa Murase

Manager

*Work-life Balance Promotion Department
Daiwa Securities Group Inc.*

Joining Daiwa Securities Co. Ltd. in 2001, Ms. Murase worked in sales and the Sales Planning Section at the Shibuya Branch. She currently works as a manager in the Work-life Balance Promotion Department, which was established in April 2008, at Daiwa Securities Group Inc.



Ms. Murase at one year old

Aiming to Realize a Work-life Balance

For any company that aims for sustainable growth, the attainment of a work-life balance as well as the retention of exceptional people is indispensable. To that end, the Daiwa Securities Group has strengthened its initiatives to achieve a work-life balance for executives and employees under executive management leadership.

In April 2008, the Group established the Work-life Balance Promotion Department within Daiwa Securities Group Inc. and holds the Work-life Balance Promotion Committee meeting on a regular basis under the leadership of President and CEO Shigeharu Suzuki, who functions as the chief work-life balance officer (CWO). From that same month onward, the Group began participating in a work-life balance project promoted by the Ministry of Health, Labour and Welfare as a model company.

Paid Leave Usage Rate

(Daiwa Securities Group Inc., Daiwa Securities Co. Ltd., Daiwa Securities SMBC Co. Ltd.)

FY	2006	2007	2008
Paid leave usage rate	35.6%	37.4%	57.0%

Policies for Promoting Work-life Balance

We have initiated a variety of measures to achieve a work-life balance for executives and employees.

A significant transformation of work practices in all offices and branches of Daiwa Securities Co. Ltd. resulted from asking employees to leave the office before 7:00 p.m., a directive which began in earnest in July 2007. Not only do many executives and employees now have more time to spend with their families and to pursue their own interests, but also the work efficiency of the entire organization has increased. As a result, this policy directive has been expanded to the other Group companies. Moreover, since 2008, policies to encourage executives and employees to take paid leave have been expanded with the aim of creating a work environment where it is easy to take time off.

Beyond these measures, the childcare leave system has been revised to make it easier for male executives and employees to take time off to care for their children. This approach garnered Daiwa Securities Group Inc. the Ministry of Health, Labour and Welfare's family-friendly employer certification in June 2008 as a company that actively supports the development of the next generation. This certification has been obtained by Daiwa Securities Co. Ltd., Daiwa Securities SMBC Co. Ltd., Daiwa Institute of Research Holdings Ltd., Daiwa Institute of Research Ltd., Daiwa Institute of Research Business Innovation Ltd. and Daiwa Securities Business Center Co., Ltd. Beyond this, in December 2007, the Group began providing a two million yen cash benefit for an employees' third child or subsequent children to offset the financial burden of child-rearing.

Employee Welfare System Usage (Nine Principal Group Companies) (persons)

FY		2006	2007	2008
Number of employees taking childcare leave*	Female	150	209	245
	Male	2	4	14

*Employees eligible for childcare leave include non-regular employees (contract workers, part-timers, etc.).

A Supportive Work Environment for Both Men and Women

Since establishing the Women's Support Action Team in 2005, the Daiwa Securities Group has been expanding measures to support activities undertaken by female employees. As of April 2009, of Daiwa Securities Co. Ltd.'s 117 branches, eight are headed by women. In addition, four new female executive officers were appointed in the same month, invigorating the entire organization.

Daiwa Securities Group Inc. ranked 7th overall (and 1st in the finance industry) among the Best 100 Companies for Women to Work At in the May 2008 issue of *Nikkei Woman Magazine* and ranked No. 1 in the Providing Opportunities for Women in the Workplace category. In the survey of Companies with Best Working Conditions, featured in the September 2008 issue of the *Nihon Keizai Shimbun* and *Nihon Keizai Sangyo Shimbun*, the Company placed 14th overall and 1st in the securities industry. Furthermore, in the 2009 Career Search Survey ranking of financial institutions conducted by the weekly magazine, *Diamond*, Daiwa Securities Inc. placed 4th among men and 6th among women, while coming in 5th in a similar survey undertaken by *Nihon Keizai Shimbun*, and placing 1st in the securities industry.

Through the Daiwa Securities Group's work-life balance policy, continual efforts are being made to maintain a comfortable workplace environment for men and women.

Daiwa Securities Group's Female Employee Ratio in Japan

	March 31, 2007	March 31, 2008	March 31, 2009
Ratio of female employees to all employees	33.3%	36.0%	36.8%

Communication with Families of Executives and Employees

It is not only executives and employees themselves, but also their families that have a significant interest in the workplace of their spouses, parents and/or children.

Considering the families of executives and employees as important stakeholders, the Daiwa Securities Group has held large-scale events in which they can participate and has invited families of award recipients to the President's Awards Ceremony. On top of this, families of employees and executives were invited to visit workplaces at all Group departments and branches for the first time in August 2008. This turned into a major event with approximately 4,400 people participating throughout the Group.



Families visit Daiwa Securities offices

*Additional statistics and details will be released on the Daiwa Securities Group's CSR website in September 2009.

Daiwa Securities Group Corporate Principles

Building Customer Trust

We stand on the trust of our customers. Prudently putting customer interests first and achieving a high standard of professional competence, we intend to become Japan's most appealing securities group at home and abroad.

Valuing Human Resources

People are the source of our competence. We highly value creative initiative by the individual, we cherish the challenging spirit, and we appreciate the capability and contributions of the individual.

Contributing to Society

Our mission is to contribute to society and the economy through our daily operation in the financial and capital markets. We will maintain high standards of ethics and self-discipline and will contribute to the sustainability of society.

Earning Sound Profits

Our fundamental objective is to enhance shareholder value through sound business operations. We will offer valuable services to our customers and earn adequate rewards for distribution to our shareholders.

Editorial Policy

The Daiwa Securities Group has been publishing this report yearly since 2002 with the aim of disclosing clearly and in good faith our CSR activities, which are intended to support the creation of a sustainable society. We also view the process of preparing this report as an important opportunity for us to evaluate the Company status and challenges it is facing. This report places a major emphasis on detailing the progress of specific initiatives related to key issues, and our views toward them.

We position this CSR report as a material report that primarily discloses key issues facing the Group, emphasizing our strong focus on promoting dialogue with stakeholders and raising the awareness of CSR activities among executives and employees.

For detailed information that is not covered in this report, management and social reports disclosed on an ongoing basis and other related materials, please visit <http://www.daiwa-grp.jp/ir/english/corporate/report/> (from September 2009).

Scope of Report

Intended Readership

This report is intended for Daiwa Securities Group's stakeholders, which primarily include customers, shareholders and investors, executives and employees, as well as business partners, non-profits (NPOs, NGOs), local communities where Daiwa Securities has offices, educational institutions, and the families of executives and employees.

Scope of Reporting

This report basically covers principal companies of the Daiwa Securities Group (see "Description of the Daiwa Securities Group's Business" on the following page). The report does not, however, include all data from the Group's principal companies on items reported; the information is selected based on the respective companies' size and type of business handled. In addition, coverage areas of the environmental load data included have been changed due to head office relocation in fiscal 2007. Each set of numerical data specifies the area of coverage.

Period Covered by Report

Fiscal 2008 (April 1, 2008–March 31, 2009) The report also includes information on events and activities carried out prior to fiscal 2007, as well as those scheduled to take place during fiscal 2009.

Publishing Date

August 2009 (The previous report was published in October 2008; the next report is planned for August 2010.)



Description of the Daiwa Securities Group's Business

The Daiwa Securities Group is composed of Daiwa Securities Group Inc., the holding company controlling the group companies, and two securities companies, Daiwa Securities Co. Ltd. and Daiwa Securities SMBC Co. Ltd., along with various other companies providing securities-related services in order to offer a comprehensive range of investment and financial services.

The Four Core Operations of the Group

1. Retail Securities Business

Through its domestic network of 117 branches (as of April 2009), a call center and the Internet, Daiwa Securities Co. Ltd. offers two retail services, Daiwa Consulting and Daiwa Direct, which provide a wide range of financial products and services as well as support for customer asset management, mainly for individuals and unlisted companies.

(Principal company: Daiwa Securities Co. Ltd.)

2. Wholesale Securities Business

Daiwa Securities SMBC Co. Ltd. provides sales and brokerage services, as well as investment banking services, to institutional investors, corporate clients and financial institutions in and outside of Japan.

Sales and brokerage services: brokerage and trading of equities, bonds, derivatives and other financial products, mainly for institutional investors

Investment banking services: support for corporate operations ranging from business expansion to finance and capital strategies by assisting corporate clients and financial institutions to raise capital, issue bonds and manage assets

(Principal company: Daiwa Securities SMBC Co. Ltd.)

3. Asset Management Business

The Group creates and manages stock, bond and private investment trusts, as well as other investment management services.

(Principal companies: Daiwa Asset Management Co. Ltd. and Daiwa SB Investments Ltd.)

4. Investment Business

Using its own funds, the Daiwa Securities Group invests in private equity, monetary receivables, real estate, venture capital opportunities, and business regeneration. It also forms and manages investment funds.

(Principal companies: Daiwa Securities SMBC Principal Investments Co. Ltd. and Daiwa SMBC Capital Co., Ltd.)

Group Support Operations

5. Research and Systems Business

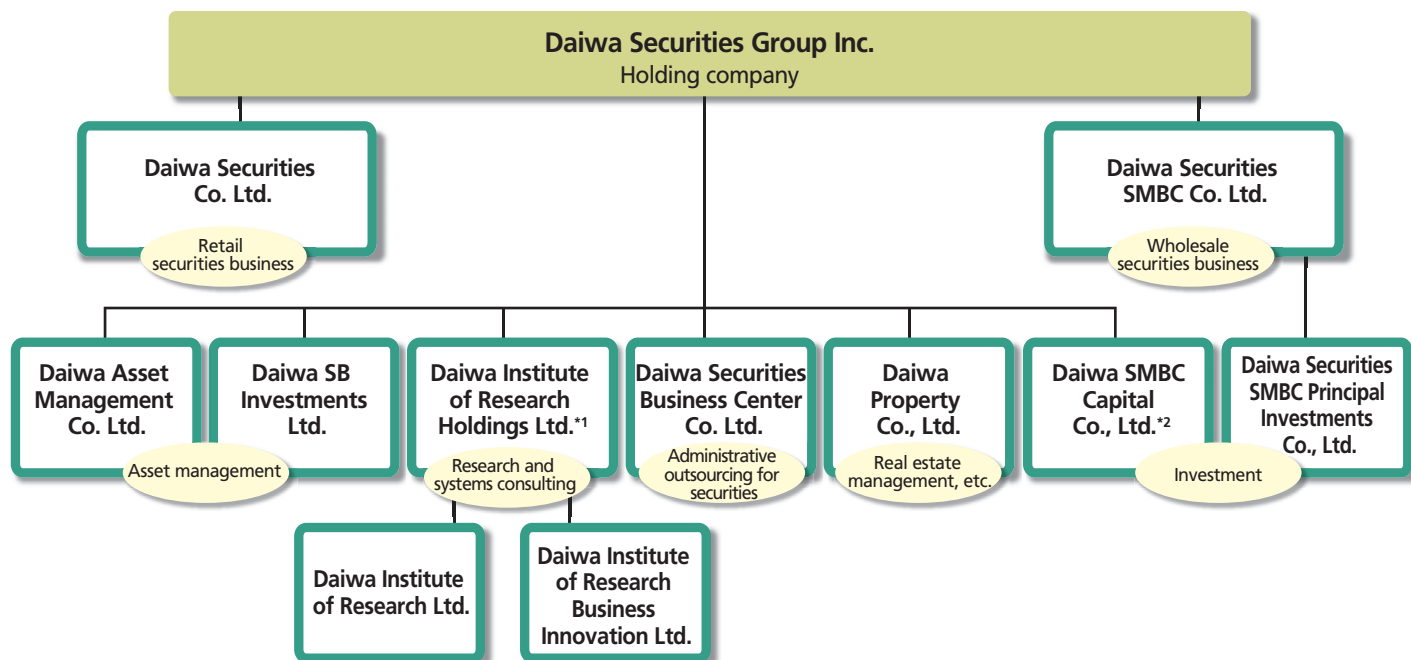
The Group provides information via research reports and other documents, management consulting, information technology and other services for institutional investors, corporate clients, financial institutions and public organizations in Japan and overseas.

