

This document has been translated from the Japanese original (as submitted to the Tokyo Stock Exchange) for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. Daiwa Securities Group Inc. assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Corporate Governance Report

Last Update: June 28, 2024

Daiwa Securities Group Inc.

Representative Corporate Executive Officer, President and CEO

Akihiko Ogino

Contact: 03-5555-1111

Securities Code: 8601

<https://www.daiwa-grp.jp/english/index.html>

The corporate governance of Daiwa Securities Group Inc. (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The Company will respect the rights and interests of the shareholders, consider the position of all stakeholders and strive for sustainable growth and improvement of medium to long term corporate value through realization of our corporate principles “Building trust”, “Placing importance on personnel”, “Contributing to society” and “Maintaining healthy earnings results”.

For that purpose, the Company practices group management based on a holding company structure, establishes a highly transparent and objective governance environment that conforms to international standards, realizes highly efficient oversight of group companies and builds a unified group management system that elicits synergies among group companies. To achieve that, the Company has established “Daiwa Securities Group Inc. Corporate Governance Guidelines” to define the basic framework and policies of the Daiwa Securities Group’s corporate governance. For the contents of the guideline, please check the website below.

https://www.daiwa-grp.jp/english/about/governance/pdf/corporate_governance_guideline.pdf

The Company has adopted Three Committees System (a company with nominating committee, etc.) as an institutional design in order to supervise management through the following (1) and (2).

- (1) Making swift and decisive decisions by having the Board of Directors assign wide-ranging authority to Corporate Executive Officers (Shikkoyaku) and clarifying the division of duties among Corporate Executive Officers (Shikkoyaku).
- (2) Improving transparency and fairness of the management by establishing three committees: the Nominating Committee, Audit Committee and Compensation Committee with highly independent Outside Directors as a majority of their members.

Furthermore, the Company positively addresses corporate social responsibility activities in order to obtain trust from all of the stakeholders. There are indeed various aspects to corporate social responsibility, such as providing superior products, services, and sincere responses to customers; returning profits appropriately and disclosing information to shareholders appropriately; taking measures for labor environment and evaluation of the employees; establishing legal compliance and corporate ethics; environmental management; as well as social contribution.

The Company believes that these approaches, together with a strengthened corporate governance system which emphasizes transparency, mobility and efficiency will lead to the sustainable improvement of the corporate value.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company complies with all principles of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code] **Updated**

【Principle 1-4】 Strategic Shareholding Shares

- The Company and Daiwa Securities Co. Ltd. hold the strategic shareholding shares only when they determine that such shareholding serves their strategic interests. Furthermore, the Company regularly verifies the significance of such shareholding and will sell shares which are determined to be insignificant considering the impact on the market and other matters which should be taken into consideration.

Total amount (book value) of the strategic shareholding shares* sold from the end of March 2016 to the end of FY2023: 19.3 billion yen (▲30%).

* Excluding shares held for the purpose of alliance.

- In the verification of the significance of the shareholding, the Company checks whether such shareholding contributes to the enhancement of medium to long term corporate value of the Company group from the viewpoint of economic rationality (i.e. whether the returns from the shares such as revenues related to client companies or dividend income, etc., exceed the standard capital cost) and objectives for the shareholding (e.g. potential for growth and enhancement of business relationships, etc.).

Moreover, the Board of Directors regularly verifies the significance of each strategic shareholding shares.

*The result of the verification at the end of March 2024 is as follows:

Excluding shares held for the purpose of alliance, around 70% of the client companies exceed the target value.

For the other approximately 30% of the client companies which are below the target value, the Company will verify qualitative aspects of the shareholding such as maintenance and enhancement of future business relationships with these companies and aim to improve the profitability of the shareholding. However, if the profitability of the shareholding does not improve in a certain period, the Company will consider selling such shares.

- With regard to the exercise of the voting rights of strategic shareholding shares, the Company integrally determines whether or not each proposal should be approved taking into account the need to enhance medium to long term corporate value of both the strategic shareholding company and the Company group.

Especially for the important proposals of the following proposals that could significantly affect the corporate value or shareholder interests, the Company will exercise the voting rights through dialogue with the client company if necessary.

- Election of directors or audit & supervisory board members
- Anti-Takeover measure
- Organizational restructure
- Distribution of Dividends of surplus, etc.

- In addition, if there is a possibility of a conflict of interest in exercising the voting rights, the Company will take appropriate measures in accordance with the Management Policy for Conflict of Interest of the Company.

【Principle 1-7】 Transactions between Related Parties

- In order to avoid any prejudice to the Company and the common interests of its shareholders, the Company has established Regulations of the Board of Directors that a prior approval of the Board of Directors is necessary in cases where the Company conducts transactions with the Directors or Corporate Executive Officers (Shikkoyaku) of the Company or major shareholders, etc., unless the terms and conditions of the transactions are the same as those of general transactions.

【Supplemental Principle 2-4①】 Ensuring Diversity in the Appointment, etc. of Core Personnel

<Our Approach to Ensuring Diversity>

- To ensure that the Company group continues to be a key part of society, we have formulated Vision 2030, a vision for the future and a shared set of action policy for all officers and employees to follow. In Vision 2030, the concept underlying the Group's management vision is "Creating a prosperous future through financial and capital markets". We have set "Diversity & Inclusion" as a priority agenda, and aim to become an organization in which employees can express and embrace their individuality, demonstrate their expertise, and achieve personal growth and job satisfaction. To realize Vision 2030, the Company will accelerate efforts to improve engagement and productivity, eliminate gender gaps, and more.

<Voluntary and Measurable Goals for Ensuring Diversity and its Progress>

- Promotion of Women to management positions

To develop and produce women who can play a leading role in Japanese financial industries, the Company group is actively promoting female employees to management positions. The Group's number of women in management positions is increasing year on year, and as of the end of March 2024, the percentage of women in management positions of the Group in Japan^{*1} increased from 2.2% (at the end of FY2004) to 18.4%.

To drive the promotion of female employees to management positions, Daiwa Securities Co., Ltd. is working to increase the percentage of women in management positions to 25% or higher by the end of March 2026, setting this target as a key management indicator. As of the end of March 2024, Daiwa Securities Co. Ltd. has increased the percentage of women in management positions from 2.3% (at the end of FY2004) to 21.1%.

An increasing number of role models has made it easier for female employees to plan their careers, and there has been a huge rise in the number of female employees seeking to advance their careers through the Company's career-track, broad regional career-track, and regional career-track job shift systems. To date, more than 1,727 female employees have made use of these systems.

More details can be found in the "Other" section of "III. 3. Measures to Ensure Due Respect for Stakeholders" in this report.

- Promotion of Foreign Nationals to management positions

The Company group boasts global operating hubs in 23 different countries and regions, and actively hires local employees in these areas. The number of overseas hires^{*2} as of the end of March 2024 makes up 12.2% of the Company group's total number of employees. Moreover, overseas hires account for 13.3% of those in management positions in both Japan and overseas. The Company group will continue to actively promote local employees for overseas business expansion, such as by building a global M&A advisory network.

- Promotion of mid-career hires to management positions

The Company group is building a business portfolio to realize the completion of an earnings structure that is resilient to the external business environment. The Company group is providing high-quality solutions to maximize customer asset value, fine tuning our asset management business, and promoting our inorganic growth strategy, and is thus moving forward with the hiring of external, specialist personnel who can be immediately effective. To respond to the diverse needs of its customers (investors and companies), Daiwa Securities Co., Ltd. is also hiring external, highly skilled personnel who can help to direct capital to businesses that contribute to the resolution of social challenges. As of the end of March 2024, more than 10% of mid-career hires are in management positions at Daiwa Securities Co. Ltd and subsidiaries of the Company. The Company will continue to secure the necessary personnel through the hiring of mid-career professionals.

*1: In domestic consolidated subsidiaries.

*2: In domestic and overseas consolidates subsidiaries.

<Policies for and Progress in the Creation of In-house Environments for Diversity>

- In FY2022, we established the Diversity & Inclusion Committee which is chaired by the Representative Corporate Executive Officer and President and selects employee advisors every six months from offices nationwide to engage in discussion on the theme of “Diversity & Inclusion.”
- One of the Company’s basic policies with regard to its human resources strategies is “Developing high-value-added human capital through Training”. While creating a workplace environment in which all employees can feel a sense of job satisfaction, the Company is also working to structure these environments so that each employee can engage in continuous autonomous learning to well perform with their individuality.
- The Company’s main initiatives are as below:
 - An education program that supports autonomous career building
 - Introduction of a new Expert Course for employees in roles requiring advanced expertise
 - Development of digital IT professional
 - Implementation of career training programs for women, and establishment of a career and workstyle consulting desk
 - Establishment of a system that enables employees to remain active regardless of age

【Principle 2-6】 Roles of Corporate Pension Funds as Asset Owners

- Each company of the Company group, including the Company, adopted a Defined Contribution Pension Plan to allow each employee to freely build his/her assets according to his/her life plan.
- The Company has selected Daiwa Securities Co. Ltd., a subsidiary of the Company, as the DC provider and encourages employees of each company adopting the Defined Contribution Pension Plan to provide education for the subscribers and use a matching contribution plan.

【Principle 3-1】 Enhancement of Information Disclosure

(1) Corporate Principles and Management Plan

The Company enacts and discloses the Corporate Principles. The Company also has developed and disclosed Medium-Term Management Plan on its website.

Corporate Principles

(<https://www.daiwa-grp.jp/english/about/management/philosophy.html>)

Medium-Term Management Plan

(<https://www.daiwa-grp.jp/english/about/story.html>)

(2) The basic views on Corporate Governance

The basic views on Corporate Governance of the Company group are described in “I. 1. Basic Views” of this report.

- (3) The policy regarding the compensation and its procedure
The Company decides on the policy regarding the compensation of the Directors and Corporate Executive Officers (Shikkoyaku) in the Compensation Committee and has disclosed the policy on the Notice of Convocation of the Ordinary General Meeting of Shareholders, securities reports, and “II. 1. Organizational Composition and Operation, etc.” of this report.
- (4) The policy of election and dismissal of Directors and its procedure
- With regard to the election of Directors, the Nominating Committee, which is made up of a majority of Outside Directors, determines the candidates for the Directors. An overview of the procedure is disclosed in securities reports and “II. 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)” of this report.
 - Based on the Regulations of Board of Directors, appointment and dismissal of the CEO and other Corporate Executive Officers (Shikkoyaku) are determined by the Board of Directors. The Board of Directors will appoint or dismiss based on the discussions of the Nominating Committee. The Board of Directors resolves the appointment and dismissal of the CEO based on the discussions at the Nominating Committee. The Board of Directors will dismiss the CEO and other Corporate Executive Officers (Shikkoyaku), if the Board of Directors judges that the CEO or a Corporate Executive Officer (Shikkoyaku) cannot dully fulfill his/her duties and considers it appropriate to dismiss such CEO or Corporate Executive Officers (Shikkoyaku).
- (5) The reason for election
- The reasons for the election of Directors, including the Director holding concurrent post of representative Corporate Executive Officer (Shikkoyaku), are explained in the Appendix 1 of this report. With regard to the Outside Directors, the reasons for election are described on “Reasons for Appointment” of “Outside Directors’ Relationship with the Company (2)” of [Outside Directors] of “II. 1. Organizational Composition and Operation, etc.” of this report.

【Supplemental Principle 3-1③】 Sustainability Initiatives

- The Company group has formulated the management vision “Vision 2030” for the year 2030. The Company group has also put together the Medium-Term Management Plan “Passion for the Best” 2026, which summarizes specific strategies to achieve its Vision, and set sustainability KPIs as part of this Medium-Term Management Plan.
- Sustainability initiatives through these management strategies, including investment in human capital and intellectual property are disclosed through the Integrated Report and its sustainability website.
- Furthermore, the Company group recognizes that the response to climate change is an important management issue, and disclosed the “Climate-related Disclosure 2024” (former TCFD) in June 2024.
<https://www.daiwa-grp.jp/english/sustainability/environment/tcf.html>

【Supplemental Principle 4-1①】 Scope of Delegation to the Managers

- In order to promote swift decision-making and efficient group management, the Board of Directors of the Company, in principle, delegates the decision-making authority regarding the execution of operations to the Corporate Executive Officer (Shikkoyaku) or the Executive Management Committee, which is comprised of the Corporate Executive Officers (Shikkoyaku), except for the matters that, according to the laws and regulations, have to be decided by the Board of Directors.

【Supplemental Principle 4-1③】 Succession plan for the CEO

- The CEO establishes a succession plan for the CEO based on management strategy, business strategy and etc., and reports to the Nominating Committee. The Nominating Committee supervise its content properly.
- In case of unexpected situations for the CEO, COO will act for the CEO. The CEO will also establish a succession plan in case of unforeseen situations.

【Principle 4-9】 Independence Criteria and Qualities of the Independent Outside Directors

- The Company formulates evaluation criteria on the independence for becoming an Independent Outside Director at the Nominating Committee. Such criteria are disclosed in securities reports and “2. Auditing and Oversight (1) Nominating Committee” of “II. 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)” of this report.

【Supplemental Principle 4-10①】 Authority and Roles, etc. of the Nominating Committee and Compensation Committee

- The Company’s Nominating Committee, Audit Committee, and Compensation Committee shall each comprise at least three Directors appointed by the Board of Directors. Further, the majority of these committees shall be made up of independent Outside Directors.
- The Chair for each of these committees shall be selected by the committee from among the Outside Directors, who are themselves committee members.
- For more information on the composition, authority, and roles, etc. of each committee, please refer to “Committees” of “II. 1. Organizational Composition and Operation, etc.” and “II. 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions, etc. (Overview of Current Corporate Governance System)” of this report.

【Supplemental Principle 4-11①】 Our Approach to Board of Director Diversity

- Regarding the personnel composition of the Board of Directors, the Company endeavors to ensure a balance of knowledge, experience, and ability, as well as diversity with regard to gender and internationality, etc.
- For Outside Directors, the Company appoints Outside Directors who have management experience at other companies.
- The skills matrix of Directors outlining their knowledge, experience, ability, and other relevant information is disclosed in the Company’s Notice of Convocation of the Ordinary General Meeting of Shareholders, etc.
- The Company’s policy for appointing candidates for members of the Board of Directors and the policy for the composition of the Board of Directors are disclosed in “2. Auditing and Oversight (1): Nominating Committee” of “II. 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions, etc. (Overview of Current Corporate Governance System)” of this report.

【Supplemental Principle 4-11②】 Status of Directors’ Concurrent Posts

- Status of holding concurrent posts of the Outside Directors is disclosed on the Notice of Convocation of the Ordinary General Meeting of Shareholders and “II. 1. Organizational Composition and Operation, etc.” of this report.
- The status of other Directors is described in the Appendix 2 of this report.

