Message from the CFO

A year has quickly gone by since I became CFO. During the past year, I've had numerous conversations with investors, and what I'm constantly struck with is the steady growth of interest in Japanese equities. The shift "from savings to investment" in Japan is gaining momentum, and the business environment for Japanese companies is also at a major structural turning point. Investors have lots of questions and opinions about how these changes will affect the performance and future growth of the Group.

In particular, with regard to the wealth management business, there's considerable interest in the strengths of the Group's business model and the mindset of our customers. I've sought to explain as fully as possible the specific initiatives and sales reforms we are undertaking on the frontlines, and to convey the course of our initiatives to date in a way that is easy to understand (and I would hope that I've been at least somewhat successful in getting this across to investors as well.)

At the same time, we are also seeing expectations from many quarters for more feasible profit growth and greater visibility regarding our capital management policies. This kind of feedback offers absolutely vital suggestions for our management going forward, and we are taking such views to heart as we work to make improvements.

Overview of FY2024

Market review

Looking back at the stock market in FY2024, the Nikkei Stock Average started out strong in the first half, hitting a record high in July. After a historic correction in August, however, the second half was subject to ongoing instability, resulting in a roller coaster year overall. The Bank of Japan twice lifted its negative interest rate policy and implemented the first interest rate hike in 17 years, making full-fledged progress toward the normalization of monetary policy. Overseas, meanwhile, in addition to Donald Trump winning the US presidential election, geopolitical risks exerted a considerable influence on the market, including alarm over the tariff policies subsequently announced by the US, the intensifying US-China conflict over AI technologies, and mounting tensions in the Middle East.

Summary of the first year of the Medium-Term Management Plan

Even in this context, we were able to achieve results in line with our strategy, getting off to a good start in FY2024, the first year of the Group's three-year Medium-Term Management Plan "Passion for the Best" 2026. Net operating revenues came in at ¥645.9 billion while ordinary income was ¥224.7 billion, surpassing ¥200 billion for the first time in 19 years since FY2005. In the Wealth Management Division, the total asset consulting business made steady inroads, feeding into growth in portfolio proposals tailored to customer needs. Both asset-based revenues* and flow revenue expanded, fueling a significant increase in profits. Net operating revenues and ordinary income both reached record highs in the Asset Management Division as well as in Global Investment Banking within the Global Markets & Investment Banking Division.

Base Income, which we have set as a performance KPI, was ¥137.5 billion, an increase of more than 20% from FY2023, and we have made steady headway in building an earnings structure that is resilient to changes in the external environment. We believe this

* Asset-based revenues: Agency fees for investment trust, investment advisory and account managed fees, bank agency fees and other, revenues from asset-based fee plans for investment trusts, etc.

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is the fruit of our efforts to offer solutions that meet customer needs in line with the Basic Group Management Policy of **maximizing customer asset value**.

FY2024 was also a year that once again brought home the importance of expanding Base Income.

In last year's Integrated Report, I said that Base Income is a measure of customers' trust and an indicator of progress toward **maximizing customer asset value**, as well as of earnings resilience.

The source of Base Income is the customer assets under custody in the Wealth Management Division and AUM in the Asset Management Division. This is why I believe the accumulation of Base Income is a measure of the trust we are building up with customers—trust which leads to enhancing the corporate value of the Group in the form of growth in stable earnings. For this reason, Base Income is a straightforward indicator of progress we are making in **maximizing customer asset value**, and my sense is that numerous investors are positive about our focus on this metric.

Also, because we have steadily accumulated Base Income even during periods of rapid change in the market, we've been able to secure a certain level of revenue despite temporary impacts on profits that are closely linked to the market. This stable revenue base is precisely what allows us to maintain the financial capacity to continue returning profits to shareholders and investing in growth, regardless of the market environment, and what has made it possible to set a minimum dividend of ¥44. I'm very encouraged by the tremendous buy-in we've received from investors on our direction of aiming for an earnings structure that is resilient to changes in the external environment by expanding Base Income.

Reallocating management resources and enhancing management capabilities to achieve FY2030 targets

Approach to financial and capital strategies

In the lead up to FY2030, as we seek to take the final steps in building a revenue base that is resilient to changes in the external environment, the aim of our financial and capital strategies will be to achieve a balance between financial soundness, capital profitability, growth investments, and shareholder returns, thereby realizing the sustainable enhancement of corporate value.

