











Risks and Opportunities

Materiality	Diversity & Inclusion	100 years of life	Innovation	Green & Social	Foundation of sustainable management
					
	Risks	Risks	Risks	Risks	Risks
Opportunities	<ul style="list-style-type: none"> ◆ Risk of being unable to respond to changes in the environment due to failure as an organization to capitalize on the flexibility and diversity of human resources ◆ Risk that the Group HR strategy falls behind that of other companies, making it difficult to attract human resources ◆ Risk of weakening in the human resources base or customer base due to increasing social disparity and poverty issues 	<ul style="list-style-type: none"> ◆ Risk that contraction in capital markets will occur due to the instability of public finances in each country and to mounting geopolitical risks ◆ Risk of a deterioration in the earnings environment if factors such as a slumping market contribute to reduced customer investment demand ◆ Risk that the Group's customer base will shrink under a widening gap between the rich and poor as well as deterioration in regional economies 	<ul style="list-style-type: none"> ◆ Risk of falling behind the competition in meeting changing needs of customers and in developing new services and products ◆ Risk of worsening earnings environment in the financial industry with the influx of new entrants with disruptive technologies and new business models ◆ Risk that a relative decline in market positions will occur due to industry realignment 	<ul style="list-style-type: none"> ◆ Risk of fewer underwriting business and other business opportunities in industries that are easily affected by tightening regulations ◆ Risk of a decrease in the value of assets held by the Group due to the declining performance of investee companies affected by worsening social issues ◆ Risk of a lower market evaluation stemming from the inadequate response to the issue of sustainability or delays in responding to tightening regulations 	<ul style="list-style-type: none"> ◆ Risk of damage to the Group's reputation if and when actions that run contrary to corporate ethics occur ◆ Risk of sustaining damage such as information leaks if and when subjected to cyberattack ◆ Risk of losing stakeholder trust and corporate value stemming from delays in responding to sustainability issues and the tightening of related regulations
	<ul style="list-style-type: none"> ◆ Productivity gains through stronger employee engagement that recognizes diversity ◆ Acquiring and retaining talented human resources through enhanced human resource measures ◆ Improved organizational performance through the promotion of health management 	<ul style="list-style-type: none"> ◆ Growing need for wealth management and asset succession services in line with concentration of financial assets among the elderly population ◆ Increasing needs for asset management to support old age, improving financial literacy in Japanese society ◆ Growing momentum toward regional revitalization 	<ul style="list-style-type: none"> ◆ Growing demand for corporate financing and M&As to realize innovation ◆ Advancement of inorganic strategies focused on open innovation ◆ Possibility of offering new financing methods and products, such as security token offerings using blockchain or other digital technologies ◆ Expanding investment demand for new asset classes ◆ Greater productivity and increased business development opportunities through the recruitment and training of digital IT personnel 	<ul style="list-style-type: none"> ◆ Mounting demand for finance that helps solve social issues ◆ Opportunities to invest in and enter businesses that contribute to solutions to social issues ◆ Development and provision of new financial products and services that balance economic returns and social impact 	<ul style="list-style-type: none"> ◆ Positive impact on Group corporate value due to improved ESG evaluation ◆ The Group's efforts may lead to advising of client companies or project acquisitions ◆ Stronger foundation for the value chain ◆ Promoting dialogue with stakeholders

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Key Initiatives	<ul style="list-style-type: none"> ◆ Improvements in engagement and productivity <ul style="list-style-type: none"> Ascertaining the strengths and challenges of each level and organization based on the results of engagement surveys and implementing improvement actions ◆ Achieving a human capital portfolio in which the right person is matched to the right job <ul style="list-style-type: none"> Introduction of a talent management system to visualize employee skill levels ◆ Creating a work environment that values openness <ul style="list-style-type: none"> To assist in the early return to work from childcare or nursing care leave, expanded our flextime system by relaxing requirements for its use As part of our efforts to create environments in which each and every employee can maximize their performance, permitted office casual wear year-round 	<ul style="list-style-type: none"> ◆ Promotion of a wealth management business model <ul style="list-style-type: none"> Expanded our lineup of alternative investment products (funds, real estate investment loans, aircraft leasing, etc.) to provide new investment opportunities Following on from the tie-up with Shikoku Bank, entered into a business alliance with Bank of Iwate. Implemented organizational reforms to promote business collaboration with regional partner financial institutions Through a capital and business alliance with Aozora Bank, plan to provide high value-added consulting services to mutual customers and develop new products and services that utilize Aozora Bank's loan and trust functions ◆ Initiatives in line with Promoting Japan as a Leading Asset Management Center published by the Government of Japan <ul style="list-style-type: none"> Launched an Emerging Manager Program (EMP), a program which invests in funds managed by emerging managers, with JAPAN POST INSURANCE and an EMP investment framework, in which Daiwa Securities Group Inc. invests, and undertook initial investments in each Entered into a business collaboration with the Sumitomo Mitsui Trust Group to realize improvements in efficiency across the asset management industry by building a data sharing platform between asset management companies and trust banks 	<ul style="list-style-type: none"> ◆ Utilization of AI technology and digital tools <ul style="list-style-type: none"> Began providing an inquiry service with AI operators to respond to a variety of customer inquiries Began providing our D-Port service, a smartphone app that presents customer assets in visual form and provides an overall picture of their financial assets, including NISAs, defined contribution pension plans, and stock ownership plans ◆ Further promotion of cryptocurrency-related business <ul style="list-style-type: none"> Fintertech's cryptocurrency lending service, Digital Asset Stake (loans for consumption), launched as a service to receive yen lending fees ◆ Support for startups <ul style="list-style-type: none"> Anticipating expansion of the secondary market for unlisted stocks, signed a memorandum of understanding with the Kepple Group with respect to a capital participation and business alliance ◆ Development of human resources capable of developing digital IT services <ul style="list-style-type: none"> Introduced the Digital IT Master certification system as an employee development program 	<ul style="list-style-type: none"> ◆ Promoting sustainable finance <ul style="list-style-type: none"> Supporting a variety of sustainable finance issuances, including Japan's first sustainability-linked bond to adopt nature positive-related KPIs Focusing on expanding the scope of impact finance in Japan through investments in impact investment funds Selected as a member of the Advisory Council of the International Capital Market Association (ICMA) Advisory Council for the second consecutive year ◆ Expanded renewable energy-related business investment and business tie-ups <ul style="list-style-type: none"> Invested in onshore wind and solar power projects in the US and Australia Participation in a demonstration test for the development of a hybrid power storage facility with sharing functionality by NR-Power Lab (joint venture between NGK and Ricoh) 	<ul style="list-style-type: none"> ◆ Increasing the sophistication of information security <ul style="list-style-type: none"> NEC and Daiwa Institute of Research (DIR) will utilize AI in trade surveillance operations to monitor market manipulation and other unfair trading practices Implemented an automated recording system for customer interactions that utilizes generative AI and voice recognition to ensure transparent communication with customers DIR and Receipt Inc. entered into a capital and business alliance to provide next-generation personal information management services to prevent unnecessary exchanges of personal information ◆ Strengthening governance and risk management <ul style="list-style-type: none"> Maintaining a ratio of female directors of 50% to incorporate diverse perspectives into management decisions Revising the Daiwa Securities Group Environmental and Social Policy Framework while initiating the regular screening of investment and lending destinations for child labor, forced labor, and human trafficking ◆ Expanding the disclosure of sustainability-related information <ul style="list-style-type: none"> Expanding disclosure on natural capital and biodiversity initiatives