【Supplemental Principle 4-11③】 Evaluation of the Effectiveness of the Board of Directors

- The Company conducts effectiveness evaluations of the Board of Directors each fiscal year for the purpose of identifying any issues hindering the greater effectiveness of the Board of Directors and for making improvements.
- The Company takes a questionnaire survey for all of the Directors. Based on the results of the survey, the Company implements the interview for them by a specialized organization, and analyzes and evaluates the results of those interviews. The results of the evaluation are reported to the Board of Directors and discussed by the directors in order to implement PDCA cycle. The Company endeavors to maintain and enhance the effectiveness of the Board of Directors using such PDCA cycle.

<Measures in response to the results of the evaluation of the effectiveness of the Board of Directors in FY2022>

(i) Medium-Term Management Plan

- Focusing on the discussion concerning the Medium-Term Management Plan, which was highly rated in the evaluation of the effectiveness of the Board of Directors in FY2022, the Company established an annual agenda plan for the Board of Directors for FY2023.
- As preliminary discussions related to the new Medium-Term Management Plan, at the Outside Directors' Committee, the Corporate Executive Officers (Shikkoyaku) in charge presented the Group's basic management policy on "maximizing the value of customer assets" and our human resources strategy (securing and developing human resources), and the Committee held discussions. Thereafter, the Medium-Term Management Plan was formulated following five rounds of discussion at the Board of Directors.
- The KPI were set based on a review of the previous Medium-Term Management Plan and after discussion on topics including the Group's basic management policy, sustainability, human capital, human resources strategy, and DX.
- The Company also revised our "Vision 2030", the overall desired vision of the Group.
- Additionally, the Company furthered discussion on our response to "Action to Implement Management that is Conscious of Cost of Capital and Stock Price", a requirement of the Tokyo Stock Exchange.

(ii) Risk monitoring

- The scope and definitions of the top risks facing the Company have been revised based on hearings with all the Directors, and they have been included in our risk appetite statement based on decisions made by the Board of Directors. In FY2023, climate change and geopolitical risks continued to be included as top risks. Furthermore, in FY2024, false reports and misinformation created by AI have been included as top risks.
- In addition to reports at the Board of Directors on the creation of AI Governance Mission Statement and the establishment of the AI Governance Committee, offsite meetings were held with the participation of Internal Directors and Outside Directors on both information collection and discussion related to AI governance.
- Reports were presented on improving our cybersecurity control and management framework.
- Regarding geopolitical risk, at the Outside Directors' Committee, an expert speaker gave a lecture entitled "Geopolitical Risk and Crisis Management in the Financial and Capital Markets".

(iii) Continuous discussions on sustainability

- Regarding sustainability, in addition to discussions as part of the new Medium-Term Management Plan, the Company updated our environmental and social policy framework, set interim targets for GHG emissions within our investment and loan portfolios (Scope 3), and gave reports on our ESG evaluation response and our TCFD disclosure content plan.

(iv) Others

- The Company continued to reduce the amount of time spent on explanations at Board of Directors meetings using prior explanations and videos, ensuring more time for the discussion of important agenda items.
- The Company held discussions with the President and CEO at the Outside Directors' Committee.

< Overview of the results of the evaluation of the effectiveness of the Board of Directors in FY2023 >

- Regarding the evaluation of the effectiveness of the Board of Directors in FY2023, based on past evaluations of effectiveness of the Board of Directors, matters presented at Board of Directors meetings, various committee meetings, and Outside Directors' Committee meetings in the current fiscal year, as well as comparisons with competitors in the same industry based on disclosure information, the Company set and evaluated the following items referencing the advice of a specialized organization and confirmed that the effectiveness of the Board of Directors is being ensured.

Evaluation Items

1. Management strategy: Medium-Term Management Plan, management that is conscious of cost of capital and stock price, sustainability, governance of the Group and corporate culture
 2. Risk management: gauging significant risks and discussing top risks
 3. Agenda items of the Board of Directors: scope of matters and candidate matters for the Board of Directors and other meeting bodies
 4. Engagement with stakeholders
 5. Composition and operation of the Board of Directors:
 - Balance of knowledge, experience, and skills of the members of the Board of Directors, as well as the promotion of dialogue, standards and processes to submit matters, and streamlining operations of the Board of Directors
 - Initiatives to energize off-site meetings
 - Recognition and understanding by Outside Directors of management personnel who are possible candidates for CEO
 - Questions related to coordination with the Three Committees (Audit Committee, Nominating Committee, and Compensation Committee), scope, required time, and number of items on the committee's agenda, and support for the committees
- The Directors positively evaluated management discussions on the new Medium-Term Management Plan and management that is conscious of cost of capital and stock price, the monitoring of important projects, group governance, management's involvement in spreading the Company's corporate culture, and risk management. Although the overall evaluation of the operations of the Board of Directors and Outside Directors' Committee was positive, some Directors wished to see further streamlining of the operations of the Board of Directors.
 - Regarding matters concerning sustainability, while some Directors offered positive opinions, some also called for reports detailing the big picture, direction, and key issues facing the Company.
 - Possible key themes to pursue going forward include monitoring of the new Medium-Term Management Plan, risk appetite (including the top risks), important investments and business partnerships, cyber security, sustainability, and our IR strategy. There were also comments from the Directors on the following themes.

ROE improvement measures, M&A strategy, Promoting Japan as a leading asset management center, product governance, human capital, geopolitical risk, responding to highly likely risks, DX, AI governance, etc.
 - There were opinions calling for expanded venues for opinion exchange among Outside Directors and internal officers.

- There were opinions calling for support in using the knowledge of the Outside Directors to a greater extent and to reduce the information gap created by differences in the committee to which the Directors belong.
- The Company will continue to improve the effectiveness of the Board of Directors to earn the trust of all stakeholders and continuously increase the corporate value.

【Supplemental Principle 4-14②】 Policy on Training for the Directors

- The Company provides training and explanations to newly appointed Directors when they take office so that they can effectively fulfill their roles and duties, and continues to support for them to acquire information and knowledge to fulfill their roles even after taking office.
- For Outside Directors, the Company shares sufficient internal information and bears the expenses for the Outside Directors to fulfill their roles (use of outside experts, etc.)
- The Company provides a wide range of training content, including description of business of the Company, laws, regulations and compliance, corporate governance, and the roles and duties, etc. of officers, etc. and supports directors to fully fulfill their functions.

<Training implementation status in FY2023>

- Training for newly appointed officers (April)
Participants: newly appointed officers of the Company group
Contents: Management policy, Roles of officers in charge, Governance system of the Group, Legal position of officers, Personnel management/labor management, etc.
- Training for officers (September)
Participants: officers of the Company and Daiwa Securities Co., Ltd.
Contents: Team management, Recent trends in compliance, Issues and responses regarding personnel/labor in business management, etc.
- Training for Outside Directors (including training at Outside Directors' Committee)
Participants: Outside Directors of the Company
Contents: New Medium-Term Management Plan, roles of Outside Directors in the event of a takeover proposal, human resources strategies, geopolitical risk and crisis management in the financial and capital markets, etc.
- Off-site Directors meeting (October)
Participants: Directors of the Company
Contents: New developments in DX including generative AI (AI risk management as a management strategy)

【Principle 5-1】 Policy on Constructive Communication with Shareholders

- The Company has established the “IR Office” under the “Corporate Planning Dept.”, a fully specialized dedicated office in charge of IR activities of the Company group that aims to promote constructive communication with shareholders cooperating with each company of the Company group.
- The Company has determined the “Disclosure Policy” which summarizes the general considerations with regard to the information disclosure. The Company is committed to disclosing the information in a fair, timely and adequate manner pursuant to the Disclosure Policy.
- Furthermore, the Company has adopted internal rules, Disclosure Rules, and has also established the Disclosure Committee which, as the subcommittee of the Executive Management Committee, decides on information disclosure in order to embody the spirits of the policy.
- The Disclosure Policy is available at the Company's website:

<https://www.daiwa-grp.jp/english/ir/disclosurepolicy.html>

- For more details on the IR activities, please see “III. 2. IR Activities” of this report.

【Action to Implement Management That Is Conscious of Cost of Capital and Stock Price】

- The Company has formulated the Medium-Term Management Plan with financial and non-financial KPIs as part of management that is conscious of cost of capital and stock price. The Plan is regularly monitored by the Board of Directors and the Executive Management Committee, and progress is reported at management strategy and other meetings. In addition, the Company actively engages in communication with investors and analysts, and makes use of such communication in management strategy and information disclosure.
- In January 2024, the Company’s P/B ratio had recovered to 1, and as of the end of May 2024, it exceeded 1. The main factor behind the P/B ratio recovering to 1 was the progress made in results driven by rising ROE and the Company’s transition to its wealth management business model. Our analysis shows that the Company’s management strategy of strengthening the Wealth Management Division and the Asset Management Division has been well received by the market.
- The cost of capital assumed by the market is estimated to be around 8-9% (cost of capital estimated using the narrower definition of CAPM [capital asset pricing model] is around 7%). The Company’s ROE results in FY2023 were 8.3%, improving to around the same levels as the cost of capital.
- At the management strategy meeting held in May 2024, the Company disclosed our Medium-Term Management plan with an initial year of FY2024. As part of our plan including specific initiatives and timeframes aimed at increasing our P/B ratio, we announced numerical targets of roughly 10% ROE in FY2026, as well as company-wide and individual strategies.
- Furthermore, regarding our dividend policy, given that the resilience of the Company’s consolidated management results has steadily increased, to respond to the expectations of our shareholders by increasing the predictability of our dividends, in addition to our existing dividend policy calling for a dividend payout ratio of 50% or higher, for the three years from FY2024 to FY2026, the target period of the current Medium-Term Management Plan, we also announced that we would be setting the full-year minimum dividend payment at 44 yen per share, the same level as our highest ever full-year dividends.
- In addition to the Company’s transition to the wealth management business model and the diversification of our business portfolio, through monitoring of capital profitability, performance evaluations, and capital and personnel reallocation, we are continuing to work to create a business portfolio that is resilient to the external business environment. In addition to our goals for FY2030 to greatly exceed ordinary income of 350 billion yen and ROE of 10%, we are working to implement shareholder returns that are highly predictable for our valued shareholders.
- Current progress on initiatives is disclosed in the “Presentation” section of the Company’s website.
Medium-Term Management Plan (<https://www.daiwa-grp.jp/english/about/story.html>)
Initiative Progress (<https://www.daiwa-grp.jp/english/ir/presentation/>)

【Disclosure of Dialogue with Shareholders】

- The Company discloses the status of communication with shareholders, etc. for the most recent fiscal year on the Company’s website and updates it at least once a year.
- Matters regarding communication with shareholders, investors, analysts, and other stakeholders, including the Company’s main correspondents, an overview of shareholders, investors, etc., the areas of responsibility of the correspondents, the main themes of the communication, matters of interest to shareholders, the status of feedback provided to management and the Board of Directors,

and matters incorporated based on the communication and subsequent feedback are disclosed on the following website.

Implementation Status of Communication between Management and Shareholders

(<https://www.daiwa-grp.jp/ir/toolkit/dialogue.html>) (in Japanese only)

- Video and audio recordings of earnings announcements and various IR events, as well as summaries of question-and-answer sessions, are also disclosed on the Company's website.

Presentation (<https://www.daiwa-grp.jp/english/ir/presentation/>)

- The Company's policy on constructive communication with shareholders is described in “**【Principle 5-1】 Policy on Constructive Communication with Shareholders**” in this report.

2. Capital Structure

Percentage of Foreign Shareholders	From 20% to less than 30%
------------------------------------	---------------------------

[Status of Major Shareholders] Updated

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	230,614,000	16.45
Custody Bank of Japan, Ltd. (Trust Account)	72,313,000	5.16
Taiyo Life Insurance Company	41,140,000	2.93
Barclays Securities Japan Limited	34,000,000	2.42
Nippon Life Insurance Company	31,164,237	2.22
JAPAN POST HOLDINGS Co., Ltd.	30,000,000	2.14
STATE STREET BANK WEST CLIENT - TREATY 505234	29,842,852	2.12
JP MORGAN CHASE BANK 385781	19,272,458	1.37
Daiwa's Employee Stock Ownership Association	19,091,787	1.36
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	17,314,300	1.23

Controlling Shareholder (except for Parent Company)	—
Parent Company	Nil

Supplementary Explanation
—

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market
Fiscal Year-End	March
Type of Business	Securities & Commodity Futures Transactions
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	Equal to or more than 1,000

Sales (consolidated) as of the End of the Previous Fiscal Year Updated	Equal to or more than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	100 or more to less than 300 companies

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

—

5. Other Special Circumstances which may have Material Impact on Corporate Governance **Updated**

- Approach and policies related to Group management
 - The Company believes that building a business portfolio aimed at establishing an earnings structure that is resilient to the external business environment will lead to sustainable growth for the Group and enhance the Company's corporate value in the medium to long term.
 - Based on the above management strategy, parallel to establishing the wealth management business model that we have been developing, the Company is promoting the expansion of our business portfolio.
 - The Company's goal in our investment in Group companies is to maximize their corporate value. Our basic policy is to appropriately manage the business activities of our Group companies through the exercise of voting rights as shareholders recognized by the Companies Act and other laws and regulations, and through the efficient allocation of management resources including funds and personnel. Furthermore, based on our basic policy of ensuring appropriate liquidity throughout the entire Group, the Company performs integrated management and monitoring of our fund liquidity.
 - Some of our Group companies have maintained their public listings to further enhance their business value and to enhance the corporate value of the entire Group.
 - Meanwhile, while ensuring that the rights of the Company's existing shareholders and the minority shareholders of our Group companies are not damaged, we respect the independence of the management of listed Group companies to ensure fair and reasonable transactions.
 - To enhance the corporate value of the Company and its Group companies, in terms of the choices related to Group company management, we will evaluate either having the shares of our Group companies listed or maintaining them as listed Group companies.
- The significance of having listed affiliates
 - The Company's listed Group company's name is Samty Holdings Co., Ltd. (hereinafter, "Samty Holdings").
 - To expand and strengthen our real estate asset management business and to grow our managed assets and stable earnings, in February 2018, we received a third-party allotment of shares in Samty Residential Investment Corporation ("Samty Residential"), while also initiating capital participation in Samty Asset Management Co., Ltd. ("Samty AM"), Samty Residential's asset management company. Thereafter, Samty Co., Ltd. ("Samty") (*1), the parent company of both Samty Residential and Samty AM, and the Company furthered our relationship through various information sharing and engaged in a series of discussions aimed at cooperation in hotel development.
 - Moreover, in May 2019, to contribute to the growth and increased corporate value of both companies through closer coordination in the form of a long-term partnership, the Group and Samty concluded the following capital and business alliance agreement. By combining the knowhow in

planning and development and asset management possessed by Samty, which has assets including hotels throughout Japan, with the customer base and knowhow related to the real estate asset management business possessed by the Group, the goal of the alliance is to strengthen coordination in the real estate asset management business, cooperate in large-scale development projects, and cooperate in development in the Asian region.

