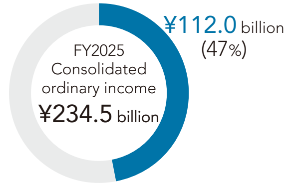
Wealth Management Strategy

The main sources of revenues in the Wealth Management Division are asset-based revenues, mainly wrap fees and investment trust administration fees, as well as product sales commissions related to the management of assets for individual investors and unlisted companies in Japan.

WM Division ordinary income



Junichi Serizawa
Head of Wealth Management

In FY2025, the WM Division's ordinary income increased significantly to ¥112.0 billion, up 38.9% compared with the previous fiscal year. In doing so, the Division achieved the target set for FY2026 under the Group's Medium-Term Management Plan ahead of schedule. Asset-based revenues reached ¥123.2 billion, while the fixed cost coverage ratio and total cost coverage ratio on asset-based revenues rose to 112% and 73%, respectively. These results demonstrate the steady progress of the Group's transformation toward a wealth management business model.

These achievements reflect our deep understanding of customers cultivated through our total asset consulting approach and our success in enhancing the quality of portfolio improvement proposals based on a holistic view of customers' assets. Moving forward, we will refine this total asset consulting approach, centered on our understanding of customers and proposal capabilities nurtured to date, and work to significantly increase our share of the customer's wallet. Consequently, we aim to achieve stable and sustainable revenue growth while further supporting each customer in wealth accumulation and preservation.

Main Companies

- Daiwa Securities Co. Ltd.
- Daiwa Next Bank, Ltd.
- Daiwa Connect Securities Co., Ltd.
- Fintertech Co. Ltd.
- Retela Crea Securities Co., Ltd.

(Daiwa Securities) Number of branches and sales offices in Japan	182
(Daiwa Securities) Number of customer accounts with balance	3,277 thousand
(Daiwa Next Bank) Balance of deposits	¥5.0 trillion
(Daiwa Next Bank) Number of accounts	2,288 thousand

Business Environment

- Growing inflationary pressure
- Growing needs for asset preservation as people live longer
- A future transfer of wealth to the digital-native generation, while the current crop of young people has less investment experience
- Emergence of new products and services enabled by emerging technologies, changes in regulations in response

Strengths

- Network of 182 sales branches/sales offices and a customer base built up over 124 years since its foundation
- Highest number of CFPs among financial institutions in Japan
- Ability to develop and recommend products and services in line with customer needs
- Ability to provide products such as foreign equities/bonds, IPOs, primary and secondary offerings, through synergies with other divisions, including the GM&IB Division

Business Risks

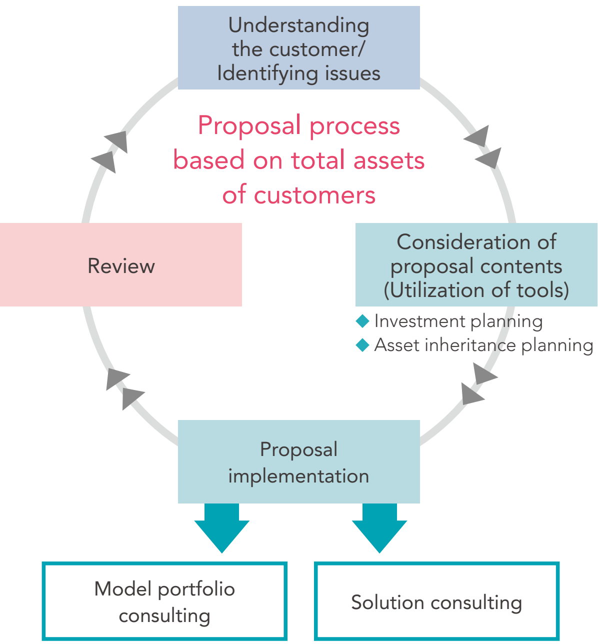
- Risk of major decline in earnings due to weak demand for securities investment from customers owing to market slump, or investors becoming less willing to hold risk assets
- Risk arising from substantial fixed costs, such as real estate-related expenses, personnel expenses, or depreciation on systems investments, for branches, sales representatives, online trading systems, etc.
- Risk of reduced investment margins caused by changes in monetary policy
- Risk of sluggish growth in earning power if the strategy to differentiate from other competing banks does not advance as expected
- Risk of incurring additional costs in the event of an inadequate response to the risks faced by the banking industry

