

Corporate Governance Dialogue

Turbulent times present an opportunity to truly earn the trust of stakeholders



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With a focus on the theme of **maximizing customer asset value**, Chairperson Nakata and Director Nishikawa sat down to talk about the future of Daiwa Securities Group. Their discussion ranged from the corporate culture and the compliance framework to employee training, even touching on growth strategies.

Striving for a corporate culture that enhances customer trust

Nakata: You were appointed as an outside director of the Group in 2019. At the same time, you are serving as a member of the Audit Committee. For us as insiders in the company, we tend to be subjective in evaluating management; you are highly valuable to us not only because you bring an outside perspective to the Board

of Directors but also because you look at issues objectively, informed by your legal knowledge.

Nishikawa: I have built my career at the Public Prosecutor's Office. When an incident occurs, the job of a prosecutor is to interpret the law to determine whether what happened constitutes a crime, to gather evidence, to determine the facts, and to decide on the appropriate course of action. In addition to a legal perspective, I've

always been mindful of the importance of due process. I hope to contribute to the Group by drawing on this perspective in terms of monitoring and offering advice on corporate management.

I've served as Chair of the Audit Committee since FY2024. The Group is engaged in a wide range of businesses, and is also pursuing various businesses overseas, so I try to take as broad a view as possible. That means I really have to do my homework. I especially want to keep a close eye on the headway the Group is making in **maximizing customer asset value**, which is the Basic Group Management Policy set out in the Medium-Term Management Plan. In addition to Group companies, I am closely following the status of the external connections the Group is actively pursuing.

Nakata: Since becoming Chairperson, I've been involved in more outside activities, such as the Japan Business Federation (Keidanren) and the Japan Securities Dealers Association. My involvement has reminded me that there are many issues facing the industry, the economy, and society. Recognizing that taking the lead in activities that benefit the industry and society as a whole will also benefit the Group, I've come to view things from the perspective of finding other ways that we can make a difference.

Unfortunately, there've been a series of scandals at major financial institutions in Japan. Companies must never violate laws or the rules of trade—it undermines the interests of customers and damages trust. I think a robust corporate framework can be helpful in preventing such things to a certain extent, but eliminating inappropriate behavior by unscrupulous employees altogether is extremely difficult. This is a major issue for the Group as well.

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Nishikawa: Financial institutions are a textbook example of a business whose existence is grounded in relationships of trust with customers and society. So, if that trust is lost, management will find running their company hard going. I think unflagging vigilance is essential here, as are steady, day-to-day efforts such as continuing to educate employees and strengthen compliance frameworks.

Nakata: In terms of education, we tell employees again and again that misconduct inevitably comes to light and, when it does, it not only causes losses for customers and the company, but the person responsible also faces harsh social sanctions. There may also be warning signs with unscrupulous employees, a sense that something doesn't quite seem right. If the superiors and colleagues who interact with employees exhibiting such signs can pick up on the changes and make a point of

communicating with them, I think this will lead to prevention. In addition to mechanisms for prevention, the most important thing is cultivating a sound corporate culture that doesn't allow misconduct to occur in the first place.

Nishikawa: Whenever someone asks me my impression of the Group, I always say that it's a sincere company. A survey targeting all Group employees had this question: What would you do if your boss gave you instructions that were problematic in terms of compliance? I heard that nearly every employee said they would put priority on compliance over the boss' instructions. Things like this have given me the impression that the Group is rigorously fostering awareness about compliance.

At the same time, since some employees think about things in different ways, we can't rule out the chance that an employee might misconstrue the instructions of a superior. So, I think it's crucial to repeatedly educate staff on a day-to-day basis, including the superiors who give instructions, on the importance of compliance.

Nakata: There was a time in the securities industry when various companies competed against each other to gain the biggest commission revenue under the same business model. The focus now, however, is on putting customers first, and the Group is pursuing its own initiatives to make improvements in this regard with the aim of **maximizing customer asset value**. This is meant to be an ongoing effort, and there will never be a point when we "reach the goal," but I feel we have shifted gears in a significant way.