- (i) Strengthen coordination in the asset management business
- (ii) Provide information on the corporate real estate owned by the Group (*2)
- (iii) Jointly establish a large-scale hotel development fund
- (iv) Cooperate with the Company group in development in the Asian region
- (v) Cooperate in real estate sales to affluent customers and in crowd funding

*1 Through a sole-share transfer of Samty shares with an effective date of June 3, 2024, Samty HD, the wholly owning parent company of Samty, was established. As a result of the share transfer, Samty's shares were delisted on May 30, 2024, and on June 3, 2024, Samty HD's shares were newly listed on the Tokyo Stock Exchange's Prime Market.

*2 Information on the commercial real estate owned by the Company group will be provided to the Samty Group in cases where the Company group deems that doing so is appropriate, The Company group may also provide such information outside of the Samty Group.

- Through this type of cooperation, the Company aims to achieve synergies including expanding alternative investment-related profits with a low correlation with our securities business, expanding our existing real estate asset management business and real estate investment business, and expanding the supply of real estate securitized products for our investors. Moreover, by valuing Samty Group's history and independence and having the Samty Group utilize the Company's strong financial platform and network, we will contribute to the real estate development business and the expansion and acceleration of our activities in Asia.

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation, etc.

Organization Form	Company with Three Committees
-------------------	-------------------------------

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	1 year
The Chair of the Board of Directors	Chairperson (except holding concurrent post of president)
Number of Directors Updated	12

[Outside Directors]

Number of Outside Directors Updated	6
Number of Independent Directors designated among Outside Directors Updated	6

Outside Directors' Relationship with the Company (1) Updated

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Eriko Kawai	Academic											
Katsuyuki Nishikawa	Attorney at law											
Toshio Iwamoto	From another company											
Yumiko Murakami	From another company											
Noriko Iki	Other											
Mami Yunoki	Certified Public Accountant											

* Categories for "Relationship with the Company"

* "○" when the Director presently falls or recently fell under the category;

"△" when the Director fell under the category in the past

* "●" when a close relative of the Director presently falls or recently fell under the category;

"▲" when a close relative of the Director fell under the category in the past

a. Executive of the listed company or its subsidiaries

b. Non-Executive Director or executive of a parent company of the listed company

c. Executive of a fellow subsidiary company of the listed company

d. A party whose major client or supplier is the listed company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the listed company besides compensation as a Director/Audit & Supervisory Board Member

- g. Major shareholder of the listed company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the listed company (which does not correspond to any of d, e, or f) (the Director himself/herself only)
- i. Executive of a company, between which and the Company outside Directors/Audit & Supervisory Board Member are mutually appointed (the Director himself/herself only)
- j. Executive of a company or organization that receives a donation from the listed company (the Director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2) Updated

Name	Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
	Nominating Committee	Compensation Committee	Audit Committee			
Eriko Kawai	○	○		○	<p>Outside Audit & Supervisory Board Member of Yamaha Motor Co., Ltd.; Outside Director of Mitsui Fudosan Co., Ltd.; Senior Advisor of International Management Forum Co., Ltd.; and External Director of DMG Mori Co., Ltd.</p> <p>She has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.</p>	<p><Reasons for Appointment as Outside Director> She held positions such as the Pension Funds Administrator of BIS and OECD, etc. The Company believes that she is qualified for the Outside Director because she has extensive experience at global companies and international organizations, as well as experience and record as a manager.</p> <p><Reasons for Appointment as Independent Director> She fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because the Company believes that there is no conflict of interest between general shareholders and her, the Company designates her as an Independent Director.</p>

Name	Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
	Nominating Committee	Compensation Committee	Audit Committee			
Katsuyuki Nishikawa	○		○	○	<p>Attorney at Nishikawa Katsuyuki Law Office; and Outside Audit & Supervisory Board Member of Aeon Hokkaido Corporation. He has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.</p>	<p><Reasons for Appointment as Outside Director> He served successively as the Vice-Minister of Justice, the Superintending Prosecutor of the Tokyo High Public Prosecutors Office and the Prosecutor General and is currently an attorney at law. The Company believes that he is qualified for the Outside Director because he has ample experience and professional knowledge about law and compliance accumulated through his career.</p> <p><Reasons for Appointment as Independent Director> He fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because it is believed that there is no conflict of interest between general shareholders and him, the Company designates him as an Independent Director.</p>

Name	Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
	Nominating Committee	Compensation Committee	Audit Committee			
Toshio Iwamoto	○	○		○	<p>Advisor of NTT DATA Group Corporation; Outside Director of East Japan Railway Company; External Director of Isetan Mitsukoshi Holdings Ltd.; and Outside Director of Sumitomo Forestry Co., Ltd.</p> <p>He has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.</p>	<p><Reasons for Appointment as Outside Director> He held positions such as the President of NTT DATA Corporation, etc. and currently is the Advisor of NTT DATA Group Corporation. The Company believes that he is qualified for the Outside Director because he has significant accumulated experience in management of global companies and experience and extensive knowledge about IT through his career.</p> <p><Reasons for Appointment as Independent Director> He fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because it is believed that there is no conflict of interest between general shareholders and him, the Company designates him as an Independent Director.</p>

Name	Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
	Nominating Committee	Compensation Committee	Audit Committee			
Yumiko Murakami		○	○	○	General Partner of MPower; and Outside Director of RAKSUL INC. She has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.	<p><Reasons for Appointment as Outside Director> She worked for the United Nations, Goldman Sachs Japan Co., Ltd. and Credit Suisse Securities (Japan) Limited, and Head of Organization for Economic Cooperation and Development (OECD) Tokyo Centre. The Company believes that she is qualified for the Outside Director because she has significant global experience and experience about corporate management and understanding of the securities business through her career.</p> <p><Reasons for Appointment as Independent Director> She fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because the Company believes that there is no conflict of interest between general shareholders and her, the Company designates her as an Independent Director.</p>

Name	Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
	Nominating Committee	Compensation Committee	Audit Committee			
Noriko Iki	○		○	○	<p>Special Adviser of Japan Institute for Women's Empowerment & Diversity Management; and Outside Director of FUJI KYUKO CO., LTD.</p> <p>She has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.</p>	<p><Reasons for Appointment as Outside Director></p> <p>She served successively as the Director-General of Equal Employment, Children and Families Bureau, Ministry of Health, Labour and Welfare, the Director-General of Tokyo Labor Bureau, Ministry of Health, Labour and Welfare, and Ambassador Extraordinary and Plenipotentiary to Brunei. The Company believes that she is qualified for the Outside Director because she has expert knowledge and experience related to labor administration and diversity and significant global experience through her career.</p> <p><Reasons for Appointment as Independent Director></p> <p>She fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because the Company believes that there is no conflict of interest between general shareholders and her, the Company designates her as an Independent Director.</p>

Name	Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
	Nominating Committee	Compensation Committee	Audit Committee			
Mami Yunoki		○	○	○	<p>Representative of Mami Yunoki Certified Public Accountant Office; and Outside Audit & Supervisory Board Member of Chugai Pharmaceutical Co., Ltd.</p> <p>She has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.</p>	<p><Reasons for Appointment as Outside Director> She has been involved in auditing many listed companies as a certified public accountant for many years at PricewaterhouseCoopers Aarata (currently known as PricewaterhouseCoopers Japan LLC). The Company believes that she is qualified for the Outside Director because she has expert knowledge and experience related to financial accounting through her career.</p> <p><Reasons for Appointment as Independent Director> She fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because the Company believes that there is no conflict of interest between general shareholders and her, the Company designates her as an Independent Director.</p>

[Committees]

Committee's Composition and Attributes of the chair **Updated**

	All Committee Members	Full-time Members	Internal Directors	Outside Directors	The Chair
Nomination Committee	6	0	2	4	Outside Director
Compensation Committee	6	0	2	4	Outside Director
Audit Committee	5	1	1	4	Outside Director

[Corporate Executive Officers (Shikkoyaku)]

Number of Corporate Executive Officers (Shikkoyaku)	12
---	----

Status of Additional Duties **Updated**

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Compensation Committee Member	
Akihiko Ogino	Yes	Yes	Yes	Yes	No
Shinsuke Niizuma	Yes	Yes	No	No	No
Keiko Tashiro	No	Yes	No	No	No
Tomoyuki Murase	No	No	No	No	No
Eiji Sato	No	Yes	No	No	No
Hiroko Sakurai	No	No	No	No	No
Junichi Serizawa	No	No	No	No	No
Kana Shirakawa	No	No	No	No	No
Tsutomu Kobayashi	No	No	No	No	No
Kotaro Yoshida	No	No	No	No	No
Keiichi Ishikawa	No	No	No	No	No
Seiji Nakata	No	Yes	Yes	Yes	No

[Auditing Structure]

Appointment of Directors and/or Employees to Support Audit Committee	Appointed
--	-----------

Matters Related to the Independence of Such Directors and/or Employees from Corporate Executive Officers (Shikkoyaku)

- The Company has established Audit Committee's Office as a full-time post to support the duties of Audit Committee.
- Personnel affairs, change of organization, etc. of the Audit Committee's Office require consent of Audit Committee or Audit Committee Member appointed by Audit Committee.

Cooperation among Audit Committee, Accounting Auditors and Internal Audit Division **Updated**

- In FY2023, Audit Committee held periodic meetings three times with KPMG AZSA LLC, Accounting Auditors. Audit Committee has received reports on audit plan, circumstances and result of the audit, etc. from Accounting Auditors, and has evaluated independence and the quality control system of Accounting Auditors.
- Furthermore, Audit Committee Member appointed by Audit Committee, has been conducting hearings with Accounting Auditors as necessary.

- Audit Committee has provided “Policy of Determination of Dismissal or Non-Reappointment to Accounting Auditors” and receives explanations about the audit Remuneration of the Accounting Auditors from the section in charge and consents to it.
- In FY2023, Audit Committee received reports six times from the Internal Audit Department on the circumstances of internal audit of the Company and the group companies.
- Furthermore, Audit Committee Member appointed by Audit Committee, makes inquiries to the Internal Audit Department on progress and results of internal audits as necessary, and attends the Group Internal Audit meetings and makes remarks as necessary.
- Audit Committee or Audit Committee Member appointed by Audit Committee consent to important issues on the internal audit, such as Audit Policy of Internal Audit or formulation of internal audit plan etc.
- Audit Committee is able to delegate investigation to the Internal Audit Department as necessary.

[Independent Directors]

Number of Independent Directors	6
---------------------------------	---

Matters relating to Independent Directors

—

[Incentives]

Incentive Policies for Directors and/or Corporate Executive Officers (Shikkoyaku)	Introduction of Performance-linked Remuneration and others
---	--

Supplementary Explanation **Updated**

Stock-linked Remuneration

- To increase the link between remuneration and shareholders’ value, the Company grants, as Stock-linked remuneration, restricted stock, etc. the value of which corresponds to a certain percentage of base remuneration as non-monetary remuneration at a certain time every year.

Performance-linked Remuneration

- Determined depending on the level of individual contribution, mainly on the basis of consolidated ROE and consolidated ordinary income, which are set as Performance KPIs of the Medium-Term Management Plan, while also comprehensively taking into account achievement status of the managerial goals set in the Medium-Term Management Plan and the other relevant factors and paid in cash and restricted stock, etc. at a certain time every year.
- A certain limit is set on Performance-linked remuneration to be paid in cash based on business performance. If Performance-linked remuneration exceeds the limit, the exceeded amount will be paid in restricted stock instead of cash.
- It does not apply to Directors who do not serve as Corporate Executive Officers.

※Please refer to Appendix 3 for ratio of Performance-linked Remuneration and remuneration other than Performance-linked remuneration, indicators for Performance-linked Remuneration, reasons for choosing the indicators, and how to determine Performance-linked Remuneration.

※Regarding the Stock Options, the Company issued Series 20 Share Acquisition Rights in August 2023 as stock options to employees of the Company and its subsidiaries, and directors and

executive officers of the Company's subsidiaries as an incentive to contribute towards increasing consolidated performance and to enable the recruitment of talented personnel.

Recipients of Stock Options

Supplementary Explanation

—

[Compensation for Directors and Corporate Executive Officers (Shikkoyaku)]

Disclosure of Individual Directors' Remuneration	Selected Directors
Disclosure of Individual Corporate Executive Officers' (Shikkoyaku) Remuneration	Selected Corporate Executive Officers (Shikkoyaku)

Supplementary Explanation **Updated**

- In FY2023, Amounts of Remunerations, etc. paid based on Resolution of the Compensation Committee for 10 Directors were 235 million yen, and for 12 Corporate Executive Officers (Shikkoyaku) were 1,402 million yen, totaling 1,638 million yen for 22 members.
 - ※ Performance-linked Remuneration is included.
 - ※ The above paid amounts include Restricted Stock allotted to the Directors and Corporate Executive Officers (Shikkoyaku) valued at 181 million yen in total.
 - ※ The total Remuneration, etc. paid to the 8 Outside Directors was 144 million yen.
 - ※ The Remunerations to the 5 Directors who also serve as Corporate Executive Officers (Shikkoyaku) are stated in the amount paid to the Corporate Executive Officers (Shikkoyaku).

Disclosure Status of Remuneration for Directors and Corporate Executive Officers (Shikkoyaku) is as follows:

- Takashi Hibino: amount of consolidated Remuneration 241 million yen
(Base Remuneration 115 million yen, Restricted Stock 23 million yen, Performance-linked Remuneration 101 million yen)
- Seiji Nakata: amount of consolidated Remuneration 287 million yen
(Base Remuneration 115 million yen, Restricted Stock 23 million yen, Performance-linked Remuneration 147 million yen)
- Toshihiro Matsui: amount of consolidated Remuneration 195 million yen
(Base Remuneration 86 million yen, Restricted Stock 17 million yen, Performance-linked Remuneration 91 million yen)
- Keiko Tashiro: amount of consolidated Remuneration 143 million yen
(Base Remuneration 66 million yen, Restricted Stock 13 million yen, Performance-linked Remuneration 63 million yen)
- Akihiko Ogino: amount of consolidated Remuneration 143 million yen
(Base Remuneration 66 million yen, Restricted Stock 13 million yen, Performance-linked Remuneration 63 million yen)
- Shinsuke Niizuma: amount of consolidated Remuneration 140 million yen
(Base Remuneration 65 million yen, Restricted Stock 13 million yen, Performance-linked Remuneration 61 million yen)

- Tomoyuki Murase: amount of consolidated Remuneration 142 million yen
(Base Remuneration 65 million yen, Restricted Stock 13 million yen, Performance-linked Remuneration 63 million yen)
 - Hiroko Sakurai: amount of consolidated Remuneration 115 million yen
(Base Remuneration 53 million yen, Restricted Stock 10 million yen, Performance-linked Remuneration 50 million yen)
 - Eiji Sato: amount of consolidated Remuneration 115 million yen
(Base Remuneration 53 million yen, Restricted Stock 10 million yen, Performance-linked Remuneration 50 million yen)
 - Kana Shirakawa: amount of consolidated Remuneration 115 million yen
(Base Remuneration 53 million yen, Restricted Stock 10 million yen, Performance-linked Remuneration 50 million yen)
- ※ The Director or Corporate Executive Officer (Shikkoyaku) whose total Remuneration, etc. paid is equal to or more than 100 million yen are listed above.
- ※ Performance-linked Remuneration does not include the amount granted as Restricted Stock.