Wealth Management Strategy

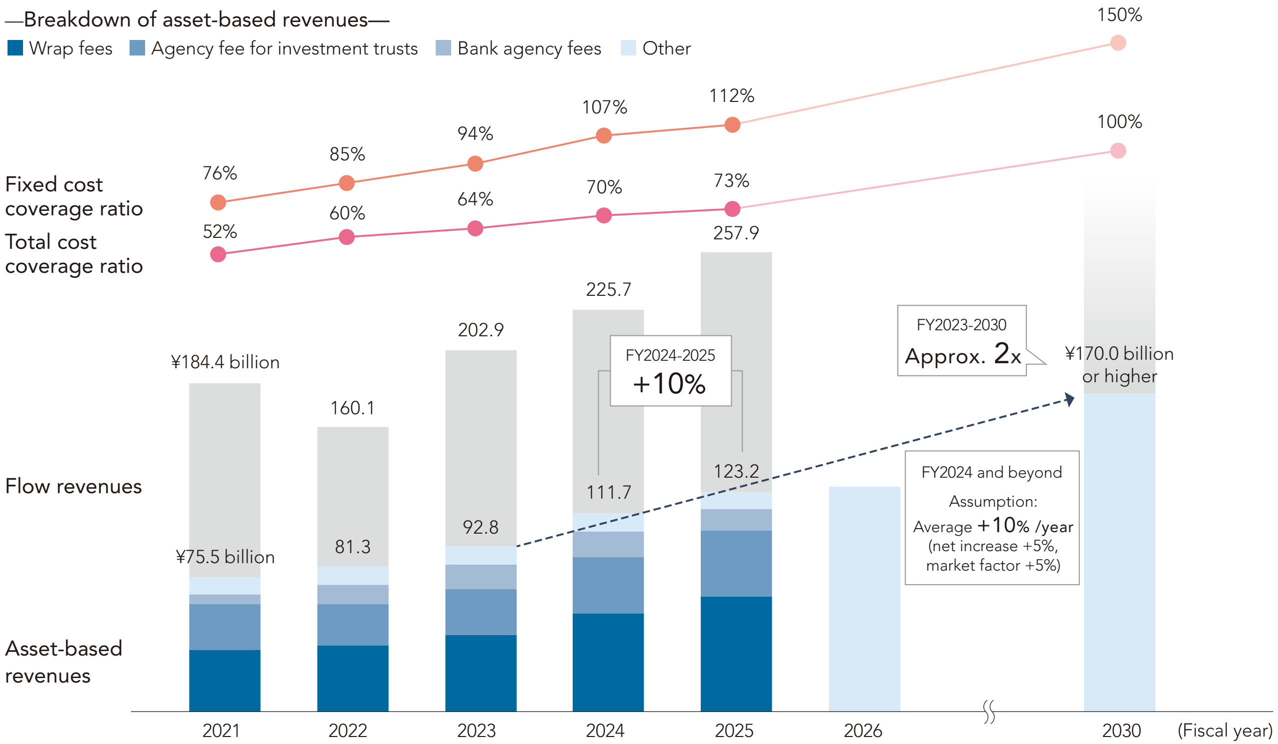
Sustainable growth through the promotion of total asset consulting

The WM Division has focused on sales reform centered on improving customer satisfaction and the shift to a wealth management business model. Among a host of endeavors, the Division provides services tailored to the needs and attributes of each customer through a nationwide network of 182 branches, sales offices, and contact centers, as well as via online trading. The Division also utilizes analytical tools such as investment and asset inheritance planning to visualize total assets, including non-financial assets like real estate and assets held at other financial institutions, to put forward proposals that ensure the optimal allocation of assets and high-value-added solutions to customers with advanced consulting needs. Buoyed by efforts to further refine portfolio proposals based on this total asset consulting approach and expand the customer base through external alliances, asset-based revenues climbed 10% compared with the previous fiscal year, to ¥123.2 billion in FY2025. In addition, positive steps have been taken to respond promptly to trading needs that stem from fluctuations in the market. This has in turn led to steady growth in flow revenues. Looking ahead, we will build a more robust earnings structure that is resilient to the external environment. At the same time, we will promote total asset consulting tailored to the needs of individual customers, with the aim of further expanding asset-based revenues and securing sustainable profit growth through FY2030.