The leadership of the CEO in the first year of the Medium-Term Management Plan

Nakata: In FY2024, with the expansion and permanent implementation of the NISA system in Japan, the inflow of funds from individual investors into the capital market has increased. My sense is that the shift "from savings to investment" in this country has finally gotten under way in earnest.

In this environment, the Group's consolidated ordinary income surpassed ¥200 billion for the first time in 19 years, and our full-year dividend was also the highest ever. Under the Basic Group Management Policy of **maximizing customer asset value** set out by CEO Ogino, Base Income* climbed to ¥137.5 billion. It's fair to say that the new CEO has gotten off to a good start in terms of the figures as well.

* Base Income: Total ordinary income from the Wealth Management Division, Securities Asset Management, and Real Estate Asset Management

Nishikawa: The Audit Committee has been closely monitoring how much the Policy of **maximizing customer asset value** has made inroads among sales personnel in the field. To put the Policy into practice, it is vital to grasp the situation of customers more fully than ever, discover their real needs, and truly earn their trust. This is no easy task to accomplish, and in a sense it's never really done, but employees in the Group are taking it to heart and my sense is that we are seeing steady progress.

Nakata: The concept of **maximizing customer asset value** involves finding ways of approaching all the assets customers hold—not just their financial assets but real



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estate as well—and seeking to maximize these assets in line with the customers' life plans. This calls for a variety of creative measures. In this sense, I think the true value of our approach will be tested not so much when market conditions are favorable, like they were in 2024, but in times like the present, when markets worldwide are in turmoil due to the impact of the Trump administration's tariff policies. This is a rare opportunity to tackle the customer challenges that have materialized, and work to truly earn customer trust.

I also consider it highly likely that individual financial assets in Japan will double over the next 20 years. I think it's important to engage with customers from this kind of long-term perspective.

My hope is that CEO Ogino will steadfastly continue working out the message he has been articulating. I'd like him to keep conveying a message that is easy to grasp, and that shows the direction the Group should aim for and really motivates employees to work to get there. On the other hand, one characteristic of the Group is that we're involved in businesses beyond the securities industry. I am looking to him to exercise leadership in continuing to plant various seeds and take various actions in these areas as well.

Nishikawa: I think the Group's employees are beginning to understand the joy of being entrusted with the management of customer assets from a long-term perspective and earning customers' trust, rather than simply the thrill of meeting numerical targets. For example, CEO Ogino is pointing employees in the right direction by changing the selection criteria for the President's Award. He's also actively pursuing external alliances, and I think he's showing great leadership there.

Capitalizing on Group strengths to enhance corporate value

Nishikawa: With regard to enhancing corporate value, the Board of Directors has repeatedly discussed ways of improving ROE, which represents the Group's earning power, and has talked about future growth potential. We have also discussed PBR, but since these valuation indicators also include a stock price element, I think we need to take efforts so that the Group's profitability and growth potential are externally evaluated.

Nakata: The key point is whether we can stick to the goal of **maximizing customer asset value** set out in Vision 2030 and the Plan, no matter what happens with the environment. If we can continue to increase ROE, PBR will naturally follow suit. PBR is a result—what we're aiming for is stable profit growth. I think the challenge is to achieve long-term, continuous growth even in the midst of changes in the environment.

Nishikawa: The Audit Committee will closely monitor various activities to support corporate value from the perspectives of governance and compliance. Our hope is to help the Group become the excellent company you speak about so often. I believe, as outside directors seeking to ensure that management and employees have the strong trust of customers and stakeholders and that the Group continues to grow, our role is to speak out about the things we notice and, where appropriate, offer suggestions.

Nakata: A sense of unity and trust within the organization is a strength of the Group, and I believe it is



precisely this sense of unity and trust between superiors and their subordinates and among employees that enables us to provide good service to our customers.

Nishikawa: All of the employees of Daiwa Securities Group are outstanding, and bring a high degree of specialization to their work. On top of that, they are highly motivated and have a strong sense of both ethics and solidarity. The environment for the securities industry is changing, opening up possibilities for the Group to expand into new business domains. As this unfolds, I would like to see you refine this outstanding culture even further and enhance corporate value.