

Corporate Governance

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, adopts a Three Committees System (a company with a nominating committee, etc.) as its institutional design in order to clearly separate the management supervision and business execution functions, and establishes a highly transparent and objective governance environment that conforms to international standards. At the same time, the Company realizes highly efficient oversight of Group companies and builds a unified group management system that elicits synergies among Group companies. The Company has disclosed the details of its basic views on corporate governance through its website, Securities Report^{*1}, and Corporate Governance Report^{*2}.

System/Institutional Design	Purpose
Adoption of a holding company structure	In addition to the Company's corporate executive officers, employees responsible for head office functions are also in charge of the securities subsidiary, which serves to improve the efficiency of head office operations, demonstrate synergies between Group companies to the greatest extent possible, and maximize corporate value. This arrangement also enhances competitiveness and growth potential by enabling each independent business to draw on its individual strengths while maintaining cohesiveness as a Group.
Adoption of a Three Committees System	Clearly separating the management supervision and business execution functions.
	Making swift and decisive decisions by having the Board of Directors assign wide-ranging authority to corporate executive officers and clarifying the division of duties among corporate executive officers.
	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.

History of Daiwa's Corporate Governance

The efforts the Company has made to strengthen corporate governance to date are shown on the right. The initial major transformation was the Company's transition to a holding company structure in 1999, a first for a listed company in Japan, amid calls for fundamental revisions to the securities company business model following Japan's version of the financial Big Bang. This move made the Company a leader among its peers in building a consolidated Group management structure. In order to separate the management supervision and business execution functions, and to enable agile decision-making, the Company transitioned to a Committee System (currently, a company with Three Committees System) in 2004. Since this time, it has tirelessly continued to perfect its approach to corporate governance in aims of greater improvement.

March 1998	Establishment of the Corporate Principles
June	Elected outside auditors
April 1999	Became the first listed Japanese company to adopt a holding company structure Established the Advisory Board Established the Group Management Committee
June 2000	Established the Compensation Committee
June 2002	Elected outside directors Shortened directors' terms of office from two years to one year
July 2003	Established the Internal Control Committee
June 2004	Shifted to a Committee System (currently, a company with Three Committees System)
October 2015	Complied with the Corporate Governance Code and established the Outside Directors' Committee as part of this effort
April 2017	Appointed outside directors as chairs of all three committees
June 2020	The majority of directors shall be non-executive directors
April 2021	Established Corporate Governance Guidelines
June	Appointed half of the directors (seven out of 14) as outside directors
December	The Company selected for inclusion in the new Prime Market segment on the Tokyo Stock Exchange (transferred on April 4, 2022)
June 2023	Percentage of female directors exceeds 30% (five out of 14 directors, 35.7%)
June 2024	Percentage of female directors reaches 50% (six out of 12 directors)

Note: The status of compliance with the Corporate Governance Code is disclosed in the Corporate Governance Report^{*2}

Corporate Governance Guidelines

Corporate Governance Guidelines (hereafter, CG Guidelines) stipulate the basic framework and policy for Daiwa Securities Group corporate governance. They organize the purpose of the Group's corporate governance; the institutional design; the roles and composition of the Board of Directors and each committee; the roles and requirements of the outside and internal directors; CEO successor planning; the management and support systems for the Board of Directors; information disclosure; engagement with shareholders, investors, and other stakeholders; and the commitment to ensuring shareholder equality, among others.