Policy on Determining Remuneration

Amounts and Calculation Methods **Updated**

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

As stipulated by the Companies Act, the Compensation Committee has determined “Policies for Determination of Remuneration of Directors and Corporate Executive Officers”.

Compensation for Directors and Corporate Executive Officers (Shikkoyaku) is determined based on the following fundamental policies.

- To create effective incentives, which contribute to the increase of shareholders’ value through sound business development and also lead to the improvement of business performance in the short-term and in the medium/long-term.
- To maintain a remuneration level which is competitive enough to recruit and retain people not only in Japan but also in the world as a global securities company group.
- To ensure the execution and supervision functions operated effectively as a company with a nominating committee, etc.

Remuneration for Directors and Corporate Executive Officers (Shikkoyaku) that the Compensation Committee has determined is comprised of Base Remuneration, Stock-linked Remuneration, and Performance-linked Remuneration which are described as below.

○ Base Remuneration

- Base Remuneration is a fixed amount calculated based on his/her position, duties and role, and paid in cash monthly.

○ Stock-linked Remuneration

- To increase the link between remuneration and shareholders’ value, the Company grants, as Stock-linked remuneration, restricted stock, etc. the value of which corresponds to a certain percentage of base remuneration as non-monetary remuneration at a certain time every year.

○ Performance-linked Remuneration

- Determined depending on the level of individual contribution, mainly on the basis of consolidated ROE consolidated ordinary income, and base income which are set as Performance KPIs of the Medium-Term Management Plan, while also comprehensively taking into account achievement status of the managerial

goals set in the Medium-Term Management Plan and the other relevant factors and paid in cash and restricted stock, etc. at a certain time every year.

- A certain limit is set on Performance-linked remuneration to be paid in cash based on business performance. If Performance-linked remuneration exceeds the limit, the exceeded amount will be paid in restricted stock instead of cash.
- It does not apply to Directors who do not serve as Corporate Executive Officers.
- Stock-linked Remuneration
 - To increase the link between remuneration and shareholders' value, the Company grants, as Stock-linked remuneration, restricted stock, etc. the value of which corresponds to a certain percentage of base remuneration as non-monetary remuneration at a certain time every year.
 - It does not apply to Outside Directors.

[Supporting System for Outside Directors] Updated

The Company shares sufficient internal information with Outside Directors, including following measures.

- Corporate Secretariat and Corporate Planning Dept. which act as a joint secretariat of the Board of Directors and drafting department provide explanation of planned agenda and distribute reference materials to Outside Directors at least one day before the meeting of the Board of Directors. Media including video is also used in these explanations.
- Secretariat of each Committee supports Outside Directors who are chosen to be members of Nominating Committee, Compensation Committee, and/or Audit Committee.

[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.) Updated

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
Takashi Hibino	Special Adviser	Activities contributing to the financial world, etc.	Part-time, with compensation	2024/03/31	2025/03/31
Shigeharu Suzuki	Honorary Adviser	Activities contributing to the financial world, etc.	Part-time, no compensation	2017/03/31	Indefinite
Yoshinari Hara	Honorary Adviser	Activities contributing to the financial world, etc.	Part-time, no compensation	2008/06/21	Indefinite

Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Updated

3

Others Updated

- The Company might assign former CEOs as a Special Adviser and Honorary Adviser to get them engage in external activities in financial world etc.

- The Special Adviser and Honorary Adviser are not involved in business execution and oversight of it.
- As for the Honorary Adviser, the term of office is indefinite. However, in case where compensation is paid to the Honorary Adviser, the term of office of such Honorary Adviser is fixed for a certain period of time after retirement (up to two years in total).
- The Company believes that advisor system has certain value for improvement of corporate value and will retain the present system.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions, etc. (Overview of Current Corporate Governance System) **Updated**

The corporate governance system of the Company consists of (i) the Board of Directors and the Three Committees (Nominating Committee, Audit Committee, and Compensation Committee) as a supervising body, (ii) Outside Directors' Committee as a subcommittee of the Board of Directors, (iii) Executive Management Committee and its subcommittees (Group Risk Management Committee, Group Compliance Committee, Disclosure Committee, and Group Digital Strategy Committee) as an executing body, and (iv) Group Internal Audit Committee, which is an internal audit body directly overseen by the CEO.

In order to have a variety of views in a group management, the Company has assigned eight females as its Director and Corporate Executive Officer (Shikkoyaku). The Company group has also assigned nineteen females as its Directors, Corporate Executive Officers (Shikkoyaku), Executive Officers (Shikkoyakuin) and Audit & Supervisory Board Member.

1. Business Execution

- The Company established the “Executive Management Committee” as a decision-making body regarding business execution to deliberate and determine important business matters and the Company group’s business strategy and the basic policy on the structural problems between the group companies.
- Executive Management Committee consists of all of the Corporate Executive Officers and is held once or more than once every three months. In FY2023, there were eighteen meetings in total.
- In order to make the management decisions promptly, the Board of Directors delegated decision-making powers to the Executive Management Committee as much as possible. Furthermore, to have more expert deliberation, the Company established four subcommittees (Group Risk Management Committee, Group Compliance Committee, Disclosure Committee, and Group Digital Strategy Committee) each of which consists of certain Corporate Executive Officers (Shikkoyaku), etc.
- The Corporate Executive Officers (Shikkoyaku) of the Company hold main posts of Directors in group companies to have unity among group management and enable efficient and effective implementation of the divisional strategies based on the Company groups’ strategy.

2. Auditing and Oversight

- As the auditing section of the management, the Company has established the Board of Directors, in which a Board Chairperson served as the chair and “Nominating Committee”, “Audit Committee” and “Compensation Committee” in each of which Outside Directors hold the majority and serve as chair.
- The Board of Directors determine core management matters such as basic management policy, matters related to election and dismissal of Corporate Executive Officers (Shikkoyaku), division of duties and command system, etc. among Corporate Executive Officers (Shikkoyaku), internal

control systems and risk management environments. In order to make management decisions promptly and to enhance efficient group management, the Board of Directors delegates decision-making powers to the Corporate Executive Officers (Shikkoyaku) as much as possible. In addition, by supervising the execution of duties of the Directors and the Corporate Executive Officers (Shikkoyaku), the Company aims to ensure the fairness and transparency of the Group management and to achieve sustainable growth and maximization of corporate value over the medium to long term based on the corporate philosophy.

- The Board of Directors, in which a Board Chairperson served as the chair, is held once or more than once every three months. In FY2023, there were ten meetings in total. As of the date of submission, the Board of Directors consists of twelve members, six of whom are Outside Directors, seven of whom do not serve as the Corporate Executive Officers (Shikkoyaku) and six of whom are females.
- The members of the Board of Directors and their status of attendance in FY2023 are as follows.

Seiji Nakata (Chair) 10/10 (100%)

Akihiko Ogino 10/10 (100%)

Shinsuke Niizuma (New Appointment) (Note 1) (Note 2)

Keiko Tashiro 10/10 (100%)

Eiji Sato (New Appointment) (Note 1) (Note 2)

Sachiko Hanaoka 10/10 (100%)

Eriko Kawai 10/10 (100%) (Note 3)

Katsuyuki Nishikawa 10/10 (100%) (Note 3)

Toshio Iwamoto 10/10 (100%) (Note 3)

Yumiko Murakami 10/10 (100%) (Note 3)

Noriko Iki 8/8 (100%) (Note 3) (Note 4)

Mami Yunoki (New Appointment) (Note 1) (Note 3) (Note 5)

(Note 1) Appointed on June 21, 2024.

(Note 2) Attended at the Board of Directors as Corporate Executive Officer in FY2023. The status of attendance was 10/10 (100%).

(Note 3) Outside Directors.

(Note 4) Appointed on June 28, 2023.

(Note 5) Her name in the family register is Mami Kato.

(Note 6) The dates of retirement and attendance for retired Directors is as follows.

Takashi Hibino	Retired as Chairperson of the Board on March 31, 2024
	Retired as Director as of the conclusion of the Annual Shareholders Meeting held on June 21, 2024
	FY2023 attendance rate at Board of Directors meetings of 100% (10/10 meetings)
Toshihiro Matsui	Retired as Director as of the conclusion of the Annual Shareholders Meeting held on June 21, 2024
	FY2023 attendance rate at Board of Directors meetings of 100% (10/10 meetings)
Hiromasa Kawashima	Retired as Director on March 31, 2024
	FY2023 attendance rate at Board of Directors meetings of 100% (10/10 meetings)
Hirotaka Takeuchi	Retired as Outside Director as of the conclusion of the Annual Shareholders Meeting held on June 21, 2024
	FY2023 attendance rate at Board of Directors meetings of 100% (10/10 meetings)

Ikuo Nishikawa

*Retired as Outside Director as of the conclusion of the Annual Shareholders Meeting held on June 21, 2024
FY2023 attendance rate at Board of Directors meetings of 100% (10/10 meetings)*

2. Auditing and Oversight (1): Nominating Committee

- The Nominating Committee examines the composition of the Board of Directors and the basic idea of candidates for Director in consideration of corporate governance, and selection of candidates for Director, the succession plan of the CEO, etc.
- The meetings of the Nominating Committee are held once or more a year. In FY2023, there were four meetings in total.
- Nominating Committee consists of four Outside Directors, including the chair, and two Internal Directors.
- The members of the Nominating Committee and their status of attendance in FY2023 are as follows.
Toshio Iwamoto (Chair) 4/4 (100%) (Note 1)
Seiji Nakata 4/4 (100%)
Akihiko Ogino (New Appointment) (Note 2)
Eriko Kawai 4/4 (100%) (Note 1)
Katsuyuki Nishikawa 4/4 (100%) (Note 1)
Noriko Iki 4/4 (100%) (Note 1)
(Note 1) Outside Directors.
(Note 2) Appointed in June 2024.
(Note 3) The status of attendance of former Directors Takashi Hibino and Hirotaka Takeuchi, who retired in June 2024, was 4/4 (100%).
- In order to nominate Directors from multiple points of view, the specialized expertise of the Outside Directors is taken into consideration.

<Policies for selection of candidates to serve as the Directors>

Policies for selection of candidates to the position of Directors are described below:

- Able to exert maximum effort to actualize the Company group's Corporate Principles.
- Have a high sense of ethics and morals and take the initiative to set a good example.
- Have experience in the course of business or have expert knowledge in law, accounting, or management, etc.

Outside Directors must also fulfill the requirements for independence listed below, in addition to the requirements above:

- Should have no work experience as an Executive Director, Corporate Executive Officer (Shikkoyaku), Executive Officer (Shikkoyakuin), or any other person equivalent to these or an employee of the Company group.
- Should not be a Director, Corporate Executive Officer (Shikkoyaku), manager or employee of a company whose major shareholder is the Company group or which is the main business partner of the Company group.
- Have no matter which impairs the independence in order to perform the duty as the Director.

In principle, the total tenure of Outside Directors shall not exceed eight years, and regardless of the reason, individuals who have served for more than 10 years in total shall not be an Outside Director candidate.

<Composition of the Board of Directors>

Composition of the Board of Directors is described below:

- In principle, one-third or more of the members of Directors shall be elected as Independent Outside Directors and the majority of the Directors shall not concurrently serve as Corporate Executive Officers (Shikkoyaku).
- The Company endeavors to ensure a balance of knowledge, experience and ability, and diversity including gender, internationality, etc. The ratio of female Directors shall be 30% or more in principle.

2. Auditing and Oversight (2): Audit Committee

- Audit Committee is in charge of auditing the execution of duties by the Directors and Corporate Executive Officers (Shikkoyaku), auditing business reports and financial statements, etc., preparing audit reports, and determining the content of proposals to be submitted at shareholders' meetings regarding the election or dismissal and non-reappointment of the Accounting Auditor.
- In principle, meetings of Audit Committee are held once a month. In FY2023, there were fourteen meetings in total.
- Audit Committee consists of five Directors who do not serve as Corporate Executive Officers (Shikkoyaku). Four members, including the chair, are Outside Directors and one other member is full-time Internal Director. Katsuyuki Nishikawa, the chair of Audit Committee, served as the prosecutor general, etc. and is a qualified attorney at law, and has considerable knowledge of law. Mami Yunoki, the member of Audit Committee, is a Certified Public Accountant, and has considerable knowledge of finance and accounting.
- The members of Audit Committee and their status of attendance in FY2023 are as follows.
Katsuyuki Nishikawa (Chair) 14/14 (100%) (Note 1)
Sachiko Hanaoka 14/14 (100%)
Yumiko Murakami 14/14 (100%) (Note 1)
Noriko Iki 10/10 (100%) (Note 1)
Mami Yunoki (New Appointment) (Note 1) (Note 2) (Note 3)
(Note 1) Outside Directors.
(Note 2) Appointed in June 2024.
(Note 3) The name in her family register is Mami Kato.
(Note 4) The status of attendance of former Director Ikuo Nishikawa, who retired in June 2024, was 14/14 (100%).
(Note 5) The status of attendance of Director Hiromasa Kawashima, who retired in March 2024, was 14/14 (100%).
- Audit Committee members attend meetings of the Board of Directors, and Audit Committee Member appointed by Audit Committee attends the Executive Management Committee as well as other important meetings and has report hearings from Directors and employees to share the information with other Audit Committee members, in order for the Company to create an environment for the effective audit by Audit Committee.
- The Company has established Audit Committee's Office as a full-time post to support Audit Committee.
- Audit Committee, in compliance with audit standards of Audit Committee established by Audit Committee and in accordance with the policy of audit, division of duties and the like, conducts audits in cooperation with the Internal Audit Division and Accounting Auditors. In FY2023, Audit Committee carried out audits with the following as priority issues: (1) initiatives aimed at pursuing

customers' best interests, (2) the hybrid business and investment risk management, and (3) Internal control of domestic and overseas group companies.