(Principal company: Daiwa Institute of Research Ltd.)

6. Support Services

Services are provided in such areas as securities-related administrative outsourcing and real estate consulting.

(Principal companies: Daiwa Securities Business Center Co. Ltd. and Daiwa Property Co., Ltd.)



*1: On October 1, 2008, Daiwa Institute of Research Ltd. changed its name to Daiwa Institute of Research Holdings Ltd., marking the transition to being an intermediate holding company. At the same time, the Group implemented a company spin-off to establish the new Daiwa Institute of Research Ltd. and Daiwa Institute of Research Business Innovation Ltd.

*2: NIF SMBC Ventures Co., Ltd. changed its name to Daiwa SMBC Capital Co., Ltd. on October 1, 2008.



Sustainable Investment Bank Business

What is your assessment of the factors that led to the current financial crisis?

There are two main factors. The financial crisis has shown that there is a limit to how far management can go in pursuing return on equity (ROE) through highly leveraged investments that could be called excessive—particularly among European and U.S. financial institutions. In a favorable market, if you increase borrowings using high leverage, ROE will generally rise. This way of conducting business may rapidly push up revenues and profits, but the risk is therefore that much greater.

The second factor is a particular chink in the armor of those financial conglomerates aiming for excessive expansion. I believe that the management of a number of financial institutions that became bloated through repeated M&As* failed to build a sufficiently accurate picture of one aspect of their business, namely, the inherent risk contained in the financial products they sell. Companies that show steady growth—including in terms of the employment and training of human resources—and increase in size, share an awareness of the importance of self-discipline that is both natural and nurtured.

So is the moral to be learned from the current financial crisis that we need to be prepared to sound the alarm on ROE-centric management?

Although ROE is but one prominent management indicator, there is a need to have some kind of underlying management credo. Corporations are allowed to exist because they are of benefit to society. In doing business, we must ask, “How have we gone about increasing profits?” rather than merely stating, “As long as profits go up, everything is fine.” This process of undertaking the creation of fair and sustainable profits is important. Granted, corporations must answer to shareholders, but shareholders should not be allowed free rein. A corporation is a public entity and thus, by extension, a part of society. If executives and employees share a

The Key Word Is “Sustainability”

President and CEO Shigeharu Suzuki discusses the Daiwa Securities Group’s business and corporate social responsibility (CSR).

Interviewer: Professor Iwao Taka, Dean of the International School of Economics and Business Administration at Reitaku University, Kashiwa City, Chiba Prefecture, Japan

sense of doing work that benefits society, meeting social expectations cannot be regarded as anything but natural.

The primary roles of investment banks are to assist corporations in raising capital and to offer advisory services—corporate consulting in the business areas of initial public offerings and M&As, for example. Although these business areas have been eclipsed by leveraged business and have escaped notice over the past few years, they are socially meaningful business areas and produce commensurate value. At the same time, investment banks play an important role through the investment of their own capital. For example, by providing essential financing to corporations that possess unique and advanced technologies but are struggling for funds, investment banks support the growth and revitalization of those corporations.

What direction will society as a whole take through the investment banking businesses? One role of investment banks is to point the way, particularly with regard to a sustainable society, environmental issues and global warming.

That's correct. For example, U.S. President Obama's Green New Deal Policy aims at deriving 25% of U.S. energy from renewable resources, promotes a smarter energy grid, and the development of green buildings and next-generation batteries, among other targets. It also emphasizes that this policy has to be pursued with determination to ensure its achievement. Environment-related technologies could be called Japan's greatest resource. These technologies are the main engines of Japan's future economic recovery and growth. As there are many Japanese companies that possess highly advanced environmental technologies or those peripheral to the environment, we will focus on environmental technologies as one field of future growth.

Adding a Social Perspective to Investment

Would you please tell us more about the added impetus that's being given to socially responsible investment (SRI)?

Progress is currently being made with a project, based on

multi-governmental donations, to vaccinate children in developing countries. The vaccine bonds** that the Daiwa Securities Group has sold—on two occasions to date—enable the necessary funds for the vaccinations to be raised in advance using financial mechanisms. The vaccine can thus be quickly administered to the children, enabling more lives to be saved.

Furthermore, as it is geared toward individual customers, this financial product also helps inform the wider world of the project's existence through sales of vaccine bonds.

The World CO2L bonds*** which were sold last year, provided individual customers with a valuable opportunity to find out more about how emissions trading can significantly help to curb global warming.

Unlike other industrial sectors such as manufacturing, part of our work of "helping the world" is not readily recognized because it does not exist in any physical form. Those responsible for underwriting and selling these financial products can easily explain the meaning and purpose of the financial products to customers and thereby demonstrate that our profession includes "contributing to a better world." This is of tremendous importance from the standpoint of raising executive and employee motivation.

Today's society is engulfed in problems, and we would like to promote the development and sale of financial products that will assist in solving the mounting issues that lie ahead.

Work-life Balance

Mr. Suzuki, you've taken the lead in bringing a work-life balance to fruition throughout the Daiwa Securities Group. Please tell us about some of the thinking behind this.

Just to give one example, working overtime every weekday and working on weekends will result in a short-term increase in performance. However, the benefits are not necessarily sustained. Even if performance is momentarily increased, this means nothing if it is not sustained. The fatigue from biting off more than you can chew remains. You forget to pay attention to customers and in the end, if





you look at the whole picture, the negative aspects become overwhelming. In other words, sustainability is the key word. It is vital to enjoy your life while striking a balance between working really hard and making improvements to your private life too.

You've also put efforts into promoting female employees, haven't you?

Speaking of securities companies, there is a strong impression of their being male-dominated up until now. However, the number of female employees who are branch and department managers is now increasing. Moreover, four women were newly appointed as executive officers in April 2009.

The reason why women can now work in these areas is because the Daiwa Securities Group placed more emphasis on their working in such areas as winning new customers, providing existing customers with valued care and taking custody of new funds. As a result, everyone—that is to say not only men but also women—has reached the stage where they have a sustainable career.



What type of company would you like the Daiwa Securities Group to become?

As a corporation, we have to increase profits in a proper manner. However, this effort will need to be achieved through steady advances rather than in a single stroke. I believe that we cannot sustain profits unless we grow while sharing the corporate culture and business philosophy long fostered within the Group. A workplace also needs to be enjoyable. As people spend a lot of time at work, it is essential that executives and employees alike share a sense of community.

I would like to create an excellent company. That is my desire. To date, I have visited 60 or 70 branches and have had young employees who have been with the Company only one or two years eagerly discuss with me—reflecting their own opinions—issues that I had raised before. At such times, I realized that my thoughts had been communicated, and I was deeply moved.

Working on the front line is not without its difficulties; stress builds up at times. Even if you speak ill of a superior in such times of stress, if in the end you can say, "Even though I said that, I still believe that this is a fine company," then that, in my view, is really the sign of an excellent company.

Shigeharu Suzuki

President and CEO, Daiwa Securities Group Inc.

* M&A: Merger and acquisition

** Vaccine bonds—Please see page 17 for more details.

*** World CO2L ("Cool") bonds—Please see page 19 for more details.

Closing

Iwao Taka

Dean of the International School of Economics and Business Administration, Reitaku University

Speaking with President Suzuki, I was again impressed with his sense of commitment. Furthermore, I was able to fully understand everything he means by the key word "sustainability." I share his strong conviction that making profits in a proper manner leads to a sustainable business and society.

Aiming to Become Japan's Top Securities Group

As a provider of comprehensive investment and financial services, the Daiwa Securities Group is composed of Daiwa Securities Group Inc.—a holding company—and various companies that provide securities-related services, centered on two securities companies in particular: Daiwa Securities Co. Ltd. in the retail business and Daiwa Securities SMBC Co. Ltd. in the wholesale business.

Principal Management Indicators (Consolidated)

(¥ million)

	FY2004	FY2005	FY2006	FY2007	FY2008
Operating revenues	519,337	845,659	917,307	825,422	413,936
Commissions	216,386	309,188	306,736	294,424	208,880
Net gain on trading	151,117	224,912	157,332	103,361	40,921
Net gain on private equity and other securities	—	21,539	32,818	19,160	(79,477)
Net gain on operational investment securities	171	—	—	—	—
Interest and dividend income	118,019	245,210	373,452	358,422	192,663
Service fees and other sales	33,641	44,808	46,967	50,052	50,948
Net operating revenues	390,432	579,358	526,764	447,491	199,544
Ordinary income (loss)	120,433	260,651	195,415	90,143	(141,150)
Net income (loss)	52,665	139,948	92,724	46,411	(85,039)
Net assets	648,332	792,281	1,223,225	1,082,923	952,329
Total assets	12,378,961	14,898,890	14,411,265	17,307,119	14,182,579
Return on equity (ROE) (%)	8.4	19.4	10.8	5.3	(11.1)
Net income (loss) per share (¥)	39.03	103.90	67.90	33.69	(63.16)
Net assets per share (¥)	486.70	598.27	665.98	607.64	534.99
Annual dividends per share (¥)	13	34	28	22	8

Corporate Profile (as of March 31, 2009)

Company name
Daiwa Securities Group Inc.