The Group is operating in an environment that is offering an unprecedented tailwind as various factors in Japan converge. The shift in individual financial assets "from savings to investment" is becoming entrenched. There has been an upswell of corporate finance activities and restructuring in line with the divestment of strategic shareholdings and moves to bolster corporate governance. We have returned to an "era of interest rates," which is sparking increased investment activity. Finally, the Japanese government has announced a policy of Promoting Japan as a Leading Asset Management Center. I'm convinced we are now at the stage where we have to gauge these changes in the environment accurately and put priority on actively exploring growth investments to maximize corporate value over the longer term.

We have consistently pursued growth investments based on the three pillars of expanding the customer base, enhancing functions and expanding products, and achieving open innovation. Although we have positioned the Wealth Management Division and asset management business as growth areas in the realm of growth investments, if a deal brings together these three pillars and meets our investment criteria, we will broaden our consideration without being bound by preconceptions.

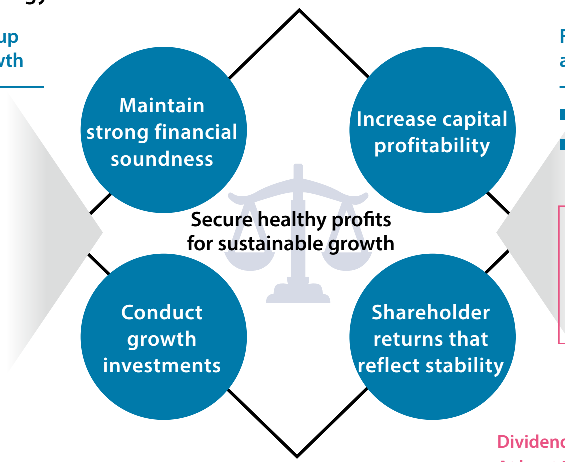
Approach to financial/capital strategy

Financial strategy that enables the Group to achieve medium and long-term growth

- Maintain strong financial soundness with consideration given to regulatory compliance and rating
- Conduct investments that contribute to **maximizing customer asset value**
- Strengthen investment risk management structure

Consolidated total capital ratio

18% or higher
(under current regulation base)
14% or higher after Basel III finalization



Financial strategy for shareholders and other stakeholders

- Enhance business capital management
- Optimize business portfolio (optimize capital allocation, expand/reduce/withdraw based on capital profitability)
- Shareholder returns based on a balance between growth investments and financial soundness
- A policy of returns that reflect the stability of business performance

First major financial institution* to set minimum dividend

Dividend payout policy At least 50% (Semiannually) & Annual dividend At least ¥44/share

* Setting minimum dividend per share. Exclude cases where setting progressive dividends, or dividends set based on DOE.

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From an investment criteria perspective, we set a hurdle rate level that can contribute to an ROE of 10% based on regulated RWAs* for all investments. We require rigorous post-investment monitoring and the establishment of an appropriate governance framework. If we cannot quantitatively and qualitatively confirm the investment effects we initially expected, and deem that capital efficiency is low, we will consider divestment.

Investing in human capital and IT is also essential to sustainable growth. To secure outstanding talent and maintain and hone our competitiveness, we will work to build a foundation for sustainable growth by boosting employee motivation, productivity, and performance across the organization through investments in human capital. Our IT investments will lead to future improvements to the top line and cost streamlining through the radical transformation of business models. Having positioned IT outlays as strategic investments, we are working to enhance customer convenience and operational efficiency. We will continue to invest in human capital and IT with a strategic focus while carefully weighing outcomes.