2. Auditing, Oversight (3): Compensation Committee

- The Compensation Committee discusses issues related to Director remuneration policy and decisions upon individual remuneration, as well as the incentive plan of the Company group, to ensure the enhancement of consolidated earnings, etc.
- The meetings of the Compensation Committee are held once or more a year. In FY2023 there were five meetings in total.
- Compensation Committee consists of four Outside Directors including the chair and two Internal Directors.
- The members of the Compensation Committee and their status of attendance in FY2023 are as follows.

Eriko Kawai (Chair) 5/5 (100%) (Note 1)

Seiji Nakata 5/5 (100%)

Akihiko Ogino (New Appointment) (Note 2)

Toshio Iwamoto 5/5 (100%) (Note 1)

Yumiko Murakami 5/5 (100%) (Note 1)

Mami Yunoki (New Appointment) (Note 1) (Note 2)

(Note 1) Outside Directors.

(Note 2) Appointed in June 2024.

(Note 3) The status of attendance of former Directors Takashi Hibino, Hirotaka Takeuchi, and Ikuo Nishikawa, who retired in June 2024, was 5/5 (100%).

- The specialized expertise of the Outside Directors is taken into consideration so that the Compensation Committee can plan, operate, and verify rational Remuneration system.

3. Other meetings (1): Group Risk Management Committee

- Group Risk Management Committee deals with the group risk management system and the status of the risk of the Company group etc., deliberates and decides upon policy and concrete measures on risk management.
- The Committee consists of seven Corporate Executive Officers (Shikkoyaku) and three Executive Officer (Shikkoyakuin). The CEO is the chair of the committee; the meetings are held once or more than once every three months. In FY2023 there were eight meetings in total.

3. Other meetings (2): Group Compliance Committee

- Group Compliance Committee deliberates and decides general policies and specific measures on the compliance with the laws and regulations, establishment of corporate ethics, internal control, etc. of the Company group.
- The Committee consists of eight Corporate Executive Officers (Shikkoyaku) and four Executive Officers (Shikkoyakuin). The CEO is the chair of the Committee; the meetings are held once or more than once every three months. In FY2023 there were six meetings in total.

3. Other meetings (3): Disclosure Committee

- Disclosure Committee is in charge of decision making regarding disclosure of the Company group's information on management, effectiveness and appropriateness of internal control system, the scope of consolidated financial reporting, etc. In principle, the meetings of the Committee are held before the quarterly earnings announcement, disclosure of a securities report or a semi-annual securities

report. Committee meetings are also held from time to time when certain important matters to be disclosed occur.

- The Committee consists of seven Corporate Executive Officers (Shikkoyaku), who are in charge of the sections which have close relations to the above decision making and who have jurisdiction over such section and two other members, a total of nine members. In principle, the chair of the Committee is CFO. In FY2023 there were seventeen meetings in total.

3. Other meetings (4): Group Digital Strategy Committee

- Group Digital Strategy Committee deliberates and decides to integrate management strategy and digital strategy, enhance speed of the decision-making related to IT investment and improve IT investment efficiency.
- The Committee consists of six Corporate Executive Officers (Shikkoyaku) and one Executive Officer (Shikkoyakuin), a total of seven members. The CEO is the chair of the Committee; the meetings are held once every six months in principle. In FY2023 there were two meetings in total, including one meeting of the Group IT Strategy Committee.

※ In January 2024, the Company changed the name of the Group IT Strategy Committee to the Group Digital Strategy Committee and fused it with the Data-Driven Business Council.

3. Other meetings (5): Group Internal Audit Committee

- The Group Internal Audit Committee deliberates on and determines matters concerning the development of the internal audit system and verification of internal controls in relation to the Group's business operation to ensure the appropriateness and effectiveness of the Group's business operations, internal audit system, and internal controls.
- The Committee consists of nine Corporate Executive Officers (Shikkoyaku) and four Executive Officers (Shikkoyakuin). The CEO is the chair of the Committee; the meetings are held once or more than once every three months. In FY2023 there were five meetings in total.

3. Other meetings (6): Outside Directors' Committee

- Outside Directors' Committee is comprised of all Outside Directors of the Company. The primary purpose of the Outside Directors' Committee is sharing information among the Outside Directors and aims to exchange their opinions on issues including contents related to agenda items of the Board of Directors. The chair is appointed from among the members of the committee, and Director Katsuyuki Nishikawa was appointed the chair in FY2023.

The meetings of the Committee are held once or more a year. In FY2023, the meeting was held five times to cover topics such as the new Medium-Term Management Plan, the role of Outside Directors in the event of a takeover proposal, human resources strategy, geopolitical risks, and crisis management in the financial and capital markets, and for discussions with the President and CEO.

4. Organization, Staff, Procedure of the Audit

- Based on the recognition that the establishment of a sound and efficient internal control system enhances the value of the Group, and having concluded that the internal audit plays an important role in such a system, the Company has positioned a full-time Internal Audit Corporate Executive Officer (Shikkoyaku) in charge, and has an Internal Audit Department, which is independent from other sections, verify the internal control system. Internal audit plans are subject to approval by and results of the audits are presented to the Group Internal Audit Committee. Furthermore, internal audit plans require consent by Audit Committee or Appointed Audit Committee Member who has

been given certain authority from Audit Committee, and the results of the audits are also reported directly to Audit Committee.

- The Company's Internal Audit Department liaises and coordinates with Audit Committee and Accounting Auditors in order to carry out its auditing in an appropriate and efficient manner. Also, the Internal Audit Department may be commissioned by Audit Committee to do investigative duties.
- The Company's Internal Audit Department audits the Group companies directly and monitors and coordinates the activities of Internal Audit Divisions set up with major Group companies.
- The Certified Public Accountants of the Company are Mr. Kenji Tanaka, Mr. Tomomi Mase, and Mr. Koji Fukai, who have executed accounting audit services, and they are designated members with limited liability of KPMG AZSA LLC based on Article 34-10-5 of the Certified Public Accountants Act. All of the aforesaid members have audited continuously within a term of 7 years.

3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted Three Committees System (a company with nominating committee, etc.) as an institutional design with the objective of supervising management through the following (1) and (2).

- (1) Making swift and decisive decisions by having the Board of Directors assign wide-ranging authority to Corporate Executive Officers (Shikkoyaku) and clarifying the division of duties among Corporate Executive Officers (Shikkoyaku).
- (2) Improving transparency and fairness of the management by establishing three committees: the Nominating Committee, Audit Committee and Compensation Committee with highly independent Outside Directors as a majority of their members.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

Updated

	Supplementary Explanations
Early Notification of Convocation of General Shareholder Meeting	<ul style="list-style-type: none"> ▪ Since 2005, the Company has sent Notice of Convocation of the General Shareholders Meeting more than three weeks before the day when General Shareholders Meeting is held. ▪ In 2024, the Company sent such a notification on May 30, i.e., more than three weeks before the day of the General Shareholders Meeting.
Scheduling the General Shareholders Meeting Avoiding the Peak Day	<ul style="list-style-type: none"> ▪ The Company has decided the date by avoiding the peak day and considering schedule of the venue, efficiency, reduction of the cost and other aspects comprehensively. ▪ The General Shareholders Meeting in 2024 was held on June 21.
Allowing Electronic Exercise of Voting Rights	<ul style="list-style-type: none"> ▪ The Company has enabled shareholders to exercise their voting rights by the Internet (including smartphone and cell-phone).
Participation in Electronic Voting Platform and other measures to enhance the environment for Institutional Investors to exercise voting rights	<ul style="list-style-type: none"> ▪ The Company has participated in “Electronic Voting Platform for Institutional Investors” managed by ICJ Corporation.
Providing Convocation Notice in English (Summary)	<ul style="list-style-type: none"> ▪ The Company has created the Notice of Convocation of General Shareholders Meeting in English and has posted on the website of the Company.

2. IR Activities Updated

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	<ul style="list-style-type: none"> ▪ The Company has adopted the “Disclosure Policy”, which sort out basic views on information disclosure, and has disclosed it on the website of the Company. 	—
Regular Investor Briefings for Individual Investors	<ul style="list-style-type: none"> ▪ The Company has established the “For Individual Investors page” for individual investors on the website to enhance the usability by gathering the information on IR. ▪ In FY2023, Company information sessions for individual investors hosted virtually by the IR Dept. were held three times, and one video was created to promote the understanding of individual investors, which was viewed by a total of approximately 3,000 people (total number of live participants and on-demand viewers). ▪ The Company provides live streams of the regular telephone conferences for Financial Results with analysts and institutional investors on the Internet (the website of the Company) and keeps the recording available for six months. Management strategy 	Yes

	meetings are also recorded and are made available on the Internet later.	
Regular Investor Briefings for Analysts and Institutional Investors	<ul style="list-style-type: none"> ▪ Telephone conferences are held for analysts and institutional investors on the evening of quarterly earnings announcements through a Japanese-English simultaneous interpretation. Furthermore, after announcing full-year financial results, the Company holds a management strategy meeting hosted by the CEO. ▪ In addition, from December 2023 to January 2024, the Company carried out individual interviews with the main theme of ESG to promote understanding of non-financial information. ▪ In FY2023, the Company held interviews with institutional investors and analysts in Japan and overseas 226 times. 	Yes
Regular Investor Briefings for Overseas Investors	<ul style="list-style-type: none"> ▪ Telephone conferences are held for analysts and institutional investors on the evening of quarterly earnings announcement day through a Japanese-English simultaneous interpretation for overseas investors. An English version of the recording is available for six months. ▪ The CEO holds a management strategy meeting after the full-year earnings announcement. An English version of the video is prepared for overseas institutional investors and uploaded to the Company's website. ▪ The CEO and the CFO each conduct overseas IR activities around twice a year. ▪ In FY2023, the Company held interviews with overseas investors 99 times. 	Yes
Posting of IR Materials on Website	<ul style="list-style-type: none"> ▪ The Company posts financial information, materials for timely disclosure, annual securities report or quarterly report, materials for the Company introduction, status of corporate governance, notice of convocation of the general meeting of shareholders, integrated report, quarterly data for part of business and other information related to the Company for investors, analysts, customers, shareholders and other stakeholders to understand and evaluate the situation of the Company. https://www.daiwa-grp.jp/english/ ▪ The Company has established the English version of the website which functions similarly to the Japanese version. https://www.daiwa-grp.jp/english/ 	—

Establishment of Department and/or Manager in Charge of IR	<ul style="list-style-type: none"> ▪ The Company has established the “IR Office” under the “Corporate Planning Dept.” as a specialized department of IR and has placed full-time workers at the IR Office. ▪ Heads of IR of the Company are Executive Managing Director Kotaro Yoshida and Executive Officer Naoki Suzuki. Head of IR Office of Corporate Planning Dept. is Motoi Mishiba. 	—
Other	<ul style="list-style-type: none"> ▪ The Company is preparing the “Integrated Report” and “Business Report” as IR information material to disclose information to stakeholders in accordance with the Disclosure Policy. ▪ The Company sincerely responds to inquiries from individual investors by phone and e-mail. 	—

3. Measures to Ensure Due Respect for Stakeholders Updated

	Supplementary Explanations
Stipulation of Internal Rules, etc. for Respecting the Position of Stakeholders	<ul style="list-style-type: none"> • The Company believes that in order to enhance the Company group's sustainability, the support from all stakeholders is essential. The Company group specifies the basic spirit in "The Group Corporate Principles". • In the Group Corporate Principles, "Building trust" is for the customer, "Placing importance on personnel" is for the employees, "Contributing to society" is for the society at large and "Maintaining healthy earnings results" is for shareholders, in principle. The Company believes that practicing all of these items will enhance the value of the Company. <p>"Corporate Principles of the Daiwa Securities Group"</p> <ul style="list-style-type: none"> • Building trust The trust and approval of customers form the very foundation of the Daiwa Securities Group. The Group will always place the needs of customers first, and strive to develop the advanced, specialized skills to offer them the most-attractive products and services of any securities group. • Placing importance on personnel The source of the Daiwa Securities Group's competitiveness lies in the capabilities of its employees. The Group will promote the creativity of employees by offering them a challenging and self-directed working environment that encourages their abilities and appropriately rewards their contributions. • Contributing to society The Daiwa Securities Group will seek to benefit the economy and society through the development of healthy financial markets. In addition to scrupulously observing both regulations and internal policies, the Group will strive to maintain a high sense of morality and duty, endeavoring to continue contributing to the sustainable growth of the societies. • Maintaining healthy earnings results The Daiwa Securities Group will always seek to develop healthy business operations and to increase corporate value for the benefit of shareholders. By providing customers with attractive products and services, the Daiwa Securities Group will seek to generate strong profits and healthy returns for shareholders.
Implementation of Environmental Activities, CSR Activities, etc.	<p>【Environment】</p> <ul style="list-style-type: none"> • The Company group has established an "Environmental Vision / Environmental Philosophy / Basic Environmental Policy". • When the Company invests and updates the equipment, the Company aims to reduce the environmental burden by adopting products based on top-runner's standards, promoting paperless work and replacing old cars with eco or hybrid cars, etc. • In FY2021, the Company group formulated "The Daiwa Securities Group Net Zero Carbon Declaration", aiming for the net zero greenhouse gas emissions within our own operations (Note) by FY2030

and the net zero greenhouse gas emissions within our investment and loan portfolios, etc. by 2050, etc.

(Note) The scope will be calculated on a consolidated basis.

“The Daiwa Securities Group Net Zero Carbon Declaration”

※Please check our website for more details

<https://www.daiwa-grp.jp/english/sustainability/environment/policy.html#anc-03>

- In terms of our promotion of net zero at the Company group, for all Group companies located at our headquarters building, we introduced renewable energy that can be used with tracking non-fossil fuel certificates in FY2021. We are also promoting the transition to renewable energy plans provided by power companies at our Group companies and branches outside of our headquarters building.

- In terms of the promotion of net zero in our investment and loan portfolio, in FY2023, we estimated the emission volume of our portfolio and established target value for project finance in the power generation sector, which currently makes up the largest proportion of emissions in the Company group’s investment and loan portfolios.

- In April 2018, the Company group expressed its support for the Task Force on Climate-related Financial Disclosures (TCFD). Referencing the TCFD Recommendations and the IFRS S1 and S2 released in June 2023 by the ISSB (International Sustainability Standards Board), an organization as part of the IFRS, the Company group discloses information on Governance, Strategy, Risk Management, and Metrics and Targets.

※Please check our website for more details

<https://www.daiwa-grp.jp/english/sustainability/environment/tcf.html>

- The Company has prepared and disclosed environmental accounting to understand the investment amount, etc. and effects of capital investment on environmental measures, in order to achieve the goal of reducing the burden on the environment more efficiently.