Headquarters
GranTokyo North Tower, 9-1,
Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-6751, Japan

Telephone
+81-3-5555-1111

Established
December 27, 1943 (Founded 1902)

President and CEO
Shigeharu Suzuki

Common stock
¥178.3 billion

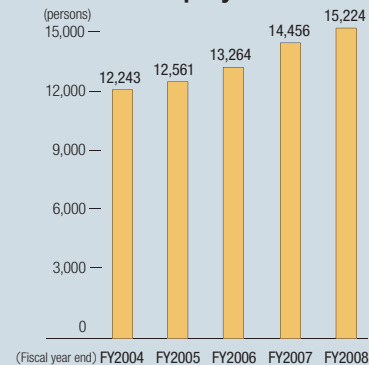
Number of employees (Consolidated)
15,224

Number of consolidated subsidiaries
44

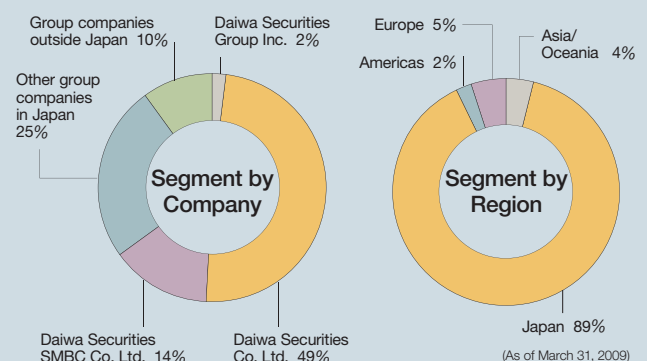
Number of equity-method affiliates
6

Shares issued and outstanding
1,404,664,772

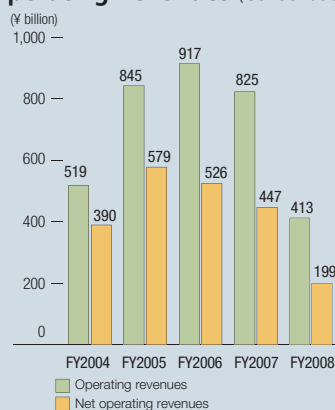
Number of Employees (Consolidated)



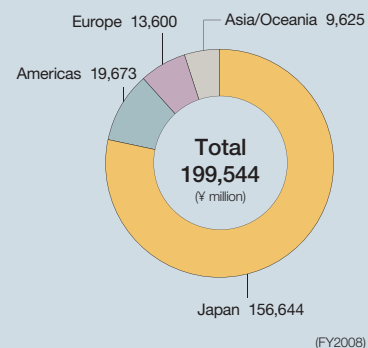
Employee Composition



Operating Revenues and Net Operating Revenues (Consolidated)



Breakdown of Net Operating Revenues by Region (Consolidated)



Sustainable Finance Business and CSR

A discussion with Daiwa Securities Group executives and academics regarding the future of the finance business and CSR in the aftermath of the current financial crisis

(Held on March 5, 2009 and hosted by Mariko Kawaguchi, General Manager of the Daiwa Institute of Research Ltd.'s Management Strategy Research Department)

Right to left:

Toshiro Muto, Chairman of the Daiwa Institute of Research Ltd.

Takeshi Mizuguchi, Professor of Economics, Takasaki City University of Economics

Kumi Fujisawa, Vice President of the think tank, SophiaBank

Masaaki Goto, Corporate Executive Officer, Daiwa Securities Group Inc.



Could you elaborate on your perception of the current financial crisis?

Muto: There are many factors that brought about this financial crisis. The first factor lies in the significant development of securitization markets associated with further innovations made in the finance industry. A significant amount of housing loans were included among the underlying assets that had been used to formulate securitization products. However, the housing bubble began to collapse beginning with the plunge in housing prices in the United States around the middle of 2006, and this has impacted financial markets worldwide.

The problem was that in the pursuit of globalization, there was a lack of rules and supervisory functions in financial markets. While new markets were emerging, an awareness of these problems remained unrealized. Despite the surfacing of the subprime loan problem in August 2007, it was considered to be a regional problem only. As a consequence, no one was able to imagine that global financial markets would be disrupted to such an extent.

Mizuguchi: Investment is, so to speak, a type of fund that is set aside for regular use for the future. However, housing by its very nature does not lend itself to producing future cash flow. Although securitization products are a means to disperse risk, is it not fair to say that excessively concentrating funds in these products has gone too far, judging by the nature of the original investments?

Muto: Judging from the situation surrounding the global money glut, surplus funds that exceeded demand for funds used in capital investment

were being collected among financial institutions as savings, while the housing market was drawing attention as one area of investment. Demand for housing actually increased with a rise in the number of immigrants moving to the United States during the 1990s. Consequently, there was a need for investment in housing initially, making this a substantial area of business growth. However, intrinsic utility values and the market values gradually began to diverge.

Yet, it is not appropriate to fundamentally deny market principles in relation to these excesses. Based on the understanding that the market makes mistakes from time to time, the problem pertaining to what type of safety net needed to be installed has been raised.

Fujisawa: I believe that free markets must coexist with essential ethics and morals. Since it is unusual for a majority of people to buy two or three houses, I believe that governments and central banks should play an important role in regulating markets and businesses from an ethical point of view.

Muto: In order to prevent market failure, it is necessary for the market to have a built-in, rational system that can function in a truly effective manner, rather than simply relying only on ethics. Based on what has been learned from this experience, it is critical to determine what measures will be useful in the future. In the midst of financial globalization, a single regulatory body of an individual country is no longer able to understand the real situation underlying investment banks.* Consequently, there has been a movement to make information exchanges based on macro prudence more effective. Macro prudence refers to creating monitoring mechanisms not yet in place by sharing macro data and other information to determine if there is excessive bloating within the market.



Furthermore, despite differences in each country's laws and financial systems, deeper discussions on an international level are needed regarding individual financial institutions' own rules and behavioral principles. Although this is one set of ideas that needs to be instituted, there are no simple solutions for this.

Mizuguchi: Well-organized behavioral principles have everything to do with the future shape of the market, rather than just preventing the market from overheating.

Goto: Information disclosure is also important. Including descriptions of business activities and profit sources, third parties are able to examine information based on unequivocal and timely disclosure of information.

Fujisawa: While the severe strain placed on companies from regulations and the pressure to disclose information could be dangerous, the real issue here is finding a balance.

Muto: The financial rules used by Europe and North America to date did not work this time. On the other hand, if the market becomes overly regulated, it also becomes inefficient, or even dysfunctional, depending on the circumstances.

Because disclosure is meant to increase the efficiency of market mechanisms, this is not a matter of strengthening regulations. The market also needs negative information to be disclosed as well, since this heightens transparency, and most likely saves businesses.

Mizuguchi: There is a tendency to associate ethics with simple justice. However, I believe that it is more a matter of what is rational for society as a whole. Individual financial institutions that placed a priority on short-

term profits and acted accordingly caused the current situation. Because of this, it is rational to adhere to a policy of moderation and take actions based on a long-term perspective.

As global rules are enhanced, what actions should securities companies take?

Goto: The highly leveraged, ROE-driven management style practiced by investment banks, which involved investing huge amounts of borrowed funds, needs to be corrected. As members of society, companies must also place importance on such responsibilities as paying taxes and hiring employees rather than simply focusing on the market value of their stocks.

The core businesses of securities companies include evaluating businesses and carrying out negotiations in relation to mergers and acquisitions, assisting in raising capital by underwriting stocks as risk money intermediaries and providing advisory services for managing investors' assets. These functions are also an integral part of financial and capital markets. Securities companies assist in raising capital by steadily conducting market research and developing new businesses, which is definitely a part of their core business.

By undertaking this business on a sustainable basis, suitable profits will continue to increase. There will also be a continual need in society for such companies. To be certain, there are important questions about sustainability. In terms of the social function of businesses and other organizations that raise capital, vaccine bonds and other similar products are perhaps one example of investments that can convince investors that there is social meaning in investing and that investments can be helpful.

Discussion with Stakeholders



Kumi Fujisawa

Vice President of the think tank, SophiaBank
Vice President, Japan Social Entrepreneur Forum
Visiting Professor, Hosei Business School, Hosei University

Graduating from Osaka City University's Graduate School of Economics in 1989, Ms. Fujisawa has worked for investment management companies in Japan and overseas. In 1996, she founded Japan's first company for evaluating mutual funds and participated in the founding of SophiaBank in 2000. Continuing efforts to interview foreign and Japanese company managers, provide on-the-spot coverage and convey information via such media sources as television, radio and magazines, Ms. Fujisawa is making efforts to create a new society by way of the media.



Takeshi Mizuguchi

Professor of Economics, Takasaki City University of Economics
Member of the Management Research Group of the Japanese Institute of Certified Public Accountants
Chairman of the Special Committee on Sustainability and Information Disclosure

Graduating from the University of Tsukuba's College of Policy and Planning Sciences, Professor Mizuguchi joined Nichimen Corporation and Eiwa Auditing Corporation in 1984 and 1989, respectively, before becoming an lecturer at Takasaki City University of Economics in 1997. Professor Mizuguchi specializes in environmental accounting and CSR investments. He continues to make proposals for the introduction of responsible investing in such areas as disclosing information about climate risk for investors and public pensions.

Fujisawa: Despite the fact that funding is truly needed, the ability of companies to raise capital is difficult at the moment. While there are many expected roles to be played by the government, if investment banks and nations are to cooperate with each other further, what are the first things that must be considered?

Goto: First, the areas that contribute to industrial growth must be thoroughly analyzed, and subsequently, consulting should perhaps take place. On the basis of surveys, if our research shows that these markets and companies can contribute to industrial growth, efforts should be made to raise capital.

Mizuguchi: Taking a global perspective, the problems related to adequate food and safe water sources, ecological and other issues are enormous. Yet, because businesses do not feel that they have a duty to confront such problems, the mechanisms for providing funds in these areas have not been exploited. A social vision must emerge that aims to make small changes in such attitudes, examines ways to allow people to live securely and fosters a society that can provide prosperity for people in developing countries. Is this not the role of countries and leading companies? For example, remarks have been made regarding overseas financial institutions creating networks to combat risks associated with climate change. To that end, I would like to see Japanese financial institutions creating links across industries and taking on a leadership role as well.

Fujisawa: Since wages in developing countries remain low, investment efficiency tends to be low as well. If that is the case, can financial products be made by gathering tiny investments and using financial innovation? Cannot securitization and leverage be used in these areas?

For example, there is a fund in Switzerland that invests in micro finance** and manages the assets and pensions of wealthy Europeans. This can be done in Japan as well.

Goto: Firstly, creating investment products out of micro finance investments poses challenges in such areas as risk/return and the amount of funds necessary to formulate these products. However, it is necessary, for example, to develop mechanisms that contain incentives based on preferential tax systems and other factors, as well as fostering such things as micro finance-specific venture capital. In the case of large companies,

there needs to be a change towards bold ideas. Concerning the pursuit of profits, in leveraged management, major questions must be dealt with. Although the desire exists to take on big projects to achieve profits, this in itself is starting to come under question by a growing number of people, particularly among the younger generation.

Fujisawa: I believe that is important for Japan as a developed nation to show the world its intent to find solutions for problems associated with an aging population and environmental issues. As China and India develop, they will likely be directly confronted with the same issues. It would be great if Japan could make use of its financial tools to be an ideal social role model for the world 20 years from now. In order to do this, Japan should start by changing the attitudes of its own citizens.

Muto: Within the movement to reform global financial rules, what contributions Japan can make to this in relation to America and Europe has become another challenge. Although Japan has not shown much skill in creating these types of international rules, the opportunity is at hand to attempt this.

Moreover, because Japan makes excessive use of indirect finance compared with other countries, there is still a potential for securities businesses that support direct finance.

Mizuguchi: Just as Ms. Fujisawa mentioned, if solutions can be presented for social problems through the use of finance, understanding regarding the nature of finance and investments will increase. As this understanding spreads, business chances are sure to follow.