Total asset consulting loop



Growth image of WM Division (Daiwa Securities)

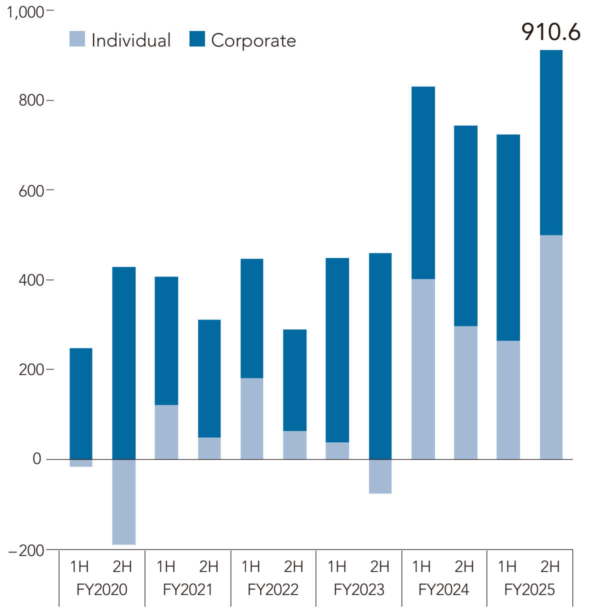


Wealth Management Strategy

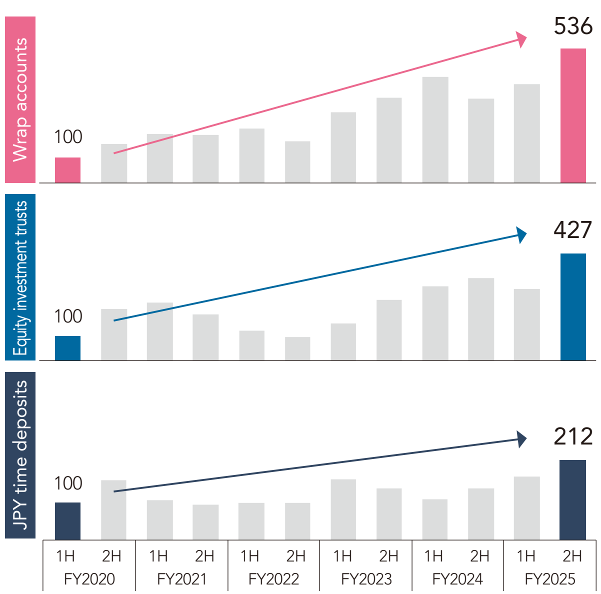
Since promoting total asset consulting, asset inflows have enjoyed an upward trend for both individual and corporate customers. In an index of cash-funded purchase amounts for each product, with the first half of FY2020 set at 100, wrap accounts and stock investment trusts have expanded 4 to 5 times, and JPY time deposits have doubled, indicating steady growth in purchases underpinned by new funds. Moving forward, we will further strengthen our business foundation through sustained asset inflows and accumulation of new funds.

In our business serving corporate customers with accounts at the WM Division, both revenues and assets under custody continue to increase steadily, an indication of significant ongoing growth potential. Through collaboration among Group divisions, we have consistently provided advanced consulting services to a wide range of corporate and institutional customers, including unlisted companies and owner-managed companies. Extending beyond the provision of added value to customers, these initiatives have expanded revenue opportunities across the entire Group. In the future, we will promote Group-wide growth by bolstering collaboration among divisions and accelerating efforts to expand our corporate business.