Corporate Governance Guidelines

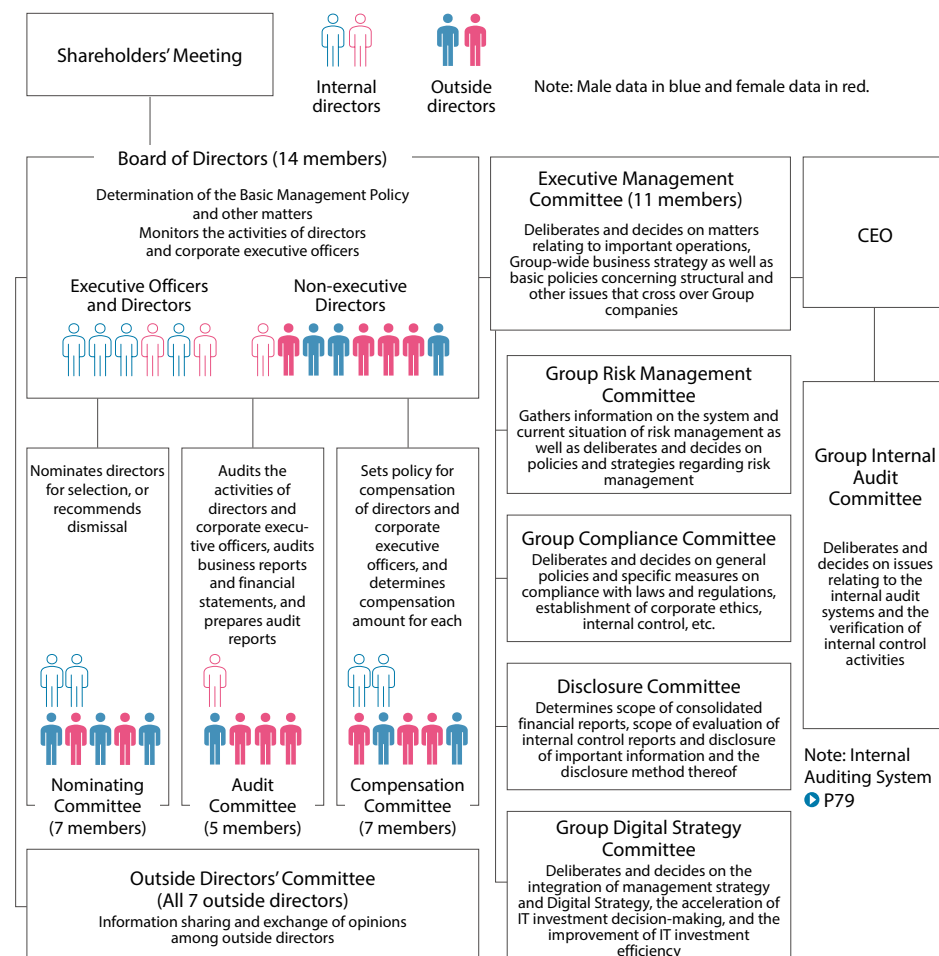
https://www.daiwa-grp.jp/english/about/governance/corporate_governance.html

^{*1} Securities Report: https://ssl4.eir-parts.net/doc/8601/ir_material_for_fiscal_ym7/185332/00.pdf ^{*2} Corporate Governance Report: https://www.daiwa-grp.jp/english/about/governance/pdf/corporate_governance_report.pdf

^{*3} 2024 Integrated Report: https://ssl4.eir-parts.net/doc/8601/ir_material13/241261/00.pdf

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Corporate Governance System at Daiwa Securities Group



- Notes 1. For details on governance involving sustainability, see Sustainability approach and initiatives (1) Governance in the Securities Report*1.
2. For details on governance involving climate change, see Climate-related Disclosure 2025 (former TCFD) on the Group's website at the following URL. (Scheduled for disclosure in September 2025.)
<https://www.daiwa-grp.jp/english/sustainability/environment/tcf.html>

Roles, composition, and activities of the Board of Directors

(1) Roles of the Board of Directors

The Company's Board of Directors is responsible for ensuring sustainable growth and for maximizing medium- to long-term corporate value based on the Corporate Principles.

The Board of Directors determine core management matters such as basic management policy, matters related to election and dismissal of, division of duties and command system, etc., among corporate executive officers, and systems for internal control and risk management. 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 as much as possible. It also supervises the execution of duties of the directors and the corporate executive officers. In this way, the Board of Directors fulfills its responsibilities while ensuring the fairness and transparency of Group Management.