In the case of finance and investment, I believe the key word here is trust. In the past, business transactions were made based on face-to-face relationships. With the spread of globalization, however, this is no longer the case. In addition, although it takes a long time to develop trust, it can be lost in an instant. Indeed, I believe that trust is gained through a multitude of actions based on very carefully devised behavioral principles.

Muto: The trust of consumers and investors cannot be gained overnight. Rather, it is a matter of how it is fostered. With CSR in mind, it is extremely important to gain and sustain the trust of local communities.

Could you share your thoughts about the future of the Daiwa Securities Group?

Mizuguchi: I would like to see the spread of socially responsible investment and for the Daiwa Securities Group to make “leverage financial capabilities to contribute to a sustainable society” an important issue. With this in mind, the Daiwa Securities Group has many excellent employees who have released numerous financial products that take the environment and society into consideration. However, I tend to wonder if the Group is performing on an organizational level to carry out these efforts and if they are taking root in society. I look forward to initiatives undertaken by the entire Group to address this.

Fujisawa: It is important that the function of securities companies be communicated throughout the world. For this reason, communication must be undertaken through their main business, above all else. This involves securities companies providing citizens with tools that enable them to participate in efforts to bring about a recovery of the economy—showcasing leading industries, for example. I would be very happy to see the Daiwa Securities Group reveal its vision through its primary business to raise awareness among citizens.

Vaccine bonds represent a major opportunity regarding this matter. Even among people who hesitate to donate to charity, this bond will strike a chord when people realize that they can get a return on their investment while making a contribution to society. A broader social perspective can be gained via investment.

Goto: That is excellent advice. We must make an even greater effort to put forth proposals on what direction society should take.

Muto: The Daiwa Securities Group values its workforce as a part of its corporate principles. Because people are the greatest asset any company has, I would like to see this tradition continue and for further efforts to be made in this area.

Goto: Education is also critical for encouraging people to view investing as a regular activity. To this end, the Group is making efforts in the area of economic and finance education. This concerns children learning about how to make judgments about the future so that they can think clearly about how to invest their money when they become adults.

Muto: Education related to savings has been taken throughout the post war period by those affiliated with indirect finance. In elementary schools, there were programs for making entries in bank account books. However, education programs that allow children to gain experience in the investment business have become more prevalent in the United States.

Mizuguchi: This type of education is vital for allowing people to consider making long-term investments. As it is important to take a long-term perspective of 10 to 20 years, I believe that it is necessary for securities companies to take this stance when dealing with customers.

Fujisawa: It would be better for this CSR report in the future to be more of a strategic report, or more specifically, a manifesto: “This is how we were in the past but this is what we aim to be in the future.” In the case of workforce development as well, it would be fantastic if the Daiwa Securities Group could communicate its corporate vision and align this with its main business.

Mizuguchi: Although there is the tendency to consider CSR as the business of the CSR Department, it is really an issue for the entire company to deal with. I would like the Group to evolve more in terms of analysts and fund managers doing their work while giving full consideration to the environment and society, and this in turn would reinforce the concept of being a socially responsible company without the need for labels such as CSR or SRI.

Goto: I would like to develop the Daiwa Securities Group into a company in which CSR is an inherent part of our actions, rather than specifically mentioning the term, “CSR.” I think it is important to undertake sustainable initiatives with a long-term perspective. I have been reminded today of the importance of the hearts and minds of all employees. Thank you very much.

* Investment banks: Financial institutions that assist in the raising of funds from capital markets by issuing financial instruments for companies and provide advice pertaining to such financial strategies as mergers and acquisitions.

** Micro finance: Financial services of limited sums that target people who are not eligible for such services as loans from commercial banks due to a lack of collateral, stable employment and verifiable credit records based on such factors as their impoverished circumstances.



Toshiro Muto

Chairman of the Daiwa Institute of Research Ltd.

Graduating from the University of Tokyo Faculty of Law in 1966, Mr. Muto joined Japan's Ministry of Finance that same year. He became director-general of the Budget Bureau in 1999, administrative vice minister of finance in 2000, deputy governor of the Bank of Japan in 2003 and visiting professor at the University of Tokyo's Research Center for Advanced Science and Technology in 2008. That same year, he began serving in his current position as chairman of the Daiwa Institute of Research Ltd.



Masaaki Goto

Corporate Executive Officer, Daiwa Securities Group Inc.

Graduating from Keio University's Faculty of Economics in 1982, Mr. Goto entered Daiwa Securities. In 2005, he was appointed general manager and head of the Structured Finance Department at Daiwa Securities SMBC Co. Ltd. He became general manager and head of the Corporate Communications Department at Daiwa Securities Group Inc. in 2006. He assumed the post of corporate executive officer at Daiwa Securities Group Inc. in 2007, which is his current position as of April 2008.

*As of April 2009, Mr. Goto serves concurrently as a corporate executive officer at Daiwa Securities Group Inc. and chairman of Daiwa America Corporation.

1 Leverage Financial Capabilities to Contribute to a Sustainable Society



The Second Round of Sales of Vaccine Bonds

The Daiwa Securities Group conducted sales of vaccine bonds in February 2009, continuing efforts that began in 2008. The amount of bonds issued increased from ¥22.0 billion in the previous fiscal year to ¥42.9 billion. With the introduction of online offerings this time, the Group is providing opportunities for an even wider array of individual investors to buy vaccine bonds.

Carrying Out Vaccinations of Children in Developing Countries

Every year, 2.3 million children in developing countries in Asia and Africa die from infectious diseases that are easily preventable. To address this social issue, the Global Alliance for Vaccines and Immunisation (GAVI), a global public-private partnership (PPP) carrying out vaccination programs, was formed in 2000. The GAVI Alliance provides free medical and vaccination services in 70 developing countries. The International Finance Facility for Immunisation (IFFIm), the international financial procurement institution of the GAVI Alliance, issues vaccine bonds with AAA rating obtained from Fitch Ratings, Moody's Investor Services and Standard & Poor's. Furthermore, the World Bank administers the IFFIm's overall financial activities as a financial manager.

Purpose of Vaccine Bonds

The vaccination programs for children in developing countries assisted by the IFFIm are supported by donations pledged by the governments of seven countries (the United Kingdom, France, Italy, Spain, Sweden, Norway and South Africa) as of May 2009. The total amount of donations is US\$5.2 billion and will be paid over an extended period until 2026.

It is evident that these vaccinations are required right now in order to prevent more needless loss of life among these children. Consequently, the IFFIm borrows pledged donations from affiliated countries in advance by issuing vaccine bonds to establish a system to procure the funds required for the vaccines.

Generating a High Level of Interest among Individual Investors

With the aim of widely disseminating information about programs to supply vaccines and other items, as well as about vaccine bonds, the Daiwa Securities Group held vaccine bond seminars for individual investors for the second consecutive year. With Alan Gillespie, Chairman of

the Board of Directors of the IFFIm, the GAVI Alliance's Chief Financial and Investment Officer, Alice Albright, and Kenneth Lay, Vice President and Treasurer of the World Bank in attendance, the Group held a vaccine bond seminar for approximately 200 individual investors at the Daiwa Conference Hall in Tokyo on January 16, 2009. During the seminar, participants asked a number of questions regarding vaccination programs administered by the IFFIm and GAVI Alliance as well as the mechanism underlying vaccine bonds.

Expanding Investor Awareness of "Profit and Beyond"

By purchasing vaccine bonds, investors will be able to indirectly participate in providing humanitarian aid in the medical and healthcare sector—which includes the proliferation of vaccinations and other services—in addition to enjoying a return on their investments. Clarifying how these invested funds are used and by whom, we believe that the awareness gained concerning the social role of such investments leads to an understanding of the significance of "profit and beyond" for investors through their purchase of vaccine bonds.

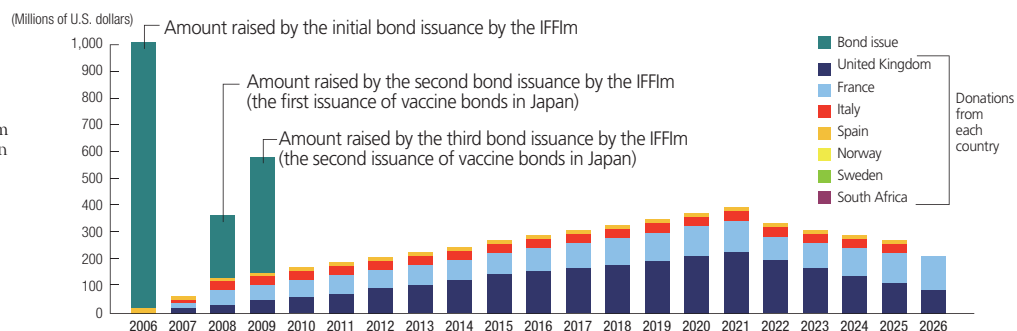
The Development of Financial Products for the Future

In recognition of such achievements as its approach to socially responsible investment (SRI) thus far, underwriting World Bank bonds and its ability to sell to individual investors, the Daiwa Securities Group became the first financial institution in Japan to deal in vaccine bonds. Although it was also the first attempt in the world to develop and sell vaccine bonds to individual investors, the Group received high praise from a number of international organizations, including the World Bank, and succeeded in strengthening mutual trust. As a CSR activity carried out through its main business, the Daiwa Securities Group will continue to make proactive efforts in the development and sale of financial products that add a social perspective to investment. By doing so, we will contribute to finding solutions to social issues.

Donations from each country and amount procured by vaccine bonds issued by the IFFIm

Supply of fund advances necessary to provide vaccines

By issuing vaccine bonds, the IFFIm is able to secure cash flows based on future donations promised by contributing countries.



Developing Effective Responses to Environmental Problems

Countries worldwide are currently focusing on the formulation and steady implementation of various measures in areas including alternative energy sources and environmental technologies—the Green New Deal Policy is but one example—in order to develop a sustainable society. Beyond being used to simply stimulate the economy, these measures hold the potential to bring about a fundamental change in the economy of the 21st century. We believe that it is our foremost mission to promote investment in companies that possess superior environmental technologies.

Daiwa Energy Technology Fund (Limited Open-Type Fund)

The global economic paradigm of the 20th century was based on a dependence on fossil fuel energy sources such as oil, coal and natural gas. However, there are concerns regarding such risks as the environmental impact of fossil fuel use as well as the future depletion of these resources. Consequently, efforts have been made worldwide to search for ways to develop alternative, stably accessible energy sources which will have minimal environmental impact. Efforts are also under way to improve and spread environmental technologies.

The demand for alternative energy from such non-fossil sources as wind, solar power and fuel cells has been increasing steadily in various regions, including the United States, Japan and Europe. It is expected

that Japanese technologies accumulated over many years in various industries and the alternative energy industry itself will develop into one of Japan's key industries.

Daiwa Asset Management Co. Ltd. established the equity investment trust, Daiwa Energy Technology Fund (limited open-type fund) in December 2008, targeting investment in Japanese companies that possess a high degree of technological capability in the field of alternative energy.