* Risk-weighted assets

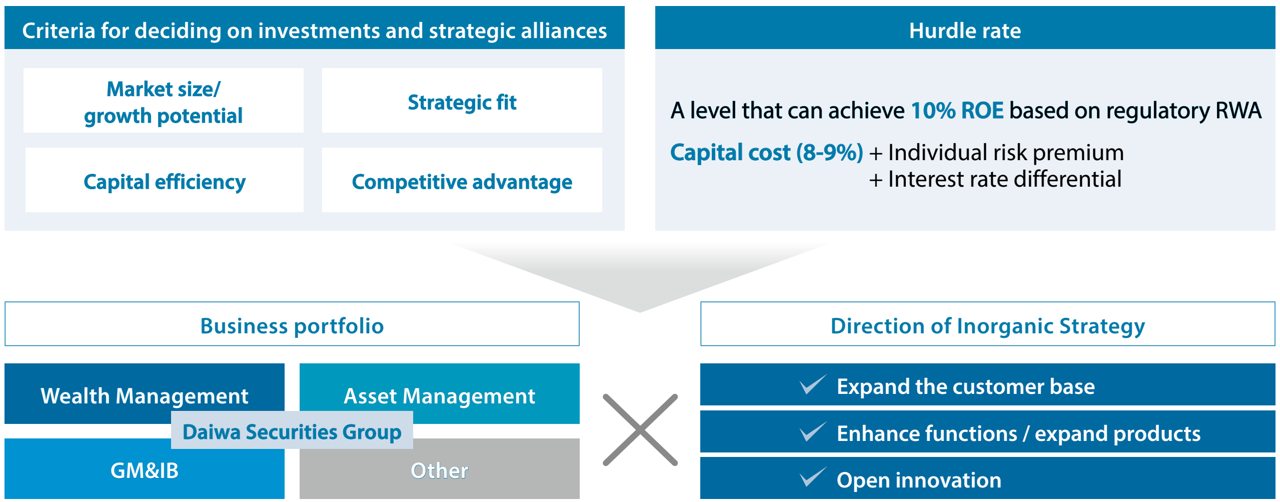
Shareholder returns

Regarding shareholder returns, we are paying an interim and fiscal year-end dividend based on a dividend payout policy of at least 50% in light of consolidated financial results, and have set a full-year minimum dividend per share of ¥44 during the current Medium-Term Management Plan period. This makes us the first major financial institution to introduce a minimum annual dividend*1. This policy is part of our commitment to meeting the expectations of shareholders and investors by reflecting the stability of our performance and increasing the predictability of dividends. The full-year dividend for FY2024 was ¥56, our highest ever, well above the ¥44 minimum dividend. We also set a repurchase limit of 50 million shares and a total repurchase amount of ¥50 billion, our highest ever—this resulted in a high total payout ratio at 83.6%*2.

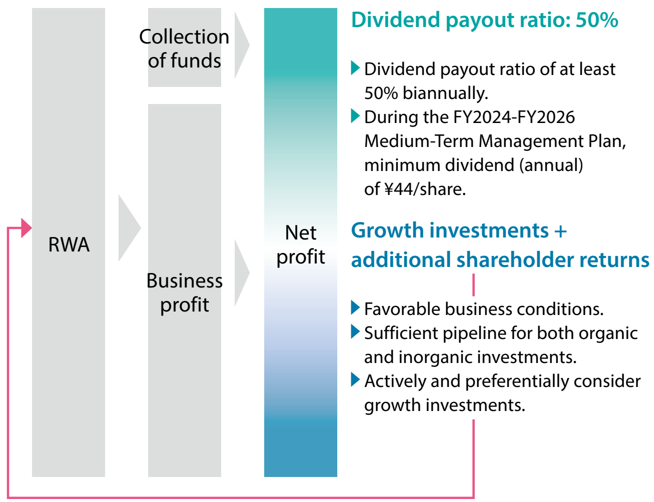
By putting priority on actively exploring growth investments and reallocating management resources, including a review of the business portfolio, the Group will work to increase ROE and achieve sustainable profit growth. Although we are prioritizing allocating capital to growth investments, if there is any capital surplus

*1 Setting a minimum dividend per share. Excludes cases where progressive dividends are set, or dividends are set based on DOE.
*2 The total payout ratio for FY2024 is estimated based on an assumed upper limit of ¥50 billion and 50 million shares for share repurchases.

Basic policy for investment and strategic alliances



Resource reallocation and management enhancement



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after such outlays, our policy is to allocate this to additional shareholder returns.

The Group's policy toward the flexible repurchase of shares remains unchanged: We will take into consideration a raft of comprehensive factors, including the need to maintain financial soundness, the status of the growth investment pipeline, and the operating environment, as well as trends in financial regulations and the stock price.