The Board of Directors' agenda involves matters to be resolved and reported. In addition to key management and other matters that are to be exclusively handled by the Board according to laws, regulations, and the Articles of Incorporation, matters to be resolved also include those that the Board of Directors deems as important and as requiring a resolution. In addition, the status of execution of duties by the committees and corporate executive officers, and other matters required by laws, regulations, and the Articles of Incorporation, matters to be reported also include those deemed necessary by the chairs of the Executive Management Committee and its subcommittees, by the directors, or by the Audit Committee, and those matters the Board of Directors deems important and as requiring a resolution.

Note: For details on the Board of Directors' agenda, see Explanation about corporate governance, etc. in the Securities Report*1. In addition, for the Board of Directors' member attendance status for each director in FY2024, see Directors (Members of the Board) (page 70).

(2) Composition of the Board of Directors

The Company's Board of Directors serves as a monitoring board, and is required by the CG Guidelines to have independent outside directors account for at least one-third of its members for the purpose of appropriately exercising its management supervision function. Moreover, in principle, the majority of directors must also not concurrently serve as corporate executive officers. With a priority on ensuring the diversity of the Board of Directors as a whole, in principle, the ratio of female directors is required to stand at 30% or more.

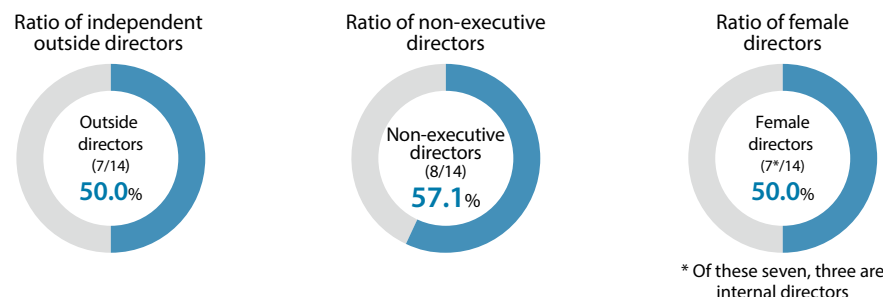
*1 Securities Report: https://ssl4.eir-parts.net/doc/8601/ir_material_for_fiscal_ym7/185332/00.pdf

*2 Corporate Governance Report: https://www.daiwa-grp.jp/english/about/governance/pdf/corporate_governance_report.pdf

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The current composition of the Board of Directors is as follows:



The Corporate Governance Code requires companies listed on the Prime Market to appoint independent outside directors to at least one-third of their director positions. The Company has currently appointed independent outside directors to a majority of its director positions, and therefore meets this condition. The majority of directors are also non-executive directors, and the majority of seats on each committee as a Company with Three Committees are held by independent outside directors, who also serve as the chair of each committee. As a result, the Company believes it has established a sufficient governance system.

For details on the process and criteria for electing and dismissing directors see the sections on the Nominating Committee in the Securities Report*¹ or the Corporate Governance Report*². The policy for selecting director candidates is laid out in Articles 8 and 9 of the CG Guidelines.

According to the CG Guidelines, the total tenure of outside directors shall not, in principle, exceed eight years, and shall not exceed 10 years under any circumstances.

The skills required of directors include corporate management, finance/accounting, legal/compliance, DX/ICT, global business, and sustainability. For the skills of each director, see the List of Directors.

The chair of the Board of Directors shall not possess the right to represent the Company, but shall serve concurrently as a corporate executive officer in order to ensure management continuity and seamless cooperation between the Executive Management Committee and the Board of Directors.

Meanwhile, the chair of the Outside Directors' Committee is responsible for coordinating the outside directors. The current Outside Directors' Committee chair is Director Katsuyuki Nishikawa.