Next-Generation Environmental Business Fund

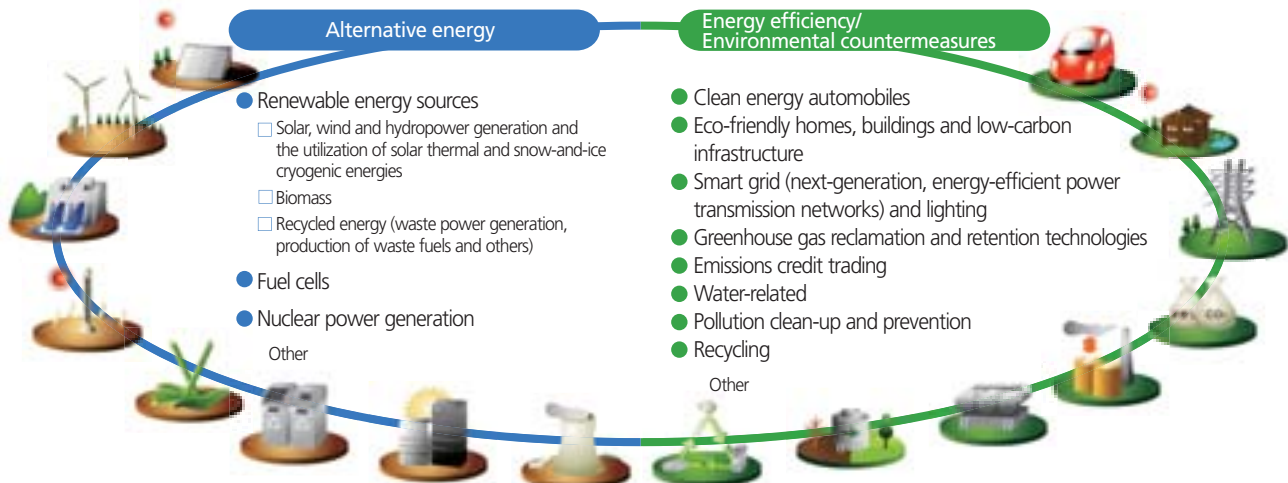
In Japan, there are numerous companies that have a superior level of technological capability and competitiveness (with a high market share) in such fields as alternative energy and energy efficiency, not only in reference to finished products but also in the component and materials industries. For example, components and technologies used in the manufacture of semiconductors and liquid crystals—which include silicon wafers, glass substrates, and films for polarizers and filter technologies—can find use as components in solar power generation and other related areas. Accordingly, business opportunities are expected

to increase for the manufacture of finished products as well as for businesses that produce components in these areas.

Daiwa SB Investments Ltd. established the open-ended equity investment trust, the Next-Generation Environmental Business Fund, in February 2009, targeting investment in Japanese companies that possess a high level of reliability and technological capability in relation to the two pillars of the Green New Deal Policy: the field of alternative energy and energy efficiency/environmental countermeasures.

Investment Themes of the Next-Generation Environmental Business Fund

Investment in Japanese companies that are expected to enjoy profitability as a result of environmental policies undertaken by major countries worldwide



Providing Information Regarding Environment-related Fields

In order to promote investment in companies that possess superior environmental technologies, it is important to provide the latest information regarding trends in individual companies, the impact of government policies and other issues in a form that can be easily accessed by various investors, including individual investors.

Recognizing that environmental fields are growth fields that cannot be categorized by such simple terms as CSR and SRI, the Daiwa Institute of Research Ltd. has assigned strategists specializing in the environment to the Investment Strategy Department.

In addition to issuing the comprehensive report, “Cool Earth: Future Environmental Technologies and Japanese Companies” in July 2008 to coincide with the Toyako Summit, the Daiwa Institute of Research Ltd. began publishing “Environment Report” and “Environment Investment Strategy” in August and November 2008, respectively, and issued numerous environment-related reports thanks to the cooperation of analysts from various companies in the Daiwa Securities Group.

Beyond institutional investors, a wide range of investors—including individual customers—can make use of these reports via Daiwa Direct.*

Moreover, active efforts are being made to hold seminars with environmental themes to heighten investor awareness of environmental issues.

*Daiwa Direct: An online trading service provided by Daiwa Securities Co. Ltd.



Environmental booklets and reports issued by the Daiwa Institute of Research Ltd.

World CO2L Bonds

Emissions credit trading is an effective mechanism for achieving targets related to the greenhouse gas reductions set by the Kyoto Protocol.

Within the Daiwa Securities Group, Daiwa Securities SMBC Principal Investments Co. Ltd. began investing in emissions credits in August 2004. Following this, Daiwa Institute of Research Ltd. established a team of specialist consultants to this end, and Daiwa Securities SMBC Co. Ltd. used the implementation of the Financial Instruments and Exchange Act in September 2007 as an opportunity to make a full-fledged entry into the emissions credit business.

In June 2008, we launched sales of the Certified Emission Reduction (CER)-Linked, USD-Denominated Uridashi Bond (World CO2L Bond) co-developed with the World Bank. It pays interest to individual investors calculated according to the amount of greenhouse gas emissions reduced by and the market prices of emissions credits purchased from a small-scale hydropower generation project in Hongyang, Guizhou Province, China. The bond has the advantage of offering individual investors, who cannot usually participate directly in emissions credit trading, a chance to do so indirectly, further encouraging a greater vitalization of the emissions credit trading market.

Exercising the Daiwa Securities Group’s comprehensive capabilities to the maximum extent possible—from the identification of projects that help reduce greenhouse gases to the composition and sales of applicable financial products—the mechanisms supporting World CO2L bonds have garnered attention from other issuers and financial institutions.



The small-scale, hydroelectric power generation project in Hongyang, China, which provides emissions credits relating to World CO2L bonds, utilizes aqueducts built on steep slopes to generate power.



2 Develop Sound Financial and Capital Markets for the Next Generation

Establishing Truly Investor-Friendly Financial and Capital Markets

Working in earnest to contribute to the establishment of highly transparent, fair and trustworthy financial and capital markets, the Daiwa Securities Group is undertaking various activities with the highest possible level of compliance awareness. By passing on to generations to come our economic and financial expertise and the knowledge that we have nurtured through our business, we are aiming to contribute further to the sustainable growth of these markets well into the future.



Compliance Measures of the Daiwa Securities Group

Through the provision of wide-ranging financial products and services, the Daiwa Securities Group not only continues to pursue healthy profits but also has made this its mission, and it has assumed responsibility to assist in developing sound financial and capital markets where transparent and fair transactions can be promoted. In other words, the Group is operating as a market intermediary that connects investors and issuers, while boosting liquidity in financial and capital markets. Through such operations, we are ultimately aiming to serve as a driver of sustainable growth of these markets, which have a role to play in the areas of social capital and infrastructure. In order to carry out this function, it is indispensable for the Group to maintain effective compliance and internal control systems. It is also vital for the Group to listen and respond to customers, while offering investments and engaging in marketing activities in compliance with “principles of suitability” as stated in Article 40 of the Financial Instruments and Exchange Act.

In fiscal 2008, Daiwa Securities Co. Ltd., which is in charge of the retail securities business, conducted comprehensive reviews and revisions of various internal rules relating to product sales, while recently establishing the Trade Surveillance Department, which is tasked with

reinforcing systems for monitoring unlawful transactions. Through these and other initiatives, the Daiwa Securities Group has accelerated its efforts to take this mission to a higher level.

Looking ahead, we are endeavoring to construct a collaborative structure that creates closer links between the Daiwa Securities Group’s sales and compliance departments. Such a structure will enable the Group to achieve responsibility in financial and capital markets with a greater sense of harmony, and in this manner we are bolstering activities to satisfy demands from society at large.

Improvements in Compliance System Effectiveness

To promote compliance and improve operational quality in all of its marketing activities, Daiwa Securities acknowledges the necessity of training its employees to gain a high degree of compliance awareness as well as of maintaining compliance-oriented organizational structures. At the same time, high-level systems that enable effective utilization of trained personnel and compliance-oriented organizational structures are required. Based on such systems, we aim to strike an optimal balance between cost reductions and efficiency enhancement in order to prevent human errors and eliminate redundancies in operations. These initiatives are intended to contribute to the achievement of our ultimate goal of developing sustainable financial and capital markets.

In addition to promoting the use of electronic statements, steady progress is being made to introduce “thin client” technology as one measure for establishing an efficient system infrastructure base. Thin client is a new type of personal computer system consisting of a terminal without a hard disk, with applications such as Microsoft® Word or Excel as well as all data being stored and administered on a central server. The three primary goals for introducing this system are listed below.

The first goal involves the reduction of unnecessary system usage based on the integration of End-User Computing (EUC) environments—namely, sharing (virtualization) personal computers and servers among departments and Group companies rather than keeping these on an individual or unit basis. Often, such development results in reductions in environmental impact related to such areas as power usage from personal computers and servers. The second goal focuses on increasing security. Ensuring that records do not remain in individual terminals leads to a reduced risk of information physically leaking to outside parties. The third goal is to work towards business continuity. Actually, the aim is to facilitate the continuity of not only main systems, but also EUC environments at each department that promotes business operations.

Presently, with the installation of thin client terminals at head office departments completed, we are currently examining the viability of introducing them at all sales branches. Going beyond steps to augment linkages between and the efficiency of the Daiwa Securities Group’s business systems among sales branches, the head office, and Group companies, we will aim to develop lean and powerful financial and capital market infrastructures with an eye on introducing thin client and electronic paper to those parties that do business in these markets, such as affiliated companies and customers.

*Details will be made available on the Daiwa Securities Group Inc. CSR website in September 2009.

Educational Activities for a Sustainable Society

In addition to an obligation to impart its knowledge and experience of the economic and financial sectors to the next generation, the Daiwa Securities Group proactively supports educational and research activities in order to share an awareness of the issues facing the development of a sustainable society.

Daiwa—JFS Youth Sustainability College

In partnership with the non-profit organization (NPO) Japan for Sustainability (JFS), the Daiwa Securities Group sponsors a series of lectures for students. The amount the Group donates is determined by the revenue obtained from the sales and management of the “Daiwa Eco Fund” investment trust.

Held over the space of a year, the lectures cover a variety of themes, and those who attend over the four years of the program are able to build up a complete picture of sustainability.

At the lectures, which are held monthly, speakers—including university professors, researchers, corporate executives, businesspeople, members of NPOs and nongovernmental organizations, political

leaders and people at the top of their respective professions—talk about approaches and practices related to sustainability in a manner that is easy for students to understand. Nearly 250 students are currently registered in the program, which serves as a place for learning with colleagues beyond the confines of the university. In addition, the lectures are translated into English and transmitted via the JFS website to 191 countries and regions throughout the world.

Also, fair trade products and food products such as candies and tomato juice produced at social welfare facilities are showcased in a “Sustainable Ordering” display, which is held after the lectures and is one of the highlights.