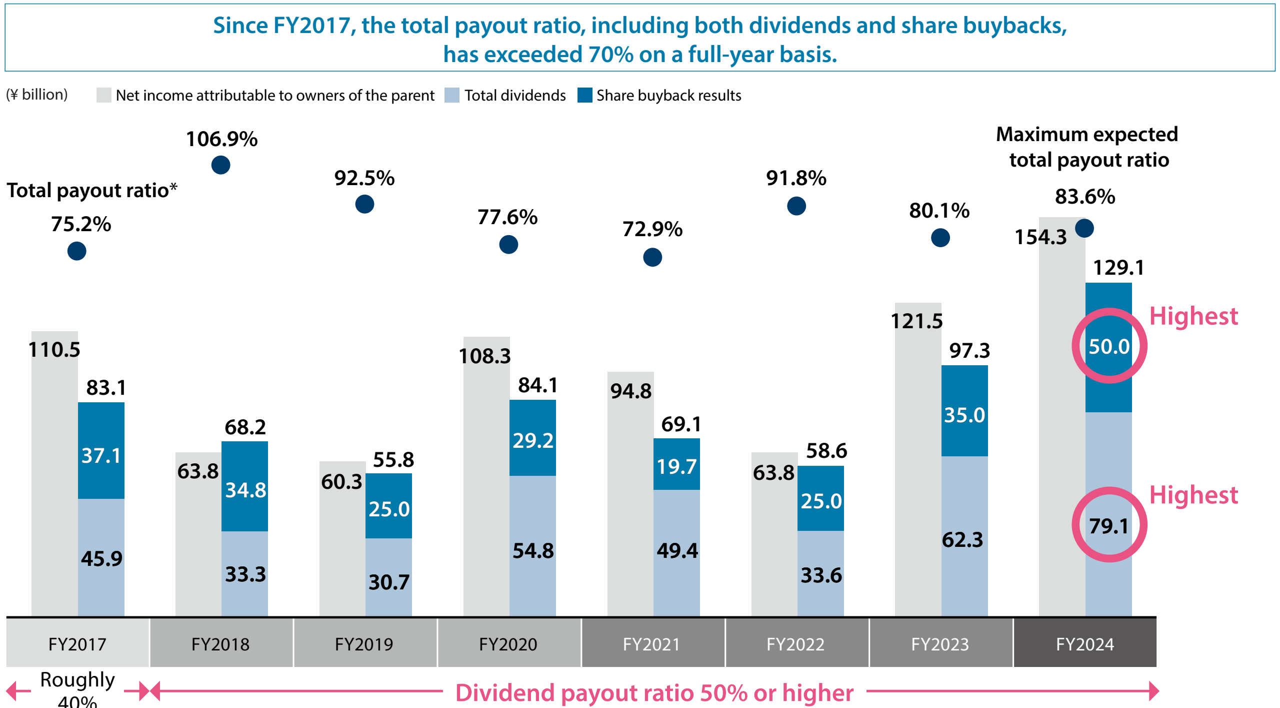
The Group's consolidated total capital ratio stood at 21.84% as of March 31, 2025. We estimate that the ratio will decline by about 2% to 3% due to the impact of the finalization of the Basel III framework. After full implementation, the capital buffer is expected to be around ¥300 to ¥400 billion.

Initiatives to enhance corporate value

The central thrust of the Group's efforts to enhance corporate value is further profit growth grounded in the expansion of Base Income. While striving to sustainably increase ROE through the expansion of Base Income, we will further enhance corporate value by stabilizing the earnings structure to reduce capital costs and by raising the expected perpetual growth rate, including by means of aggressive growth investments.

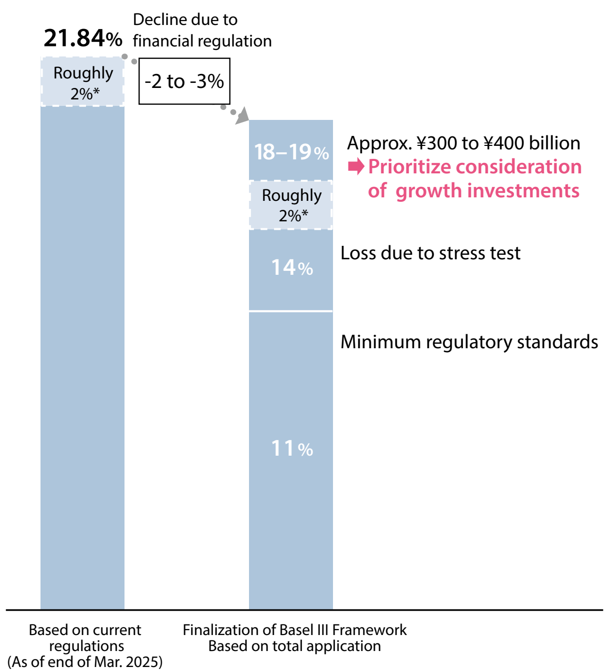
As I said, Base Income is a measure of customers' trust and a key indicator of progress toward **maximizing customer asset value**. We recorded Base Income of ¥137.5 billion in FY2024, which represents faster-than-expected progress toward our FY2026 target of ¥150 billion.