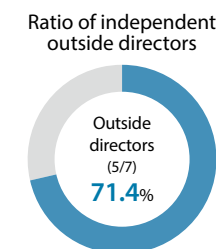
(3) Activities of the Board of Directors

As a Company with Three Committees, the Company has established a Nominating Committee, an Audit Committee, and a Compensation Committee. In accordance with laws and regulations, outside directors account for the majority of each committee. Moreover, in accordance with internal rules and the CG Guidelines, one of the outside directors on each Committee is elected to serve as its chair.

◆ Nominating Committee

Roles

Review the composition of the Board of Directors in consideration of corporate governance and the basic idea for nominating candidates for director, select director candidates, and consider the CEO succession plan, etc.



Activity details and committee composition

For details on the FY2024 activities and member attendance status, and on the FY2025 committee composition, see page 103 of the Securities Report*¹

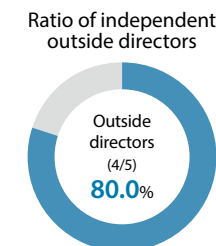
Composition of the Board of Directors and policy for selecting director candidates

See page 103 of the Securities Report*¹

◆ Audit Committee

Roles

The Audit Committee is in charge of auditing the execution of duties by the directors and corporate executive officers in terms of legality and appropriateness, 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 addition, the Committee has the right to consent regarding the determination of remuneration, etc. of the Accounting Auditor.



*1 Securities Report: https://ssl4.eir-parts.net/doc/8601/ir_material_for_fiscal_ym7/185332/00.pdf *2 Corporate Governance Report: https://www.daiwa-grp.jp/english/about/governance/pdf/corporate_governance_report.pdf

*3 2024 Integrated Report: https://ssl4.eir-parts.net/doc/8601/ir_material13/241261/00.pdf

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Activity details and committee composition

- For details on the FY2024 activities and member attendance status, and on the FY2025 committee composition, see page 104, page 137, and 138 of the Securities Report*¹
- Reports on the agenda for Daiwa Securities meeting bodies (Group Compliance Committee, Group Digital Strategy Committee, Group Product Governance Council, Group Overseas Management Committee, etc.)
- The Appointed Audit Committee Members concurrently serve as the auditors for Daiwa Securities, Daiwa Asset Management, Daiwa Institute of Research, and other major subsidiaries, and participate in meetings, including the Board of Directors, for the relevant company. They also coordinate with the Accounting Auditor, and exchange information and opinions with the full-time Audit & Supervisory Board members of Group Companies
- Established the Audit Committee's Office as an office that specializes in supporting the Audit Committee's work



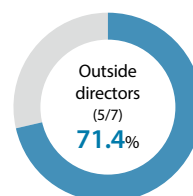
View of an Audit

◆ Compensation Committee

Roles

Reviews the Director remuneration policy and details of individual remuneration of the incentive plan of the Group as a whole, to ensure the enhancement of consolidated earnings and stock prices

Ratio of independent outside directors



Activity details and committee composition

For details on the FY2024 activities and member attendance status, and on the FY2025 committee composition, see page 104 of the Securities Report*¹

*1 Securities Report: https://ssl4.eir-parts.net/doc/8601/ir_material_for_fiscal_ym7/185332/00.pdf

*2 Corporate Governance Report: https://www.daiwa-grp.jp/english/about/governance/pdf/corporate_governance_report.pdf

*3 2024 Integrated Report: https://ssl4.eir-parts.net/doc/8601/ir_material13/241261/00.pdf

CEO successor planning

The Nominating Committee conducts periodic reviews of key officers, who could be considered as CEO candidates based on the current CEO's views on the selection of a successor and the attributes required of a CEO. In addition, a training program to develop future management candidates is implemented annually, and the status of implementation regularly reported to the Board of Directors.

Article 15 of the CG Guidelines outlines the CEO successor planning process along with the election and dismissal processes.

For details on the background to the election of the current CEO, see the Corporate Governance Dialogue (page 118) in Integrated Report 2024*³.

Support for outside directors

The Company established the Corporate Secretariat as an office dedicated to supporting the Board of Directors and the outside directors. Together with the Corporate Planning Department, the Corporate Secretariat serves as the secretariat for the Board of Directors.