Four-Year Program Offered by the Sustainability College

<p>First Year: Capacity/Resources and Sustainability (Oct. 2006 to Sept. 2007)</p> <p>Awareness of the fact that all human social activities are carried out within Earth’s limited resources and capacity and understanding global issues according to the <i>mottainai</i> approach</p>
<p>Second Year: Intergenerational/Interregional Fairness and Sustainability (Oct. 2007 to Sept. 2008)</p> <p>Having inherited the legacy of past generations, we have a duty to pass that legacy on to the next generation. How can wealth and resources be fairly distributed internationally and between regions? Students study how to create a society in which nobody is exploited.</p>
<p>Third Year: Diversity and Sustainability (Oct. 2008 to Sept. 2009)</p> <p>Students learn to respect all kinds of diversity for its inherent value—for example, the value of an animal’s life and the diverse races and cultures of human beings.</p>
<p>Fourth Year: Intention/Connections and Sustainability (Oct. 2009 to Sept. 2010)</p> <p>Building a better society requires individual reflection as well as connecting with others. Students study how to best have a flexible and open dialogue to create a wealth of connections as well as learn about the meaning and know-how underlying social engagement.</p>

Economic and Financial Education for Young People

In order to impart its accumulated know-how and experience through the Company’s principal line of business, the Daiwa Securities Group conducts business-academia collaboration and offers a variety of educational programs on economics so that young people, who will be the next generation’s leaders, have a proper knowledge of economics and finance and are able to take an active part in society. In the area of business-academia collaboration in universities, Group executives and employees teach practical business seminars covering a wealth of subject matter, ranging from basic economics to cutting-edge finance. These activities are sponsored by the Daiwa Securities Group as well as by other organizations. Through the University of Tokyo and Peking University in particular, we have recently forged horizontal links with universities throughout Asia and engage in a lively exchange of views.

*Details will be made available on the Daiwa Securities Group Inc. CSR website in September 2009.

To enable students at junior high and high schools to easily learn about the mechanisms of finance and business, the Group participates in hands-on economic study programs such as the Student Company



The Daiwa Securities booth at Finance Park, where students have the opportunity to learn and experience personal finance

Program and Finance Park—offered by Junior Achievement Japan, an association involved in economic education for young people. In addition, in the area of on-the-job training as part of the social education

of school teachers and students, staff from the various departments of the Daiwa Securities Group cooperate through such activities as providing on-site study visits to actual dealing rooms and branch offices.

Cooperation on the Porter Prize

With the aim of contributing to the rejuvenation of the Japanese economy, the Daiwa Securities Group actively promotes business-academia collaboration in the economic and financial sectors. As part of this contribution, the Group has been cooperating with Hitotsubashi University's Graduate School of International Corporate Strategy (ICS) in the organization and management of the Porter Prize since 2001.

The Porter Prize, which aims to bring about improvements in Japanese corporate competitiveness, was established by ICS in 2001. The name of the award is derived from Professor Michael E. Porter, a leading authority on competitive strategic theory.

The prize was established to recognize Japanese companies that have implemented brilliant and unique strategies to achieve and maintain high profitability and to disseminate the methods behind those strategies throughout the world to ensure that their competitive strategic theories and practices take root and widely benefit other Japanese corporations.

In fiscal 2008, the Porter Prize presentation ceremony was held at the Hotel Okura Tokyo in Minato Ward, Tokyo, on December 4, 2008. Since its creation in 2001, the award has been presented to 26 companies.



Professor Porter (second from right) with representatives from the award-winning corporations

On the Occasion of the Porter Prize

Akira Kiyota, Chairman of the Board, Daiwa Securities Group, Inc.

Through the finance and capital markets and under its policy of contributing to the development of a robust society and economy, the Daiwa Securities Group undertakes a wide range of CSR activities based on its key securities business.

Part of these activities involves proactively working to advance education in economics and finance through, for example, involvement in business-academia collaboration with universities and graduate schools as well as in finance education programs designed for young people.

With the aim of contributing to the rejuvenation of the Japanese economy, the Group has cooperated on the Porter Prize since its inception in 2001, based on its business-academia collaboration with ICS. The Porter Prize has been awarded to many corporations that have implemented unique, high-quality management strategies, and it is our desire to facilitate and to support as many corporations of such quality as possible.

Today, with the possibility of creating a sustainable society being called into question, it is becoming increasingly necessary for securities companies, as finance and capital market leaders, to take

a principal role. Through its principal securities business, the Daiwa Securities Group will remain dedicated to the robust development of society and of the economy.



Akira Kiyota, Chairman of the Board, Daiwa Securities Group, Inc. with Professor Porter



The Daiwa Securities Group Tsunami Reconstruction Fund

Four years have passed since the tsunami occurred.

On March 9, 2005, the Daiwa Securities Group Tsunami Reconstruction Fund was established to provide ongoing recovery assistance to survivors of the Sumatra Earthquake and Indian Ocean Tsunami, which occurred on December 26, 2004.



The Daiwa Securities Group Tsunami Reconstruction Fund was established to provide assistance to regions stricken by the Sumatra Earthquake and Indian Ocean Tsunami of December 26, 2004. Beginning in fiscal 2005, this fund provides long-term support for recovery over a 10-year period, disbursing 10 million yen annually for a total of 100 million yen.

Established within the Asian Community Trust (ACT), the Daiwa Securities Group Tsunami Reconstruction Fund provides grants to local NGOs that offer assistance in the fields of mental health care for children, utilization of microfinance and provision of educational opportunities for children in Indonesia, Sri Lanka and India, the three countries hardest hit by this disaster. Leveraging expertise in their respective areas, Asian Community Center 21 (ACC21), which functions as the executive office for ACT, undertakes program selection and activity monitoring, while The Sumitomo Trust & Banking Co., Ltd. acts as the custodian of this fund.

There are three key characteristics to this fund. First, it provides long-term recovery assistance measures rather than offering temporary donations. Second, it utilizes financial systems to provide assistance through charitable trusts, microfinance and other avenues. And finally, it is possible to grasp every detail of the activities being conducted through monitoring undertaken by ACC21.



Aceh Besar, Indonesia

Mental Health Care for Children

In Indonesia, the Aceh branch of the locally based NGO, Indonesia Planned Parenthood Association (IPPA), undertakes medical procedures and follow-up activities for children who suffer from symptoms that include speech disorders and extreme emotional disturbance thought to be a result of the trauma inflicted by the tsunami. In Aceh Besar, volunteers recruited from local villages are taught methods of caring for children, establishing a system that makes it possible for children to be treated within their own villages in a self-reliant manner.



Galle, Sri Lanka

Skill Training and Microfinance for Women

In Sri Lanka, the regionally based NGO, Women's Saving Effort ("Wilpotha"), conducts skill training activities to ensure that female disaster victims are able to earn a living for themselves and provides micro-level financing for the purchase of the materials necessary to run a business. Women learn everything from savings mechanisms to methods for producing and selling products and bookkeeping. They also receive loans for the purchase of machines to produce garments, for telephone lines to start up telephone rental businesses and other endeavors. While still small in scale, these financial mechanisms are being used as one step in the provision of recovery assistance in this region.



Nagapattinam, India

Occupational Training for Young People with Disabilities

In India, the locally based NGO, Social Service Sericulture Project Trust (SSSPT), provides occupational training to enable people with disabilities—who are the most in need of assistance among all of the victims of this disaster—to establish sustainable livelihoods for themselves. Aiming to foster their independence, participants receive technical training in such areas as the manufacture of bags from jute fiber as well as clothing, candle making and the creation of documents using personal computers.

Corporate Citizenship Activities

1. Education and research activities in the fields of economics and finance

For more information, please refer to page 22.

2. Encouraging volunteerism among executives and employees

Group executives and employees organized such activities as sign language classes and a hands-on environmental conservation experience on Tokyo's Mount Takao. In addition, the Volunteer Awards were established under the President's Awards in fiscal 2007 with the purpose of enlightening executives and employees regarding the value of volunteerism.

3. Support for culture and the arts

As part of our support for the arts, we were the special sponsors of such events as the "Renoir + Renoir" exhibit, the Japanese premier of the Paris National Opera, the 2nd Daiwa Securities Cup Go Internet Title Match and the 2nd Daiwa Securities Cup Shogi (Japanese chess) Internet Saikyo Tournament.

4. Contributing to communities both on the local and the international level through foundations and NPOs

The Daiwa Securities Foundation, Daiwa Securities Health Foundation and Daiwa Anglo-Japanese Foundation
 Disaster Recovery Assistance Activities
 Daiwa-JFS Youth Sustainability College (please see page 22 for more details)
 Daiwa SRI Fund Assistance Program
 Daiwa CI Biodiversity Conservation Fund
 Daiwa, Russell, GEF Asia Environmental Technologies Promotion Assistance Project

*Details regarding Corporate Citizenship Activities 1 through 4 will be made available on the Daiwa Securities Group Inc. CSR website in September 2009.

CSR Issues: Performance and Targets

This section reports the fiscal 2008 results and fiscal 2009 targets for the wide range of initiatives conducted by the Daiwa Securities Group for the creation of a sustainable society.

		Targets for Fiscal 2008
Key Issue 1 Leverage Financial Capabilities to Contribute to a Sustainable Society	Adding a Social Perspective to Investment	Continue to develop and spread financial products with a social perspective and SRI. Provide more information on investment from a social perspective (continued).
	Contribution to the Global Environment	Raise awareness of environmental issues among executives and employees. Reduce the environmental burden by setting temperatures appropriately, reducing use of paper and other means. Promote reuse and recycling of fixtures when moving to new headquarters building.
Key Issue 2 Develop Sound Financial and Capital Markets for the Next Generation	Commitment to the Development of a Sound Securities Market	See "Compliance."
	Providing Information for a Sustainable Society	Provide more information about sustainability on our CSR website. Expand and promote economic and financial education initiatives for students from junior high school to university.
Corporate Governance		Establish a system for evaluating internal control. Organize and expand the Group's management system, including systems for new businesses. Promote Business Continuity Plan (BCP).
CSR Management		Promote dialogue with stakeholders. Raise awareness of CSR among executives and employees. Improve coordination among related internal departments.
Compliance	Entire Group	Raise awareness of corporate ethics and compliance at Group companies. Strengthen monitoring to eliminate criminal elements.
	Daiwa Securities	Strengthen the internal control system. Create an enhanced internal control structure for systems and IT. Enhance the monitoring system for unfair transactions.
	Daiwa Securities SMBC	Improve the system for handling the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. Implement new risk management for the Financial Instruments and Exchange Act. Enhance the information management system.
Information Disclosure		Expand and make good use of IR channels. Implement effective IR directed to individual investors. Enhance disclosure of non-financial information (continued).
Customer Satisfaction		Actively pursue post-sales follow up (continued). Improve employees' skills (continued). Improve customer-interface skills of branch counter staff interacting with customers (continued).
Respect for People and Human Resource Utilization		Reassess all employees' working hours/time management (encourage employees to take yearly paid leave, etc.). Change employee attitudes through child-rearing (encourage male employees to take child care leave, etc.). Continue hiring persons with disabilities as regular employees.
Corporate Citizenship		Promote an environment encouraging executives and employees to participate in volunteer work. Communicate information about volunteering and volunteer activities in-house.
Environmental Impact of the Daiwa Securities Group		See "Contribution to Global Environment."