※Environmental Accounting (Environmental Conservation Cost and Economic Benefits Association with Environmental Conservation Activities) is published at the website of the Company.

https://www.daiwa-grp.jp/english/sustainability/data/pdf/daiwa_sustainability_data_2023.pdf#page=9

- The Company has created and performed an approach on alleviation of climate change issues from a financial perspective by composition and sales of financial instruments such as SDGs bonds (including conventional Impact Investment Bonds).

- Further, with regard to the extreme climate caused by the change of global environment, the Company relocates the important equipment in

the relevant sites and pluralizes the bases, etc. utilizing hazard maps and the like.

【Sustainability】

• Sustainability Promotion

The Company group regularly discusses strategies and policies related to sustainability at the Sustainability Promotion Committee chaired by the CEO, which are then deployed throughout the Group through the Sustainability Promotion Department.

The Company group also formulated “Vision 2030”, the management vision for the year 2030, with the core concept of “Creating a prosperous future through financial and capital markets.”

“Daiwa Securities Group’s Management Vision “Vision 2030””

※ Please check our website for more details

https://www.daiwa-grp.jp/english/sustainability/group_sustainability/sustainability_management.html

In addition to the above mentioned “The Daiwa Securities Group Net Zero Carbon Declaration” (for details, please see *【Environment】*), in 2021, “Environmental and Social Policy Framework” was formulated to strengthen its management and governance infrastructure for environmental and social risks on business. Most recently, the policy was revised in December 2023 to include stricter policies based on recent global trends regarding human rights and supply chain management.

“Environmental and Social Policy Framework”

※ Please check our website for more details

<https://www.daiwa-grp.jp/english/about/governance/risk.html#anc-04>

• Main initiatives through Business Activity

The main initiatives through the securities business is to actively develop and provide new financial products and services that contribute to the realization of a sustainable society in the areas of bonds, equity, and investment trusts.

“Sustainability in Our Business”

※ Please check our website for more details

<https://www.daiwa-grp.jp/english/sustainability/business/>

• Social Action Programs

The Company continues aid and support activities through the Daiwa Securities Foundation and the Daiwa Anglo-Japanese Foundation. Additionally, the Company is also doing activities such as financial and economic education. In 2017, the Company also launched “For Your Dream –Children’s Smile Project” and supports the non-profit organizations which address problems of children living in financially

	<p>difficult situations to improve their living environment and to prevent the cycle of poverty.</p> <ul style="list-style-type: none"> • Disclosure through reports The Company group discloses information on sustainability, including the above, on our website down below. Integrated Report: https://www.daiwa-grp.jp/english/ir/toolkit/annualreport/ Sustainability website: https://www.daiwa-grp.jp/english/sustainability/
Development of Policies on Information Provision to Stakeholders	<ul style="list-style-type: none"> • The Company works on enhancing the disclosure of various contents which is useful to all the stakeholders, including but not limited to documents pertaining to legally mandated disclosure, on the website of the Company.
Other	<p><Promotion of the Women's Active Participation></p> <ul style="list-style-type: none"> • The Group is actively recruiting talented people regardless of gender. In order to expand the layer of female managers, the Group has introduced various measures such as raising motivation through career training, building a network, etc. In addition, various consultation counters have been set up to make it easier to consult about concerns such as work styles and careers, etc. In 2021, a system was introduced to exchange information and discuss concerns among employees using the internal SNS. • There are female Directors, Corporate Executive Officers (Shikkoyaku), Executive Officers (Shikkoyakuin), and Audit & Supervisory Board Member totaling nineteen in the Company group, including eight Directors and Corporate Executive Officers (Shikkoyaku) of the Company. The number of female managers in the Company group is increasing year by year; there were 883 as of the end of March 2024. The ratio of female managers has risen from 2.2% in the end of FY2004 to 18.4% (as for Daiwa Securities Co. Ltd. 2.3% to 21.1%). By increasing the number of role models, the Company is making it easier for the Company group's female employees to envision their career path. In this context, there has been a sharp increase in female employees aspiring to advance their careers by switching to career-track, broad regional career-track and regional career-track positions in recent years. To date, more than 1,727 female employees changed their corporate post. An increasing number of employees have also taken advantage of our Professional Return Plan, a system for re-hiring employees who left work to raise children or care for family members, and allowing them to restart their career at the same level of compensation as when they left, it has helped us secure talented personnel who support our business. • The President and CEO of the Company has agreed with activities of "30% club Japan" (Note) and participate in such activities as a member since its foundation on May 2019. Takashi Hibino, Special Adviser,

serves on the steering committee and leads its activities. In the Company, six out of twelve (50.0%) Directors are female.

(Note) A worldwide campaign launched in the UK to increase the ratio of female executives.

- The Company will keep expanding the layer of female managers to promote female leaders to lead the Japanese financial world.
- Daiwa Securities Co. Ltd. has made efforts to support women's active participation and has clearly set goals to be fulfilled by FY2026.
 - Ratio of female managers: 25% or more with the goal of reaching 30% or more in the 2020s
 - Rate of male employees taking childcare leave: acquisition rate will continue to be 100%, and the number of acquisition days will be fourteen days or more.

As a result, the Company will further accelerate an environment in which human resources with diverse values can maximize their abilities.

- The Company agreed in 2015 to the "Declaration on Action by Male Leaders Coalition for Empowerment of Women" led by Gender Equality Bureau of Cabinet Office. Furthermore, the Company is awarded for "Awards to Commend Leading Companies Where Women Shine", "Minister of State for Gender Equality Commendation" in FY2016 by Cabinet Office and "Minister's Prize for Equal Employment/Work and Family Harmonization", Excellence Award (Family-friendly Enterprises Category) in FY2016 by Ministry of Health, Labor and Welfare, in honor of actively supporting women, promoting employees to leave the office by 7PM and supporting the balance of work with childcare and nursing care. In addition, in March 2024, the Company was selected as a "Nadeshiko Brand", an initiative jointly organized by METI and the Tokyo Stock Exchange. This was the ninth time that the Company has been selected since the initiative began in 2012.

<Reference>

- Ratio of the female managers: 18.4% (total of the Company group as of the end of March 2024), 21.1% (Daiwa Securities Co. Ltd. as of the end of March 2024).
- The number of female officers: nineteen (total of the Company group)
- The Company group established a system to support the women's active participation such as: Professional Return Plan, Job Location Change System, Childcare Leave, Spouse Accompaniment Leave System, Shorter Working Hours, Exemption from Overtime Work, Daycare Subsidy, Expanded Leave System (pre-childcare leave for male employee, etc.), Training of Supporting Women Career, Follow Up of the Usage of the System, Support of Coming Back to Work, Support for searching daycare center, Babysitter System, Babysitter service during the training, Daiwa ELLE Plan, etc.

<Promotion of the Health Management>

- | | |
|--|---|
| | <ul style="list-style-type: none">• The Group has established “Placing importance on personnel” as one of our corporate principles. Based on the belief that personnel are the source of our competitiveness, the Company is focused on increasing our productivity by improving the wellbeing (Note) of our employees in the future, aiming to continue to exercise high-level organizational performance, and promoting the maintenance and improvement of employee health (health management) strategically.• Each year, the Group produces a “Health White Paper” that analyzes the health conditions of all our Group officers and employees, and at a Group-wide “Health Management Promotion Meeting” led by the CHO (Chief Health Officer, who is the officer in charge of Human Resources), which is attended by all officers and held quarterly, we create awareness about issues of health management, evaluate and share our initiatives, conduct health management PDCA.• These initiatives were well received, and in March 2024, the Group was selected as a “Health & Productivity Stock Selection”, an initiative jointly organized by METI and the Tokyo Stock Exchange that selects companies that strategically consider the health management of their employees from a corporate management perspective. This was the ninth time that the Company has been selected since the initiative began in 2015. |
|--|---|

(Note) Wellbeing is a positive physical, psychological and social state of being.

IV. Matters Related to the Internal Control System, etc.

1. Basic Views on Internal Control System and the Progress of System Development **Updated**

The Company group has created management structure centered on the Company with regard to the group's various main risks, and seeks to ensure the effectiveness and efficiency of operations, the reliability of the finance report, compliance with the laws and regulations concerning business operations, and the preservation of assets, etc. This is based on the recognition that the maintenance of the internal control system to accomplish the sound and appropriate operation is the responsibility of the manager.

The following is the outline of the matters resolved by the Board of Directors as a system to ensure appropriateness of business.

(1) Outline of the matters necessary for execution of Audit Committee's duties

1) Matters as to Directors and employees who shall assist in the duties of Audit Committee

The Company sets up the Audit Committee Office as a department, the sole role of which is to assist in the duties of Audit Committee.

2) Matters regarding the independence of Directors and employees set forth in the preceding paragraph from the Corporate Executive Officers (Shikkoyaku) and the enhancement of the effectiveness of instructions from Audit Committee

* The Audit Committee Office sits directly under Audit Committee.

* Corporate Executive Officers (Shikkoyaku) have to obtain the prior consent of Audit Committee or Audit Committee Member appointed by Audit Committee (hereinafter referred to as "Appointed Audit Committee Member"), when trying to decide the personnel matters (personnel change, evaluation, etc.) and re-organization of the Audit Committee Office, taking the importance of Audit Committee into consideration.

* Audit Committee or Appointed Audit Committee Member may request that Corporate Executive Officers (Shikkoyaku) secure the adequate number of staff who has adequate knowledge and ability in the Audit Committee Office. Corporate Executive Officers (Shikkoyaku) shall respect the request.

* The Audit Committee Office may request Internal Audit Department and other departments to ensure the support system for investigation and information gathering by Audit Committee. Each department shall respect the request.

* The Audit Committee Office can attend various meetings if necessary.

3) System of report to Audit Committee

a) System to ensure that Directors (excluding Audit Committee member), Corporate Executive Officers (Shikkoyaku) and employees shall report to Audit Committee

The following rule shall be stipulated in the rules on report to Audit Committee, etc.

* Directors (excluding Audit Committee members), Corporate Executive Officers (Shikkoyaku) and employees must report the following matters to Audit Committee or Appointed Audit Committee Member by sufficient means including whistle-blowing system.

a. Any facts that have a possibility of causing significant damages to the Company or the Company group, immediately after they find such facts

b. Any activities of officers or employees of the Company or the Company group which violate or may violate any laws and regulations or the Articles of Incorporation

c. Matters that Audit Committee or Appointed Audit Committee Member request to be reported and other matters which are deemed useful for audit

b) The system to ensure that Directors, Auditors and employees of the Company's subsidiaries or the persons who received reports from them shall report to Audit Committee of the Company

The following rule shall be stipulated in the rules on report to Audit & Supervisory Board Member, etc. of such subsidiaries

* Director, Audit & Supervisory Board Member and employees of the Company's subsidiaries or the persons who received reports from them must report the following matters to Audit Committee or Appointed Audit Committee Member by sufficient means including internal whistle-blowing system.

a. Any facts that have the possibility to cause significant damages to the Company or the Company group, immediately after they find such facts

b. Any activities of officers or employees of the Company or the Company group which violate or may violate any laws and regulations or the Articles of Incorporation

c. Matters which Audit Committee or Appointed Audit Committee Member request to be reported and other matters which are deemed useful for audit

4) System to ensure that reporters in the preceding item are not treated unfavorably due to their report

The Company makes a rule that the persons who make reports in accordance with the preceding item shall not suffer dismissal, demotion, salary reduction or any other disadvantages due to their report. In order to secure the effectiveness of such rule, the Company created the details of the system in the rules about report to Audit Committee and the rules about report to Audit & Supervisory Board Members, etc. of the Company's subsidiaries.

5) Procedures for prepayment and refund of expenses incurred in execution of the duties of Audit Committee members (limited to those related to the duties of Audit Committee) and other matters relating to the policy on expenses and obligations incurred in execution of such duties

* When Audit Committee or Audit Committee members request the Company to carry out the following matters about their exercise of function (including but not limited to appointment of external experts), the Company shall not refuse them unless the Company proves that the expenses and obligations concerning such requests are unnecessary for execution of the duties of Audit Committee or its members.

a. Prepayment of expenses

b. Refund of expenses paid and its interests accrued after payment

c. Payment to creditors of obligations (in the case where such obligations are not due, provision of security equivalent to such creditors)

6) Other systems to ensure the effective audit by Audit Committee

* Audit Committee members may attend meetings of the Group Compliance Committee, Group Risk Management Committee and Group Internal Audit Committee and also ask for explanations and state opinions there. They can also attend other important meetings.

* Audit Committee members periodically receive reports (i) on the risk management system and the risk status of the Company group from the departments handling each risk and (ii) on the progress and results of internal audit of the Company group from the Internal Audit Department.

* Any changes to audit policy and plans related to internal audits, the Group Internal Audit Charter, and internal audit rules and the commission of the Internal Audit Corporate Executive Officer shall require the consent of Audit Committee or Appointed Audit Committee Member.

- * Audit Committee or Appointed Audit Committee Member may delegate investigative duties to the Internal Audit Department and other departments as necessary.
- * Audit Committee periodically receives reports from the Accounting Auditor as to the audit status of each group companies.
- * Audit Committee or Appointed Audit Committee Member can have external experts independent from the business execution department support audit activities.

(2) System to ensure the compliance in execution of Corporate Executive Officers' (Shikkoyaku) duties with laws and regulations and the Articles of Incorporation and other systems to ensure appropriateness of the business of the Company and the corporate group consisting of such company and its subsidiaries

1) System to ensure the compliance in execution of duties of the Company's Corporate Executive Officers (Shikkoyaku) and employees and also its subsidiaries' Directors, etc. and employees with laws and regulations and the Articles of Incorporation

a. Compliance System

- * Establish a whistle-blowing system for the purpose of identifying and correcting any conduct violating laws and regulations or other rules in the Company group, etc. at an early stage.
- * Enact the rules of ethics and the standards of ethical conduct for the purpose of officers' and employees' compliance with laws, etc.
- * Hold training seminars regarding compliance for officers and employees in each company of the Company group which address the respective business features of each company.
- * Appoint a person in charge of formation and promotion of the system as to corporate ethical compliance across the Company group, and establish a section to promote corporate ethics among officers and employees.
- * Establish a section that gives advice regarding overall legal issues of the Company group, and assist each group company in activities relating to formation of systems for compliance with laws and regulations, etc.

b. Group Compliance Committee

The Group Compliance Committee, as a sectional committee of the Executive Management Committee, deliberates and decides general policies and specific measures on the compliance with the laws and regulations, establishment of corporate ethics, internal control and etc. of the Company group.

c. Group Risk Management Committee

The Group Risk Management Committee, as a sectional committee of the Executive Management Committee, figures out the risk management system and the risk status of the Company group, etc., and discusses and determines the policies and actual implementation of measures relating to risk management.

d. Group Internal Audit Committee

The Group Internal Audit Committee, which is directly overseen by the CEO, deliberates on and determines matters concerning the development of internal audit system and verification of the internal controls in relation to the Group's business operation.

e. Internal Audit Division

- * For sound and effective internal controls of the Company group, the Company believes that internal audit performs an important function and has established internal audit departments in major group companies as well as the Company.