Prior to Board of Directors and committee meetings, the related departments and the secretariat hold briefings. The secretariat also shares the details of key agenda items covered at the Executive Management Committee and other meetings with the outside directors.

The Outside Directors' Committee is held multiple times throughout the year as an arena for the outside directors to share information and exchange opinions with each other. Off-site meetings are also held as a location for internal directors and outside directors to strengthen communication by exchanging opinions in a more candid manner. For details, see page 105 of the Securities Report*¹.



An off-site meeting with a lecture by Takashi Imamura, President and CEO of Marubeni Institute

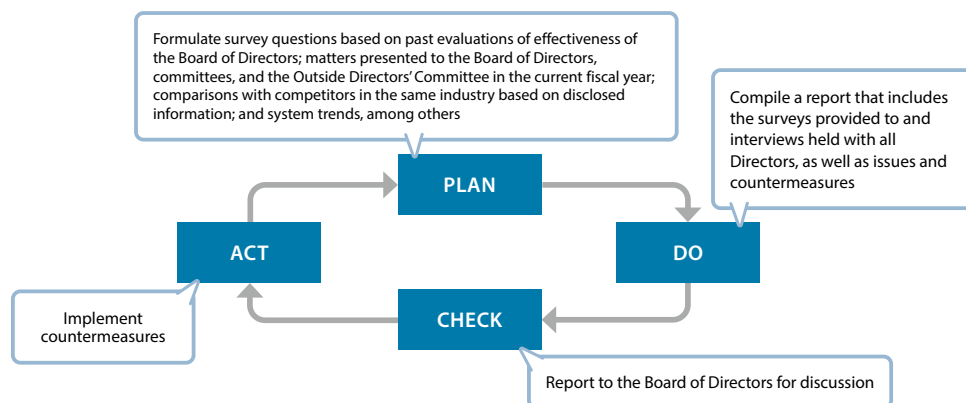
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The Company has also set up multiple opportunities each year for internal directors and outside directors to engage in direct dialogue in an effort to further stimulate communication. In addition, the Company has implemented the following initiatives to conduct training for and share information with outside directors.

- ◆ Explanations of operational details from each department for newly elected outside directors
- ◆ Officer training (using outside lecturers and training organizations, etc., in some cases)
- ◆ Lectures by outside experts during the Outside Directors' Committee
- ◆ Provision of industry information (including system trends)
- ◆ Regular sharing of the content of earnings announcements, management strategy meetings, and individual meetings with institutional investors

Evaluating the Effectiveness of the Board of Directors

Daiwa Securities Group Inc. has conducted effectiveness evaluations of the Board of Directors each fiscal year since FY2014 for the purpose of identifying any issues hindering the greater effectiveness of the Board of Directors and for making improvements. All of the Directors were asked to answer a survey about the roles, duties, structure, management methods and the status of discussions by the Board of Directors as well as other matters, including management of the Nominating, Audit, and Compensation committees. They were then interviewed by specialized agencies, and the Company analyzed and evaluated the results of those interviews. The results of the evaluation were reported to the Board of Directors and discussed by the directors in order to implement a PDCA cycle. The Company endeavors to maintain and enhance the effectiveness of the Board of Directors using this PDCA cycle.



Key Points of the Effectiveness Evaluation for the Company's Board of Directors

- ◆ Specialized agencies provided advice on survey question formulation and conducted interviews
- ◆ Reviewed agenda items for the Board of Directors and Outside Directors' Committee through surveys and interviews, and formulated an annual plan
- ◆ The FY2024 evaluation covered management strategy, risk management, the Board of Directors' agenda, dialogue with stakeholders, and the composition and management of the Board of Directors
- ◆ Also conducted evaluations of the Nominating, Audit, and Compensation Committees
- ◆ As a personal assessment, the outside directors reviewed the past year themselves

Prior to conducting the FY2024 evaluation, the Company hired an external independent agency to review the previous year's evaluation at the PLAN stage.