Results for Fiscal 2008	Target for Fiscal 2009
Sold vaccine bonds, Russell Global Environmental Technology Fund, Daiwa Energy Technology Fund (limited open-type fund), Next-Generation Environmental Business Fund.	
Increased the number of analysts at Daiwa Institute of Research Ltd. who provide business-related CSR information. Daiwa Institute of Research Ltd. published "Environment Report."	Enhance links among Group companies concerning SRI.
Upgraded systems at Group companies for the revised Energy Conservation Law.	Expand information dissemination related to environmental problems.
Implemented thorough "Cool-Biz" (open collars and shirtsleeves in the office) and adjusted office temperatures appropriately throughout the Group.	
Promoted paperless meetings and enforced reductions in paper use by monitoring copying paper usage.	
Achieved a 98% recycling ratio by utilizing reuse and recycling measures.	
See "Compliance."	Communicate more information about sustainability on our CSR website (continued).
Increased publishing of sustainability reports and other documents. Expanded English language CSR website.	Expand and promote economic and financial education initiatives.
Strengthened links among overseas universities—primarily in Asia—through the Daiwa Securities Group Asian Student Scholarship Fund (created with the University of Tokyo) and other initiatives.	See "Compliance."
Established a structure to evaluate the effectiveness of internal control systems, for which the internal audit department takes a central role, coordinating with independent auditors.	
Daiwa Institute of Research Ltd. was reorganized to perform functional decision making that is responsive to the particular characteristics of customer segments.	Documentation of internal compliance systems pertaining to financial reports and increase efficiency and rationalization concerning verification of these operations.
Revised the BCP manual, sharing assumed scenarios common to main Group companies.	
Added countermeasures for outbreaks of new influenza strains.	
Held meetings between management and stakeholders that included academics as well as CSR study groups for executive officers of Daiwa Securities Group Inc.	Collect and provide CSR-related information.
Encouraged executives and employees to participate in CSR and other related seminars that are held in cooperation with the Group.	Expand CSR-related information dissemination throughout the Group.
Strengthened links among departments responsible for the development and sale of SRI-related products.	Undertake CSR questionnaires for executives and employees and use CSR activities effectively.
Implemented employee training regarding insider trading regulations.	
Formulated the Basic Policy Against Criminal Elements.	Continue to implement compliance training programs.
Encouraged the dissemination of this policy to all Group companies.	Enhance initiatives to eliminate criminal elements.
Implemented monitoring activities to counter criminal elements.	
Expanded the systemization and rationalization of rules from the standpoint of "fundamental principles" and implemented revisions to organizations and personnel to improve linkage among head offices and branches.	
Took steps to improve effectiveness by promoting systemization and IT in areas where these measures are considered effective in terms of rationalization and efficiency.	Make ongoing improvements to management quality.
Established the Trade Surveillance Department to operate an even more advanced system for monitoring unlawful transactions, analyzing transactions from multiple perspectives.	Improve the effectiveness and efficiency of the internal control system.
Implemented measures to eliminate gaps between the current situation and the standards required by the Guidelines.	
Implemented internal examinations to eliminate legal and compliance risks and select items to be examined through self-assessments.	Maintain management systems based on a review of firewall regulations and other measures.
Conducted a field survey to strengthen robust, corporate-related information control systems.	Strengthen the information safeguard system (continued).
Created an English language "Fact Sheet" that summarizes the Group in an easy-to-understand format. This information can be easily accessed on the website.	
Participated in large-scale IR events for individual investors.	Improve and make effective use of IR channels.
Highlighted our qualitative strengths in a straightforward manner in such categories as active implementation of work-life balance measures as well as in career search and IT rankings.	Continue to disclose non-financial information.
Provided ongoing information by monitoring market prices/rates in Japan and overseas.	
Expanded timely provision of information on the Daiwa Securities website.	
Expanded training program curriculums to facilitate the acquisition and sharing of various types of knowledge.	Actively pursue post-sales follow up (continued).
Implemented training programs to foster a more practical mindset among new employees.	Improve skills of sales force (continued).
Adopted a practical approach to training that encompasses output-based and other types of training.	Improve customer-interface skills of branch counter staff.
Implemented practical hospitality training targeting new branch counter staff.	
Established Work-life Balance Promotion Committee and Work-life Balance Promotion Department, with the President and CEO serving as chief work-life balance officer (CWO).	Develop a professional workforce that combines expertise with loyalty.
Promoted efforts to change employee attitudes through such measures as encouraging employees to leave the office before 7 p.m., take yearly paid leave and by holding internal seminars.	Achieve a far-reaching work-life balance program.
Increased number of male employees took child care leave due to revisions to the child-rearing system.	Accelerate the expansion of female managers who will assume leadership roles in the Japanese financial industry.
Seven Group companies obtained the Certified Family-friendly Employer designation in fiscal 2008.	
Continued efforts in fiscal 2008 to provide part-time employees with disabilities the opportunity to become full-time employees and commenced recruitment of graduates for full-time positions with the aim of increasing retention rates in fiscal 2008.	
Showcasing 40 volunteer projects, the number of participants making an extended volunteer commitment rose year-on-year from 569 to 644 in fiscal 2008.	Enhance information dissemination of corporate citizenship activities within the Group.
Featured volunteer activities undertaken by individual branches in internal bulletins that were distributed throughout the Group. Highlighted donation activities by providing explanations of activities taken under by NPOs.	
See page 28 "Initiatives for Reducing Environmental Impact"	Reduce environmental load in concert with business activities (continued).

Energy Conservation at the Workplace

The Daiwa Securities Group is making efforts to reduce environmental impact on an ongoing basis as well as raising environmental awareness among executives and employees.

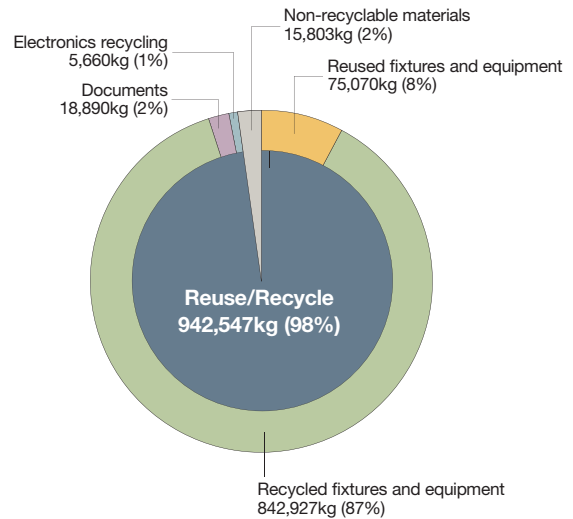


Reductions in Environmental Impact during Relocation

Giving full consideration to the environment during the relocation that took place in fiscal 2007, we made every possible effort to reuse and recycle unneeded items, aiming to achieve a “zero waste” move. We made an effort to reduce landfill waste through such measures as breaking up and compressing fixtures and equipment that could not be used again, undertook material recycling by sending metal components to electric furnace manufacturers, non-metal components to refineries and waste plastic and other materials to thermal recycling* facilities. In addition, documents have been converted into materials to make paper after being processed. Ultimately, of total waste weighing 958,350kg, 942,547kg was turned into recyclable materials. Deducting the amount of waste materials transported to final disposal sites, we achieved a final recycling rate of 98%.

*Thermal recycling: Thermal energy that is produced during the incineration process is collected and used in such areas as electric power and hot water generation.

Daiwa Securities Group Head Office Relocation Reuse/Recycle Results



Promoting Paperless Meetings

A paperless meeting system was introduced using liquid crystal pen tablets installed in executive meeting rooms at the Daiwa Securities Group’s head office building located in the GranTokyo North Tower. As a rule, meetings have been paperless since May 2008.

Meeting materials are displayed on screens provided within easy reach of participants, and presenters are able to display in real time written remarks made on materials from their location onto participants’ screen displays. Participants can also write comments directly over materials displayed on their screens and both the materials and written memos can be saved.

This system has not only reduced copying and related expenses but also increased efficiency in such tasks as material distributions and keeping meeting records. It is also possible to maintain a high level of security thanks to the ability to consolidate the management of meeting materials.

With the installation of screens that can be used as both whiteboards and projectors in a portion of the visitor and meeting rooms, paperless systems are being promoted throughout the Group.

In addition to these initiatives, a “Paper Reduction Project Manager” has been appointed to promote related activities at Daiwa Securities Group Inc., and awareness is being raised about reducing paper usage at each Group company. Thanks to these and other measures, the amount of copying paper purchased by the Group during fiscal 2008 fell approximately 19% compared with the previous fiscal year. Detailed data regarding these measures will be made available on the Group website in September 2009.





Yoshihiro Fujii

Professor, Sophia University
Graduate School of Global
Environmental Studies

I think the phrase that perhaps best sums up this report is “taking CSR to a higher level.”

The Daiwa Securities Group has previously issued seven sustainability reports and was one of the very first Japanese companies involved in CSR activities. This being the eighth report to be issued, the Group has changed the title to “CSR Report.” Not only has the title changed, but the standpoint has changed as well.

Bringing Employees to the Fore

Until now, the pattern for explaining CSR activities had been fundamentally guided by top management, beginning with the

very first report when then President and CEO Yoshinari Hara established this format by using the term “To Our Stakeholders.” CSR activities hinged on the extent to which top management took this seriously.

However, although the cover, featuring the smiling faces of babies, follows the pattern previously established, a peek at the pages of this report shows employees at the workplace being featured from the very first page onward, which sends a clear message. Also included is the phrase: “initiate CSR activities that are even more effective.” For his part, President Shigeharu Suzuki does not appear until page eight, rather than at the beginning of the report.

This of course is not a denial of the leadership role played by top management or the concept of sustainability. In fact, the subtitle, “Building a Sustainable Society” makes it clear that this has not changed. Moreover, presenting this section as a dialogue has increased the quality of President Suzuki’s message compared to last year. So, is this merely a case of a change in the title and arrangement of contents?

This appears not to be the case. In general, decisions taken by top management regarding CSR activities remain important. However, for the concept of CSR to spread, it is a given that dissemination is based on everything from leadership exhibited by top management to actions taken by each employee. By demonstrating that the Daiwa Securities Group is taking CSR to a higher level, they are able to emphasize how they differ from other companies.

Reaffirming Finance as Daiwa Securities Group’s Main Business

Perhaps one reason why the Daiwa Securities Group is placing an emphasis on making these changes stems from the crises and turmoil confronting the finance industry on a global scale. All executives and employees of the Daiwa Securities Group have shown an awareness of being members of a first-choice

financial institution by issuing a “Declaration from the Heart,” asking, “What can be accomplished through financial capabilities?” and by giving serious consideration to what actions must be taken to address the situation.

The Daiwa Securities Group’s changed standpoint can be seen in the refining of the four CSR-specific key issues—established in the report issued two years ago—into two key issues developed for the current report: “Leverage Financial Capabilities to Contribute to a Sustainable Society” and “Develop Sound Financial and Capital Markets for the Next Generation.” Together with these changes is a reaffirmation by the Group of what a financial institutions’ primary business is.

Accumulating Achievements

As part of taking CSR to a higher level, the Daiwa Securities Group has made notable achievements. The ratio of female employees has risen to nearly 40%, while the ratio of female executives continues to increase yearly. To be certain, being ranked in surveys related to best working conditions and best working conditions for women has served to heighten the Daiwa Securities Group’s level of trust as a financial institution.