* The Internal Audit Division evaluates and examines the effectiveness of the Company group's internal controls, and makes proposals for improvements and efficiencies of the Company group's business operation.

* The Company's Internal Audit Department proposes audit plans and reports results to the Group Internal Audit Committee.

f. Internal Control on Financial Reporting

* For preparing the structure necessary to ensure appropriateness of financial statements and other financial information, the Company establishes the basic rules relating to internal control on financial reporting.

* The Disclosure Committee and the Group Internal Audit Committee discuss and determine important issues concerning internal control on financial reporting.

2) System for storing and managing information relating to execution of Corporate Executive Officers' (Shikkoyaku) duties

Information relating to execution of Corporate Executive Officers' (Shikkoyaku) duties shall be stored and managed properly in accordance with the rules for filing and storing documents.

3) Rules and other systems relating to management of risk of loss of the Company and its subsidiaries

* Enact the rules of risk management for the purpose of establishing basic matters to properly manage various risks belonging to the business of the Company group considering each characteristic of the Company group, and thereby securing sound financial status and appropriate business operation. Further, to clarify the risk management system by providing for policies of risk management, the category of risks to be managed, Corporate Executive Officers (Shikkoyaku) managing each risk and sections in charge of each risks, etc.

* Each section shall establish its own management rules for each risk it has control over, and shall make reports regarding the risk management system and the situation of the risk, etc., to Group Risk Management Committee, etc.

4) System to ensure efficient execution of the duties of Corporate Executive Officers (Shikkoyaku) and Directors, etc. of its subsidiaries

* Clarify Corporate Executive Officers' (Shikkoyaku) duties, the methods of execution thereof and the business operations in their charge in the rules of Corporate Executive Officers (Shikkoyaku).

* As to matters which have material effect on the Company or the Company group, clarify the matters to be resolved and matters to be reported in the rules of the Executive Management Committee, etc.

* By requiring that Corporate Executive Officers (Shikkoyaku) serve concurrently as representatives of main group companies, etc. and perform their business strategy quickly and efficiently based on the Company group strategy.

* Formulate Group Medium-Term Management Plan, the term of which is 3 fiscal years, and, in order to embody this plan, determine management policy and budget allocation, etc. as a group for each fiscal year.

5) System for the report of matters concerning execution of subsidiaries' Directors, etc. to the Company and other systems to ensure appropriateness of business operation in the corporate group consisting of the Company and its subsidiaries

* Clarify the measures for information gathering and the matters to be approved and reported from group companies, by establishing the rules for management of group companies and overseas offices, etc., for the purpose of proper management of business activities of group companies in Japan and overseas.

* Establish the rules at each group company to grasp important information regarding the management of each group company and also to ensure the fair, timely and appropriate disclosure of such information in compliance with laws, regulations and rules.

2. Basic Views on Eliminating Anti-Social Forces and Progress of Development

- The Company group has established a “Basic Policy on Eliminating Anti-Social Forces” and a “Group Minimum Standard to eliminate relations with Anti-Social Forces” (the Common Standard Points to Fulfill as each group company), trying to cut off relationships with Anti-Social Forces.
- The Company group established Department in charge of elimination of Anti-Social Forces and proactively gathers information on Anti-Social Forces. Also, the Company creates a unified database and shares the information among the group companies. Against unfair demands from Anti-Social Forces, the Company assigns Managers in charge of Prevention of Unfair Demands in each group company and works closely with police agencies on a daily basis. In addition, the Company implements various online and joint training and regular e-Learning for taking a unified approach to eliminate Anti-Social Forces.
- In addition, regarding “Anti-Money Laundering and Combating the Financing of Terrorism” which becomes internationally important, the Company views it as a major management task throughout the Group companies and works to strengthen the management system of the Group companies and established “AML/CFT Global Policy” for overseas and “AML/CFT Domestic Group Policy” for domestic group companies and appointed a person in charge. The Company trains officers and employees of the Group companies to share the recognition of the importance of, and latest laws and cases of, Anti-Money Laundering and Combating the Financing of Terrorism, every year.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
------------------------------------	-------------

Supplementary Explanation

—

2. Other Matters Concerning the Corporate Governance System

1. Timely Disclosure

An Overview of the Company's Timely Disclosure System is as follows:

(1) Corporate Structure Related to Timely Disclosure of Corporate Information

The Company group has formulated a Disclosure Policy, which sums up the Company group's basic approach to information disclosure which is available at the Company's website. In addition, the Company established "Disclosure Rules" and the main subsidiaries have established "Management Rule of Management-Related Information", etc. in order to realize the spirit of the Policy and to disclose the Company group's important financial, social, and environmental information (hereinafter referred to as, "Management-Related Information") in a timely and proper manner.

The disclosure systems of the Company group based on these policies and rules are as follows:

- For the purpose of fair, timely and proper disclosure of the Management-Related Information of the Company group, the Company has established the "Disclosure Committee" as the subcommittee of the Executive Management Committee. The members and roles of the Committee are stipulated in the Disclosure Rule and the chair of the Committee is the CFO.
- Disclosure Committee is responsible for disclosure of the Management-Related Information in accordance with the purpose of the Disclosure Rules described below.

(The purpose of the Disclosure Rule)

The purpose of this rule is, by settling the fair, timely and proper disclosure of the important financial, social, and environmental information of the Company group, observing the laws and regulations with respect to securities trading and regulations of financial instruments exchange, and working to communicate proactively and provide fair and appropriate information in a timely manner so that stakeholders, such as shareholders, investors, and local communities could clearly understand and properly evaluate the Company group's activities.

- Reporting System on Management-Related Information in the Company is structured in accordance with the Disclosure Rules. As for Management-Related Information on main subsidiaries, the Company has established a system to report Management-Related Information from each subsidiary to the Company in accordance with the subsidiaries' rules.

(2) Check Function of the Company System on Timely Disclosure

- In accordance with establishment of Fair Disclosure Rules and Guidelines for Fair Disclosure Rules on the Financial Instruments and Exchange Act, the Company checked the adequacy of its Disclosure Rules and its corporate structure, and disseminated its Disclosure Rules among its employees again.
- The Company conducts the self-assessment regularly on internal control related to the information disclosure process at each relevant departments in order to verify whether fair, timely and proper disclosure of corporate information to investors is observed. The Internal Audit

Department carries out internal audits as necessary on such disclosure system including above mentioned self-assessment, and reports the results to the Group Internal Audit Committee.

2. Risk Appetite Framework

The Company group, for the purpose of strengthening of risk governance at the management level, utilizes a Risk Appetite Framework.

The “Risk Appetite Framework”, is the management framework that defines the type and total amount of risk, which should be willingly accepted for achieving business strategy, as a risk appetite and uses it as a common language within the Company about the risk-taking policy in general. On risk appetite, the Company selects the risk appetite index from the viewpoint of liquidity, equity capital, etc., sets the level of risk to accept, and manages and monitors the risk appetite.

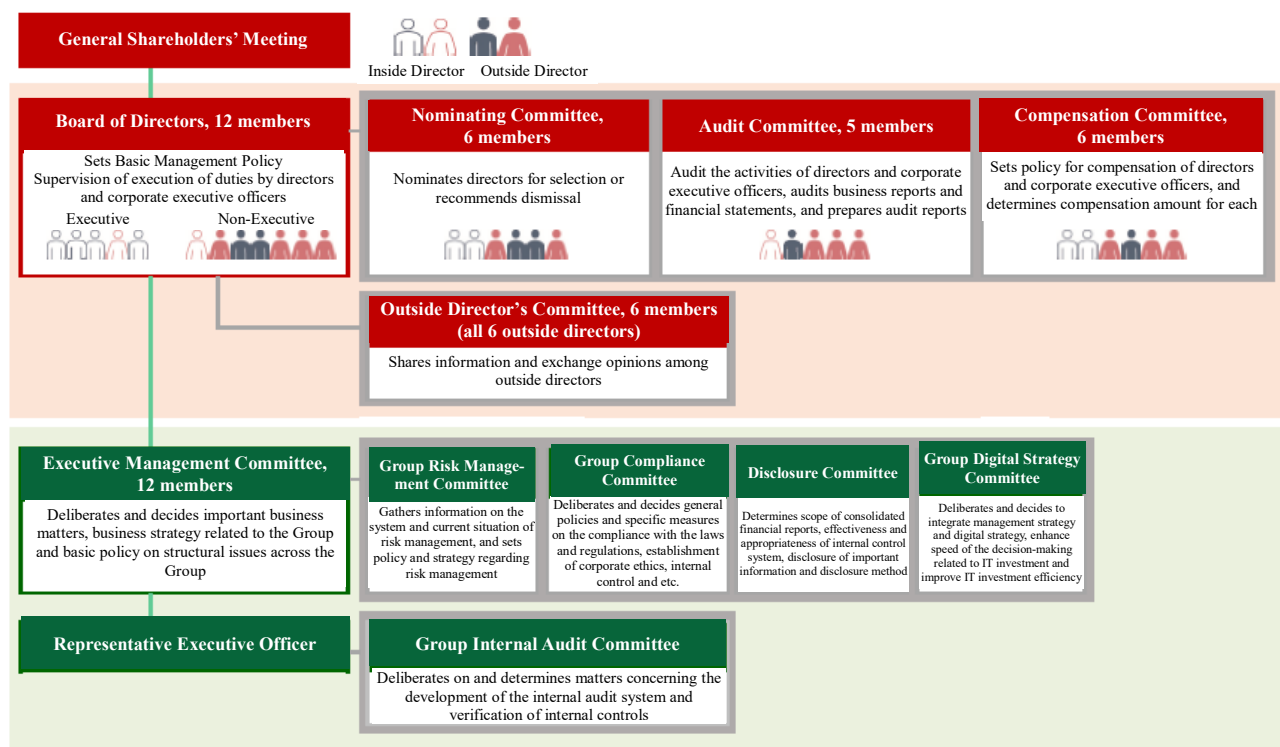
The Group has documented such a framework as a risk appetite statement and strives to foster a risk culture by instilling risk appetite within the Group and improving the level of business management and risk management systems.

Based on its risk appetite framework, the Board of Directors of Daiwa Securities Group Inc. has approved the Rules of Risk Management. The rules define basic policies related to risk management, the types of risks that need to be managed, and the responsible executive and department for each major risk.

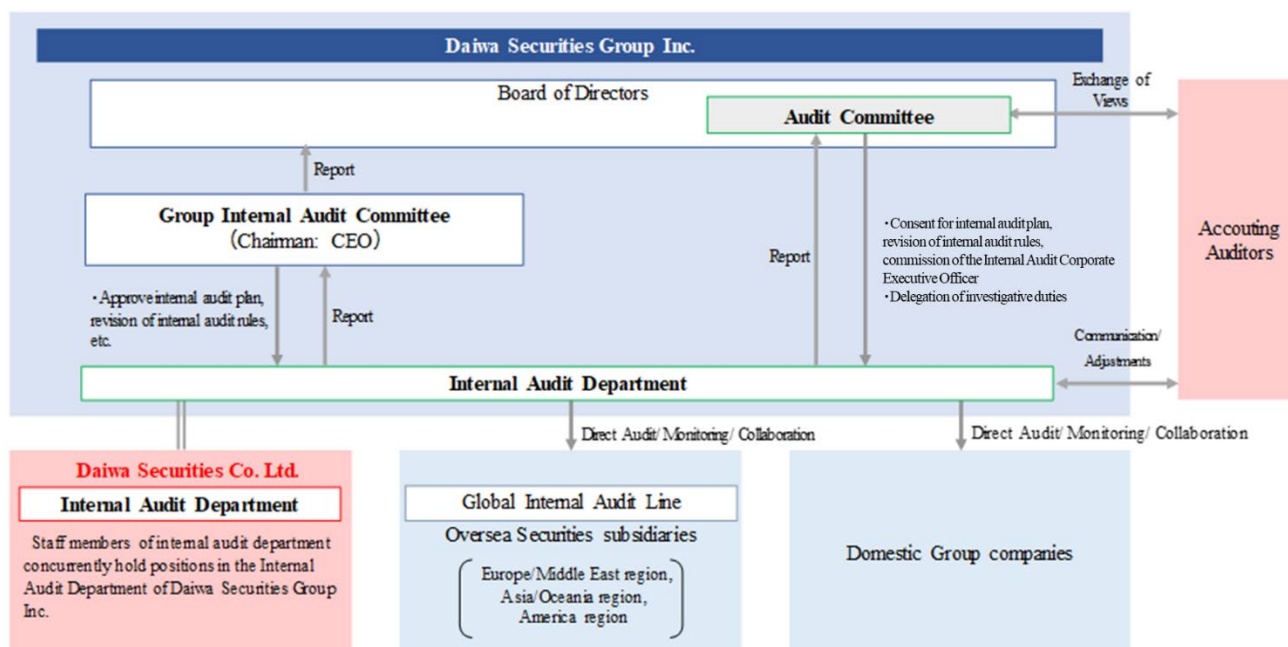
Risks to be managed are market risk, credit risk, liquidity risk, operational risk, model risk, investment risk, and etc. In order to establish an effective risk governance system, the Company has created guidelines for “Three Lines of Defense” and a comprehensive structure for risk management.