Notes: 1 For details on the FY2024 evaluation, see the Corporate Governance Report^{*2}

2 For issues and actions indicated by the Board of Directors in the past, see the following websites



https://www.daiwa-grp.jp/english/about/governance/corporate_governance.html

^{*1} Securities Report: https://ssl4.eir-parts.net/doc/8601/ir_material_for_fiscal_ym7/185332/00.pdf

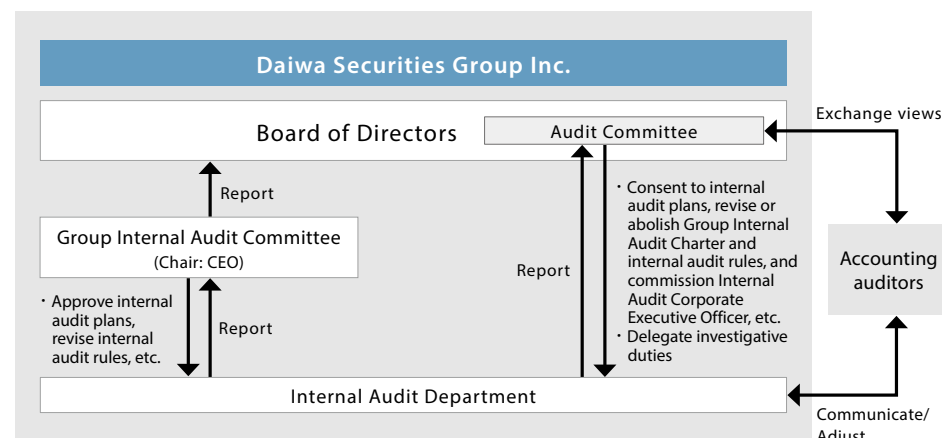
^{*2} Corporate Governance Report: https://www.daiwa-grp.jp/english/about/governance/pdf/corporate_governance_report.pdf

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Internal Control

Internal Auditing System Diagram



Internal control system

In recognition that management is responsible for maintaining an internal control system to ensure the sound and appropriate execution of business, the Group, under the main initiative of Daiwa Securities Group Inc., has established a system for managing the Group's major business risks. Through this system, the Group endeavors to ensure business effectiveness and efficiency, reliable financial reporting, compliance with laws related to business activities, and asset preservation.

In consideration of the above, the Board of Directors makes decisions regarding systems for ensuring the appropriateness of the Group's operations, and works to enhance the internal control system.

Internal audits

The Group positions internal audits as serving a critical function as part of the internal control system, and has assigned a dedicated corporate executive officer responsible for internal audits within the Company. The Internal Audit Department functions independently from all other departments in verifying the internal control system.

Examples of issues that internal audits focus on regarding the Group's business activities

- ▷ Internal control systems at Daiwa Securities and overseas offices as a global financial instruments business operator
- ▷ Status of operations at Group companies and status of control by the Company

Whistleblowing system (Corporate Ethics Hotline)

The Group operates a Corporate Ethics Hotline through which employees can report acts of misconduct directly to a corporate ethics officer of Daiwa Securities Group Inc. or outside lawyers. In addition to clearly codifying the protection of whistleblowers in its regulations, the Group works to protect whistleblowers and ensure their anonymity when operating the system. Moreover, we adhere strictly to a no retaliation policy and prohibit the adverse treatment of whistleblowers based on their reporting. As far as reporting methods are concerned, information can be relayed through various means, including the telephone as well as the incident reporting page on the intranet and via email 24 hours a day, 365 days a year. In addition to Group officers and employees, anyone who works at the Group's offices can use this system. When the hotline is contacted, the corporate ethics officer, in cooperation with the persons responsible for handling internal whistleblowing at each Group company, carries out a factfinding investigation, while taking steps to protect the caller. In FY2024, 111 reports were received through the whistleblowing system.



Structure and achievements of the whistleblowing system (Corporate Ethics Hotline)
<https://www.daiwa-grp.jp/english/about/governance/compliance.html>