Regarding financial products for individual investors, the Group has steadily connected its main business to such successes as the continued sales of vaccine bonds, which prevent the spread of infectious diseases among children in developing countries. Consumers who purchase financial products can make a determination of the quality of the product as well as whom this product affects. Indeed, sharing the point-of-view of consumers has become increasingly important.

The Challenges of Increasing Trust and Profitability

It is a given that consumers seek profitability. Profitability in this case is based on a long-term view that takes into account the future of the babies featured on the cover, rather than focusing on short-term market fluctuations. However, accumulating achievements in the areas of trust and profitability borne of this expectation continues to be a major challenge.

The coordinated use of the Group website is another characteristic of this report. Other companies are also in the process of moving CSR-related data to their websites on a considerable scale. In view of the expansion of CSR activities and the accumulation of yearly achievements, the ability of a printed report to convey all of this information is limited. Yet, I would have preferred paper-based reports on such topics as environmental load information that briefly displays CSR achievements and economic reports that indicate profitability and distribution balance, even if they were significantly reduced in size.

Having made the decision to take CSR to the next stage, it is appropriate to be able to disclose data that supports these efforts. For this reason, I am looking forward to further readjustments in the next CSR report.

Acknowledgement of Third-party Opinion

Keiko Uehara, *Corporate Executive Officer, Daiwa Securities Group Inc.*

In addition to revising the title and CSR Key Issues, the 2009 CSR Report contains many areas in which innovations have been tried, including employees telling their own stories with a focus on workplace realities as well as providing information in separate booklet and website-based forms.

These actions have made me aware of the greater appeal inherent in making this report easy for the reader to understand and fully profiling the concept underlining the Daiwa Securities Group’s approach to CSR. To be specific, each executive and employee has become more serious about making a contribution to a sustainable society through finance, which is our primary business.

The comment made by Professor Fujii, as a third-party, that we have “taken CSR to a higher level” serves as a constant evaluation of these new initiatives and has left me with a feeling of empowerment to face the future.

Regarding CSR activities to be undertaken from now on, because we are determined to take on new challenges, we will strive to make improvements based on the opinions of Professor Fujii and the evaluations received from our stakeholders.



The Daiwa Securities Group's CSR Activities

2004	
July	Daiwa Securities Group Inc. establishes the CSR Promotion Department.
Nov.	Becomes a member in the United Nations Environmental Programme Finance Initiative (UNEP FI).
2005	
Feb.	Decides to offer long-term support for areas devastated by the Sumatra earthquake and Indian Ocean tsunami (Daiwa Securities Group Tsunami Reconstruction Fund). Daiwa Securities Co. Ltd. begins Electronic Statement Promotion Project.
June	Provides support to Finance Park, a hands-on economics education program offered by Junior Achievement Japan. Begins support project for women entrepreneurs.
July	Daiwa Asset Management Co. Ltd. participates in a GRI G3 project working group to study the usefulness of sustainability reporting from the perspective of finance and investors.
Oct.	Daiwa Securities Co. Ltd. begins the Daiwa e-members service, through which customers can ask to receive electronic transaction reports.
Nov.	Begins the Daiwa SRI Fund Assistance Program to support NPO staff.
2006	
Jan.	The <i>Daiwa Securities Group Sustainability Report 2005</i> wins the Sustainability Report First Prize (Minister of the Environment Award) awarded by the Global Environmental Forum.
Feb.	Develops Euro-dollar Bonds with Emissions Credit Value Referenced Coupons (CO2L [Cool] Bonds). Begins sales of the Daiwa Eco Fund.
Apr.	Announces new Medium-term Management Plan, "Passion for the Best 2008," which includes the Group's basic CSR strategy. The <i>Daiwa Securities Group Sustainability Report 2005</i> wins the Excellence Prize in the sustainability report category awarded by Toyo Keizai Inc.
May	Daiwa Asset Management Co. Ltd. signs the Principles for Responsible Investment (PRI), jointly created by the United Nations Environment Programme Finance Initiative (UNEP FI) and the UN Global Compact.
Oct.	Opens Daiwa-JFS Youth Sustainability College with environmental NPO Japan for Sustainability (JFS) as a grant program of the Daiwa Eco Fund.
Nov.	The <i>Daiwa Securities Group Sustainability Report 2005</i> ranked 34th (first in rankings for Japanese companies) in the Global Reporters 2006, an international comparative survey.
2007	
Jan.	The Daiwa Securities Group makes it into the Global 100 (the world's 100 most sustainable companies). Attends at World Economic Forum (WEF) in Davos, Switzerland.
Feb.	The <i>Daiwa Securities Group Sustainability Report 2006</i> wins the Sustainability Report Excellence Prize (the President's Award) awarded by the Global Environmental Forum.
Apr.	The <i>Daiwa Securities Group Sustainability Report 2006</i> wins the Excellence Prize in the sustainability report category awarded by Toyo Keizai Inc. Holds CSR seminar for individual investors titled "New Trends in Investing: The Search for Sustainable Growth Companies."
May	Holds environmental seminar for customers titled "Daiwa Environmental Forum 2007: What Is Happening to the Earth Now?"
July	Implements "Cool Biz" policy (open collars and shirtsleeves in the office) group-wide as an initiative to combat global warming.
Aug.	Establishes the Global Environment Foreign Bond Balance Fund and the Global Environment Equity Fund.
2008	
Feb.	Daiwa Securities Group Inc. participates as a special sponsor in a global environment symposium held jointly by the Tokyo office of the United Nations Development Programme (UNDP), the World Bank and Conservation International Japan (CI Japan). Daiwa Securities SMBC and the Daiwa Institute of Research, Ltd. hold the "Eco-innovation: What Industry Needs to Do on Global Warming Issues and Creating a Low-carbon Society" seminar.
Mar.	First in Japan to sell vaccine bonds. Creates the Daiwa Securities Group Asian Student Scholarship Fund with the University of Tokyo.
Apr.	Begins sales of the Russell Global Environmental Technology Fund. Establishes the Work-life Balance Promotion Committee and the Work-life Balance Promotion Department. Participates in the Ministry of Health, Labour and Welfare's model project promoting work-life balance.
May	Inaugurates a sponsored course at Peking University. Agrees to support commercialization of iPS cell research at Kyoto University.
June	Begins sales of World CO2L [Cool] Bonds. Obtains the Certified Family-friendly Employer designation established by the Ministry of Health, Labour and Welfare.
July	Contributes ¥6 million to the community chests of Iwate and Miyagi prefectures to contribute to Iwate-Miyagi Inland Earthquake disaster relief efforts.
Aug.	Holds family workplace visits throughout the Group.
Sept.	Ranked 14th, and 1st in the securities industry, in <i>Nihon Keizai Shimbun's</i> 2008 survey of Companies with Best Working Conditions, the Group's highest ranking to date. Included in the SRI index, Dow Jones Sustainability World Indexes (DJSI World) for the 10th consecutive year.
Oct.	Daiwa Securities Business Center Co. Ltd. awarded the Leading Office for Hiring People with Disabilities Prize in fiscal 2008 at the Award Ceremony for Excellence in Employment of People with Disabilities Association held by the Kiba branch of the Employment Development for Citizens, Tokyo.
Dec.	Releases the Daiwa Energy Technology Fund (limited open-type fund).
2009	
Feb.	Begins the second round of sales for vaccine bonds. Releases Next-Generation Environmental Business Fund. Announces the Group's new Medium-term Management Plan, "Passion for the Best 2011."
Apr.	The <i>Daiwa Securities Group Sustainability Report 2008</i> wins the prize for excellence in the sustainability report category awarded by Toyo Keizai Inc.
May	Included in the FTSE4Good, an index of socially responsible companies, for the fourth consecutive year.

Daiwa Securities Group CSR Report 2009 Reader Questionnaire

Thank you for taking the time to read the Daiwa Securities Group CSR Report 2009. We are conducting a survey on this report on the website below. Please let us know your opinions or comments about this report.

<http://www.daiwa-grp.jp/ir/english/corporate/report/>
(from September 2009)

Reference to GRI Guidelines

This report was created by the Daiwa Securities Group with reference to the GRI* Sustainability Reporting Guidelines 2006. Excerpts of these guidelines will be made available on the Group website in September 2009.

* Global Reporting Initiative (GRI):

An organization founded in 1997 to draw up and disseminate international guidelines for sustainability reporting. Participants include a variety of stakeholders, such as businesses, non-governmental organizations (NGOs), consultants, accounting groups, and trade associations from different parts of the world.

<http://www.globalreporting.org/Home>



Please direct inquiries to:

Address: GranTokyo North Tower, 9-1, Marunouchi
1-chome, Chiyoda-ku, Tokyo 100-6751,
Japan
TEL: +81-3-5555-1111
E-mail: brand@dsgi.daiwa.co.jp
URL: [http://www.daiwa-grp.jp/ir/english/corporate/
report/](http://www.daiwa-grp.jp/ir/english/corporate/report/)

Third-party Evaluations

Dow Jones Sustainability Indexes Member 2008/09



The Dow Jones Sustainability World Index (DJSI World) is a stock index of companies with sustainable practices selected by Dow Jones & Company, Inc. of the United States and Sustainable Asset Management (SAM) of Switzerland. Daiwa Securities Group Inc. has been included in DJSI World for ten consecutive years.

FTSE4Good Index



FTSE is a subsidiary of the UK's Financial Times and the London Stock Exchange. It develops global indexes and provides data for investment. Daiwa Securities Group Inc. has been included in the FTSE4Good, an index of socially responsible companies compiled by FTSE, since September 2006.

Certified Family-friendly Employer



Certification symbol for family-friendly employers based on the Ministry of Health, Labour and Welfare's Law for Measures to Support the Development of the Next Generation. In addition to Daiwa Securities Group Inc. obtaining certification as a family-friendly employer in fiscal 2008, Daiwa Securities Co. Ltd., Daiwa Securities SMBC Co. Ltd., Daiwa Institute of Research Holdings Ltd., Daiwa Institute of Research Ltd., Daiwa Institute of Research Business Innovation Ltd. and Daiwa Securities Business Center Co. Ltd. also received this certification.

Daiwa Securities Group CSR Report 2009 Booklet and Web Edition

Daiwa Securities Group CSR Report 2009 discloses information in a booklet and on its website in accordance with the policies below.

● Booklet

Produced in a format that narrows the focus on key issues and presents contents in an easy-to-understand and readable format

● Website

Reports a broad range of Daiwa Securities Group activities, emphasizing content comprehensiveness/continuity, and discloses management, social, economic and environmental load reports

Online versions of these documents will be made available on the Group website in September 2009.

<http://www.daiwa-grp.jp/ir/english/corporate/report/>
(from September 2009)

Topics presented on the website edition only

Management Report

- Corporate Governance
- CSR Management
- Compliance
- Information Disclosure

Social Report

- Customer Satisfaction
- Respect for People and Human Resource Utilization
- Corporate Citizenship

Environmental Report

- Environmental Impact of the Daiwa Securities Group

Economic Report

- Distribution of Economic Value to Stakeholders

Excerpts from GRI Guidelines



Daiwa Securities Group