Shareholder return results



* Total payout ratio is the percentage calculated by the sum of dividends for the current fiscal year and the share repurchase decided by the date of the full year earnings announcement of the current fiscal year divided by the profit attributable to owners of parent for the current fiscal year.

Consolidated total capital ratio



* Foreign currency translation adjustments contribution (A ¥10 appreciation of the yen results in a decrease of approx. ¥30 billion in capital.)

Message from the CFO

This is the combined fruit of strategic initiatives in the various businesses that make up Base Income. In the Wealth Management Division, as a result of sales reforms we have been undertaking for more than eight years under the shift to a wealth management business model, together with steady headway in the total asset consulting business, asset-based revenues were up 20% year on year in FY2024, to ¥111.7 billion. In addition, the fixed cost coverage ratio for asset-based revenues was 107%, exceeding 100% for the first time ever in terms of the cumulative fiscal year total. In Securities Asset Management, AUM expanded to ¥33 trillion. We also made a full-fledged entry into the investment advisory business field, including being entrusted with over ¥2 trillion through our capital and business alliance with JAPAN POST INSURANCE. We saw brisk expansion of AUM in Real Estate Asset Management, to ¥1.6 trillion; we have established a stable revenue base here through robust management centering on rental housing and mid-sized offices, which are highly resistant to inflation.

In tandem with expanding Base Income, we also recognize improving capital profitability across the Group as a key issue. We are making management more transparent by disclosing segment ROE and building a framework in which each segment can proactively plan and execute strategies to improve capital efficiency. In businesses with low capital intensity, such as the Wealth Management Division, Securities Asset Management, and Global Investment Banking, we aim to increase the absolute amount and stability of profits. On the other hand, in Global Markets, Alternative Asset Management, and Real Estate Asset Management, which have high capital intensity, we are seeking to improve capital profitability by balancing earnings and capital employed. Through detailed analysis based on the characteristics of each business, we are channeling management resources into businesses that contribute to higher capital profitability. For unprofitable businesses, we are maneuvering to be able to make timely and appropriate decisions such as downsizing or withdrawal.

We actively undertook inorganic strategies in FY2024, including capital and business alliances with Aozora Bank and JAPAN POST INSURANCE, and the incorporation of Mitsui & Co. Alternative Investments as a subsidiary. Under the capital and business alliance with Aozora Bank, we are targeting a partnership impact of more than ¥10 billion on an ordinary income basis in FY2027, and are building up a track record on the ground. In addition, we are steadily expanding our customer base through external connections—through the collaboration with the JAPAN POST GROUP, the Yucho Fund Wrap account balance has increased to roughly ¥190 billion.

Meanwhile, we are also investing to achieve organic growth. To acquire, hire, and retain talented personnel, who are the source of the Group’s competitiveness, we are actively investing in human resources, such as raising salary levels by around 20% cumulatively over four years. Furthermore, in terms of digital transformation, we are simultaneously raising the quality of our consulting services and boosting productivity through the strategic use of leading-edge technology, including the rollout of an automatic interview recording system using generative AI and voice recognition technology. Such steady IT outlays will ensure that we maintain a sustainable competitive advantage.

As a result of these initiatives, after R&I upgraded our ratings, JCR, Moody's, and S&P also raised their outlook on our ratings from stable to positive. These ratings changes reflect the strong evaluation of our efforts to improve the stability of the financial base by expanding Base Income and reducing capital costs.