Corporate Governance System at Daiwa Securities Group

Corporate Governance System at Daiwa Securities Group



Internal Auditing System Diagram of Daiwa Securities Group



Appendix 1

【Reasons for Election of Candidates to Directors】

Name	Reasons for Election
Seiji Nakata	He joined the Company in 1983 and served successively as the Deputy Head of Corporate Planning and Human Resources of the Company, the Head of Corporate Institution and the Head of Sales of Daiwa Securities Co. Ltd., and COO and the Head of Retail of the Company, and thereby has broad experience related to the business of the whole Daiwa Securities Group. Also, he served as the Representative Corporate Executive Officer, President and CEO of the Company from 2017 to 2024 and has broad experience and insights as a manager. Therefore, he is considered to be qualified to serve as a Member of the Board.
Akihiko Ogino	He joined the Company in 1989 and he has served successively as the Head of Legal, the Deputy Head of Overseas Operations, and the Head of Corporate Planning of the Company and the Executive Head of Human Resources and Corporate Planning of the Company. He serves as the Representative Corporate Executive Officer, President, and CEO of the Company from 2024. He has expertise and experience to present a management strategy based on a wide vision and also to adequately execute the management and control of the Daiwa Securities Group. Therefore, he is considered to be qualified to serve as a Member of the Board.
Shinsuke Niizuma	He joined the Company in 1988 and served successively as the Head of Chiba Branch and Nagoya Branch of Daiwa Securities Co. Ltd. He became the Senior Managing Director of Daiwa Securities Co. Ltd. in 2015, and since then he has served successively as the Head of Retail Marketing Strategy, the Head of Sales, the Executive Head of Sales, and the Head of the Product Solution Division of Daiwa Securities Co. Ltd. He currently serves as the Representative Corporate Executive Officer, Deputy President and COO, and Head of Wealth Management of the Company. He has broad knowledge and experience in Wealth Management. Therefore, he is considered to be qualified to serve as a Member of the Board.
Keiko Tashiro	She joined the Company in 1986 and served successively as the Head of Investor Relations Office of the Company and the Head of the Daiwa Direct Planning Dept. of Daiwa Securities Co. Ltd. She became a Senior Managing Director of the Company in 2009, and since then she has served successively as its Head of Daiwa Direct Business, the Head of Fixed Income, Currency, and Commodities and as the Head of Americas, the Head of Overseas Operations and the Executive Head of Overseas Operations. She currently serves as the Corporate Executive Officer, Deputy President, the Head of Sustainability, Financial Education, Securities, Asset Management, and Think Tank of the Company. She has broad knowledge and experience in Overseas and Corporate Planning. Therefore, she is considered to be qualified to serve as a Member of the Board.
Eiji Sato	He joined the Company in 1991 and served as the Head of the Finance Dept. and the Head of the Corporate Planning Dept. of the Company. He became a Senior Managing Director of the Company in 2017, and since then he has served successively as CFO, the Deputy Head of Corporate Planning, and the Deputy Head of Overseas Operations of the Company and currently serves as the Senior Executive Managing Director and the Head of Corporate Planning of the Company. He has solid record and experience in Planning and Finance and also has experience in Investment Banking. Therefore, he is considered to be qualified to serve as a Member of the Board.

Name	Reasons for Election
Sachiko Hanaoka	<p>She joined the Company in 1990. After serving in the Research and Product Divisions, she served successively as the Head of the Products Planning Dept., the Education and Training Dept., and the Investment Strategy Dept. of Daiwa Securities Co. Ltd. Throughout her broad accumulated experience in the Research Division, she has developed a strong analytical ability and broad knowledge in business accounting and broad accumulated experience in management. Therefore, she is considered to be qualified to serve as a Member of the Board.</p>

Appendix 2

【Situation regarding Directors' other Positions】

- No particular matters to be described.

Appendix 3

【Remuneration for Directors and Corporate Executive Officers (Shikkoyaku)】

1. Policies for Determination of Remuneration of Directors and Corporate Executive Officers

As stipulated by the Companies Act, the Compensation Committee has determined “Policies for Determination of Remuneration of Directors and Corporate Executive Officers”.

Compensation for Directors and Corporate Executive Officers is based on the following fundamental policies.

- To create effective incentives, which contribute to the increase of shareholders' value through sound business development and also lead to the improvement of business performance in the short-term and in the medium/long-term.
- To maintain a remuneration level which is competitive enough to recruit and retain people not only in Japan but also in the world as a global securities company group.
- To ensure the execution and supervision functions operate effectively as a company with a nominating committee, etc.

Remuneration of Directors and Corporate Executive Officers consists of base remuneration, Performance-linked remuneration and Stock-linked remuneration, and determined at the Compensation Committee which are specifically as below.

Base remuneration
· A fixed amount calculated based on his/her position, duties and role, and paid monthly and in cash.
Stock-linked remuneration
· To increase the link between remuneration and shareholders' value, the Company grants, as stock-linked remuneration, restricted stock, etc., the value of which corresponds to a certain percentage of base remuneration, as non-monetary remuneration at a certain time every year.
Performance-linked remuneration
· Determined depending on the level of individual contribution, mainly on the basis of consolidated ROE, consolidated ordinary income and base income, which are settled as Performance KPIs of the Medium-Term Management Plan, while also comprehensively taking into account achievement status of the managerial goals set in the Medium-Term Management Plan and other relevant factors, and paid annually at a fixed time in the form of cash and restricted stocks. · A certain limit is set for the cash payment regarding performance-linked remuneration based on business performance. If performance-linked remuneration exceeds the limit, the part exceeding the limit will be replaced from cash to restricted stock. · It does not apply to Directors who do not serve as Corporate Executive Officers.

(Note) Base Income: Total ordinary income from wealth management, securities asset management, and real estate asset management.

Regarding remuneration, etc. of Directors and Corporate Executive Officers (Shikkoyaku) for the current fiscal year, the Compensation Committee has determined that the remuneration, etc. conforms with “Policies for Determination of Remuneration of Directors and Corporate Executive Officers” because such remuneration, etc. was decided by the Compensation Committee only after confirming its consistency with such policies.

2. Indicators for Performance-linked remuneration, reasons for choosing the indicators, how to determine Performance-linked remuneration, and targets and results

The Company refers to KPIs, which are set as the Group numerical goals in the Medium-Term Management Plan “Passion for the Best” 2026 to calculate Performance-linked remuneration.

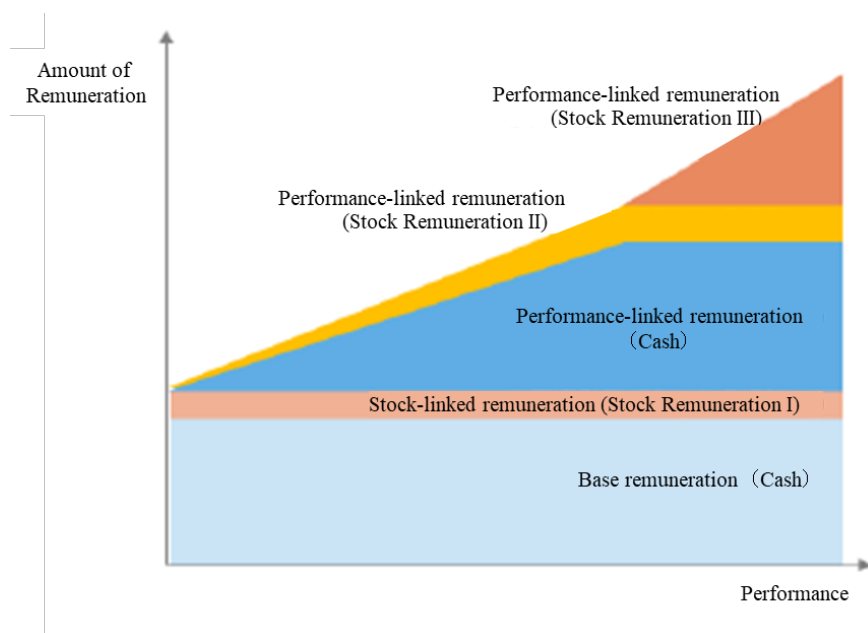
The performance assessments used in calculating Performance-linked remuneration reflect the financial performance evaluation, which is based on the Performance KPIs using the financial information and the quality evaluation, which is a comprehensive assessment of the KPIs other than the Performance KPI. The Financial Performance Evaluation and the Quality Evaluation are determined by the Compensation Committee.

Performance-linked remuneration is calculated by multiplying the reference amount determined for each position by the performance evaluation, and reflecting the degree of individual contribution. The same calculation formula is applied to all positions for performance evaluation.

Category	Financial Performance Evaluation (100)			±	Quality Evaluation (-20 – +20)	
	KPI	Points	Reference Value		KPI	Reference Value
Performance	Consolidated ROE	40	10%			
	Consolidated Ordinary Income	40	240 billion yen			
	Base Income	20	150 billion yen			
Client assets					AUC	120 trillion yen
Digital					Stock-related asset	13.6 trillion yen
Sustainability					AUM of Asset Management Division	44 trillion yen
					Number of digital value creation projects	10
					Number of trial digital projects	50
					SDG-related bond league table	In top 2
					Engagement Survey score	80 % or higher
					GHG emissions produced by the Company	FY2030 Net zero
					GHG emissions from investment and loan portfolio	186 – 255 g-CO2/kWh

(Note) The standard value is determined at the Compensation Committee, based on the target of the Medium-term Management Plan.

(Image of Remuneration)



- Restricted stocks in a value corresponding to a certain ratio of performance-linked remuneration (cash) are paid to foster a system that increases incentives for long-term performance improvement and sustainable growth.
- In order to foster a system that increases incentives for long-term performance improvement and sustainable growth, if Performance-linked remuneration exceeds a certain limit, the excess amount will be paid in the form of by restricted stock.

(Restricted Stock Compensation Plan)

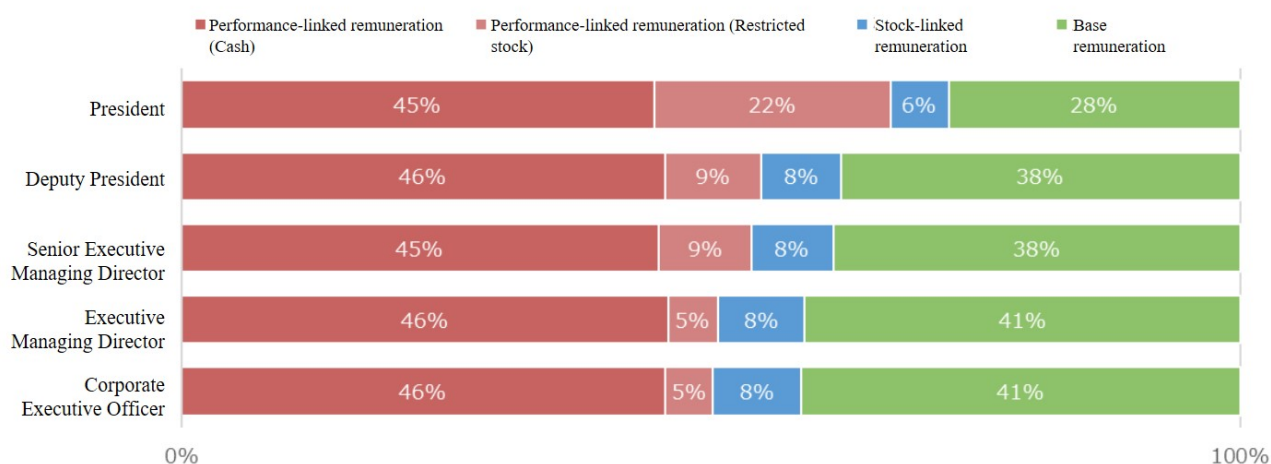
The Company introduced the Restricted Stock Compensation Plan to increase incentives for the Company and its subsidiaries' Directors, Corporate Executive Officers (Shikkoyaku), and Executive Officers (Shikkoyakuin), etc., to enhance performance in the medium and long term and strengthen values shared among the Eligible Officers, etc. and shareholders.

Stock Remuneration I (Stock-linked remuneration)	It is intended to provide restricted stock for amount which equals to fixed ratio of the Base remuneration, and to function effectively as an incentive for long-term performance improvement, restriction will be released when he/she resigns his/her position as director, officers etc., of the Company and its subsidiaries and affiliates.
Stock Remuneration II (Performance-linked remuneration)	Performance-lined remuneration is paid in the form of restricted stocks of a value corresponding to a certain percentage of performance-linked remuneration (cash). The restricted transfer period is three years, which functions both as an incentive to boost long-term performance and to defer actual compensation.
Stock Remuneration III (Performance-linked remuneration)	Fixed limit is set for Performance-linked remuneration, which is provided by cash based on the performance, and if the amount exceeds the limit, part of the remuneration will be replaced by restricted stock. Restriction period is 3 years, it will function as substantial fee defer when Performance-linked remuneration exceeds a certain limit.

(Note 1) Stock Remuneration II is calculated by multiplying the ratios established by position by performance-linked remuneration (cash). Regarding the President and CEO, a structure is in place to decide the ratio of performance-lined remuneration based on the Company's TSR (total shareholder return) during the results evaluation period, the rate of change of the TOPIX, and a comparative valuation with the TSR of competitors.

(Note 2) Where serious compliance violations are discovered within the Group, in addition to the forfeiture of unpaid stock remuneration (malus), based on deliberation by the Compensation Committee, a clawback scheme is being introduced to allow the Company to demand the return of all or part of the stock remuneration that has already been paid.

3. Payment ratios of different types of compensation

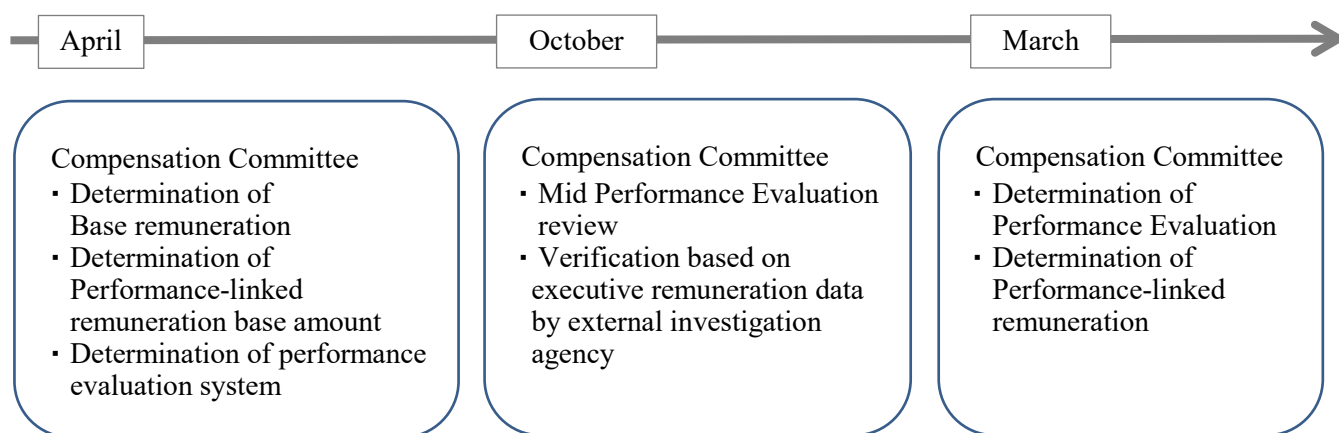


(Note) Above figures are the ratio when Performance KPIs of the Medium-Term Management Plan is achieved.

4. Summary of procedure on decision of remuneration for Directors or its policy of calculation method

The Articles of Incorporation stipulate that the remuneration, etc., of the Directors and Corporate Executive Officers (Shikkoyaku) is determined by the resolution of Compensation Committee.

In determining the amount of remuneration, it is calculated based on the indicators determined by Compensation Committee, majority of which is held by Outside Director to secure the transparency.



*In addition to above, Compensation Committee is held from time to time.