

Systems Risk Management and AI Governance

Operational resilience

Dramatic changes in the environments that encompass financial institutions today are increasing the complexity of risks, yet this situation also presents the danger that institutions will be unable to continue providing critical services with BCP that simply seek to prevent accidents and impediments, and that only envision specific risk events. In addition to making every effort to implement preventative measures, the Group works to ensure operational resilience (including recovery capabilities) under the assumption that business suspensions are a foregone conclusion. In specific terms, we are promoting initiatives aimed at strengthening and improving the effectiveness of the structure necessary to ensure business continuity as part of efforts to prepare for such widespread natural disasters as earthquakes and typhoons, as well as large-scale system failures.

Having recognized cybersecurity as a particularly important issue for management, and as part of our Digital Strategy throughout the period of our Medium-Term Management Plan, we are promoting efforts aimed at strengthening both technological countermeasures and governance as requirements for ensuring operational resilience. Specifically, the Group runs cybersecurity drills for the management of each Group company, promotes technical countermeasures that utilize AI and other cutting-edge technologies, strengthens regular security monitoring and operations, implements measures against fraudulent transactions, and introduces management frameworks that match the cyber risk level of each Group company.

Daiwa Securities Group's AI Governance Mission Statement

As with data bias in AI (imbalance and bias in the training data holds the potential to also affect the output), AI also involves unique risks, such as unintentionally compromising fairness and safety. As a result, efforts to put in place principles and guidelines covering the application and use of AI have become increasingly active on the world stage. Japan is no exception, with the formulation and consideration of AI-related principles and guidelines underway. Examples include the AI Guidelines for Business established by Japan's Ministry of Economy, Trade and Industry and Ministry of Internal Affairs and Communications, the Guide to Evaluation Perspectives on AI Safety formulated by the Japan AI Safety Institute, and the AI Discussion Paper published by Japan's Financial Services Agency.

As a company that broadly utilizes AI and that is entrusted with the valuable assets of its customers, the Group formulated the Daiwa Securities Group AI Governance Mission Statement, to which the entire Group is subject in June 2023. This is the first such policy regarding AI ethics in the securities industry. This policy comprises a preamble and seven articles, which stipulate the items that must be followed when using AI. The policy was revised in September 2024 following the publication of the AI Guidelines for Business. Similarly, the Group has established an environment for appropriately managing the development and use of AI for the entire Group. This environment

requires any questions or violation incidents that have arisen regarding the use of AI at a Group company to be reported swiftly at the Group AI Governance Committee, which was established at the same time as the Statement.

The Daiwa Institute of Research has formulated the Daiwa Institute of Research AI Ethics Policy, which is founded on the Daiwa Securities Group AI Governance Mission Statement, yet places a greater emphasis on AI ethics at the time of development and implementation. At the same time, the company established the AI Ethics Committee, which ensures its activities align with this policy.

Daiwa Securities Group will continue to make every effort to become a trusted partner for all stakeholders and ensure that our services are used with peace of mind.

Daiwa Securities Group AI Governance Mission Statement

Daiwa Securities Group is committed to social issues such as the environment, human rights, education, economic growth, and technological innovation, and contributing to the sustainable development of society and the economy. To achieve this, the use of cutting-edge technology, especially AI, has become essential. While the impact of AI on society and the economy is expected to expand further in the future, there are still developing aspects of AI technology.

Under careful consideration, Daiwa Securities Group has established the "Daiwa Securities Group AI Governance Mission Statement," which we encourage all employees to abide by the understanding that we are a company that uses AI extensively in research and development, prediction and analysis, together with providing services.

Daiwa Securities Group will continue to make every effort to become a trusted partner for all stakeholders and ensure that our services are used with peace of mind.

- | | |
|---|--|
| 1. Contribution to Society and Economy through AI | 5. Compliance with Laws and Privacy Protection |
| 2. Provide Human-Centered AI | 6. Security and Monitoring of AI |
| 3. Transparency and Accountability of AI | 7. Governance and Literacy Improvement of AI |
| 4. Appropriate Use and Learning of AI | |



Daiwa Securities Group AI Governance Mission Statement
https://www.daiwa-grp.jp/english/about/governance/ai_governance.html