Going forward as well, we will pursue sustainable improvement in ROE centered on growth in Base Income, aim for more stable earnings and improved growth expectations by diversifying the business portfolio, and target ongoing improvement in PBR by improving PER through lower capital costs. Supporting these efforts will be qualitative improvements in business management, including more detailed management of ROE by segment, a more sophisticated risk management framework, and strategic growth investments with an eye toward future growth opportunities. To achieve the FY2030 targets, we will reallocate management resources and enhance management capabilities in an integrated manner, realizing the sustainable enhancement of corporate value.

P32 ROE by Segment

Reducing strategic shareholdings

Regarding strategic shareholdings, we regularly review the appropriateness of such shareholdings, based on a policy of only holding such shares when it is determined that to do so is of significance. We have set quantitative and qualitative standards for the shareholdings, and the results of our verification as of March 31, 2025 were below the quantitative target value of approximately 30% for client companies. Going forward, we will verify qualitative aspects of

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shareholdings taking into consideration such factors as the maintenance and enhancement of future business relationships and work to improve profitability. If the significance of a shareholding is determined to be low, we will proceed with the sale, taking into consideration the impact on the market and other relevant factors. As of March 31, 2025, the book value balance of shares held as strategic shareholdings was ¥82.8 billion, and the percentage of strategic shareholdings (the market value balance of listed and unlisted stocks) to consolidated net assets was 7.7%. We will continue to engage in thorough dialogue with business counterparts and work to reduce the balance of strategic shareholdings.

Dialogue with stakeholders

As I mentioned at the outset, the comments and opinions we receive from shareholders, investors, and analysts are of great value to the Group. Reflecting the considerable interest we have received, we held 347 IR interviews in FY2024, a significant increase of 120 interviews from FY2023. The feedback and insights gained from dialogue with stakeholders are regularly shared through various forums, including the Board of Directors and the Executive Management Committee and utilized in the formulation of management and financial and capital strategies.

We have actively pursued improvements informed by such ongoing dialogue, particularly in areas where we receive the most feedback. Specifically, we focused first of all on improving communication methods and promoting awareness about the importance of Base Income, to gain a better understanding of this key indicator for the Group. As I mentioned, we also set a record-high share repurchase program for FY2024. We made this decision with reference to investor opinions regarding capital allocation, with the aim of balancing growth investments and shareholder returns as well as improving capital efficiency. Based on feedback from investors, we have significantly revamped this Integrated Report as well, making it more compact. We have carefully selected key information without compromising quality, striving to balance readability with the high quality of information. The result is a report that can more effectively communicate the Group's strategy and value creation story to stakeholders.

Regarding matters of considerable attention or interest to the market, we strive to disclose information and engage in IR activities in a timely manner, aiming to support highly constructive dialogue with stakeholders.

Conclusion

To achieve the targets of the Medium-Term Management Plan and our vision looking ahead at FY2030, we will continue working to maximize corporate value over the longer term by reallocating management resources and enhancing management capabilities.

The steady accumulation of Base Income makes management of the Group more stable, while at the same time giving us more strategic options. Under disciplined capital management, we will work to further expand Base Income and build on this foundation to strike the optimal balance between growth investments and shareholder returns, striving to meet the expectations of our stakeholders. We are seeking to bring about a virtuous cycle in which our investments in growth steadily generate returns, which we can then use as the source of funds for shareholder returns and further growth investments, thereby continually expanding income.

We will also shore up the initiatives of the various businesses through close communication with the frontlines, while also supporting strategy execution in each segment from a financial perspective.

We hope to build even stronger trust with our stakeholders through transparent disclosure and constructive dialogue. We ask for your continued support and understanding.

Starting with the third quarter results of FY2024, we moved the announcement time forward to 11:30 a.m. (JST). Until now, it had been traditional to announce financial results after the Tokyo Stock Exchange closed, but we made this change in response to calls from investors to stagger and move up announcement times. The fact that the Tokyo Stock Exchange extended its trading hours by 30 minutes in November 2024 was another consideration. We also live-stream our press conference (results presentation only) at the Kabuto Club (the press club for the Tokyo Stock Exchange) on the official YouTube channel of Daiwa Securities Group.

On-demand streaming on YouTube
https://www.youtube.com/@DaiwaGroup
(In Japanese only)

Results briefing materials
https://www.daiwa-grp.jp/english/ir/presentation/