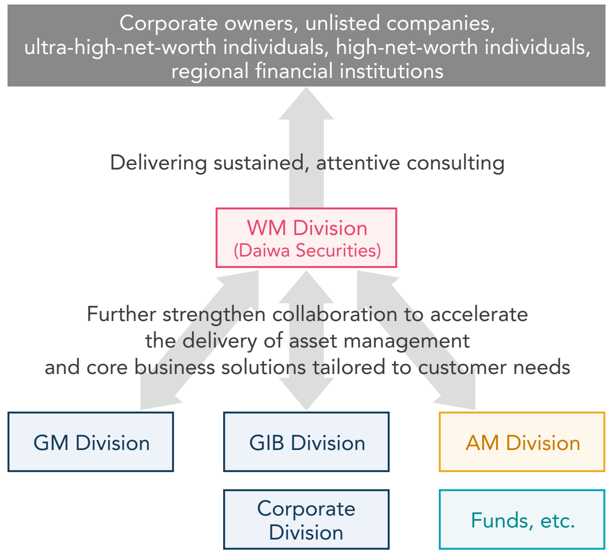
Asset inflows—WM Division (Daiwa Securities)



Cash-funded purchases / deposits by product



Inter-divisional collaboration (business serving corporate customers)



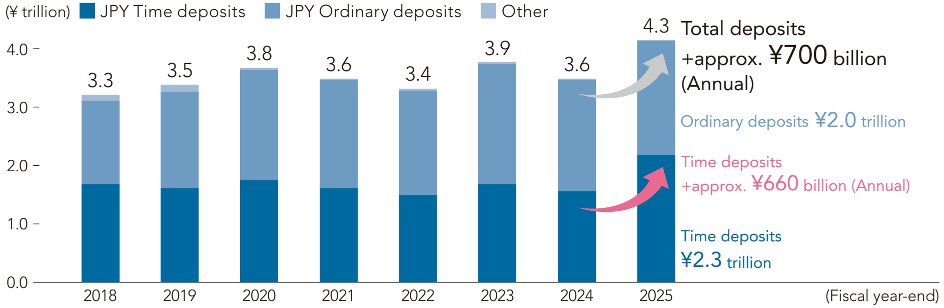
Wealth Management Strategy

Daiwa Next Bank

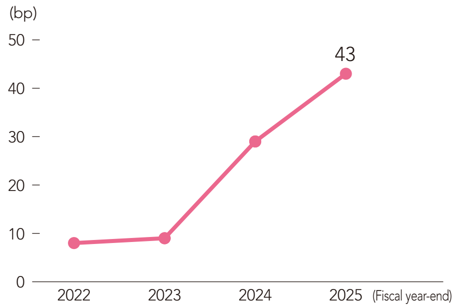
Daiwa Next Bank

Commencing operations in 2011, Daiwa Next Bank functions within the Group as a gateway to the shift "from savings to investment," automatically managing funds on hold in securities accounts in savings accounts. Through a low-cost market investment business model, the bank secures profits by way of interest margins by investing the funds raised. Buoyed by the steady improvement in its deposit-gathering capabilities, the balance of yen-denominated deposits increased approximately ¥700 billion in FY2025. With the era of positive interest rates now firmly established and the inflow of funds on hold projected to accompany the expansion of securities trading, Daiwa Next Bank believes that deposit balances will continue to grow further going forward. In addition, while the yield on yen-denominated investments remained low for a considerable amount of time, it widened significantly following the end of BOJ's negative interest rate policy in March 2024. The yield expanded to 43 basis points as of the end of March 2026, thereby improving profitability. In light of the aforementioned, ordinary income hit a record high of ¥21.1 billion in FY2025.

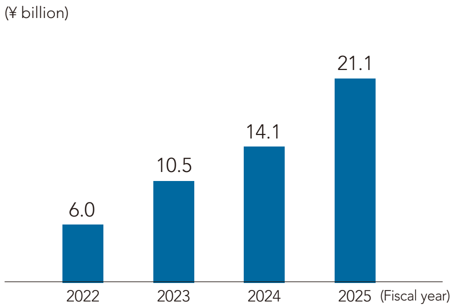
Daiwa Next Bank JPY deposit balance trend



JPY funds interest margin trend



Ordinary income trend



Daiwa Connect Securities

Daiwa Connect Securities

Daiwa Connect Securities commenced operations in July 2020 as a smartphone-based securities company with a mission to help expand the investor base by creating connections with new customers. Focusing primarily on investment novices and young adults, the company is expanding its customer base by providing new financial services tailored to the digital native generation, while also collaborating closely with external companies. Moving forward, Daiwa Connect Securities will continue to expand its customer base and stabilize its earnings, focusing on its branding strategy as a smartphone-only securities service that prioritizes UI/UX as well as its installment-type investment services.

Major Initiatives	
Capturing digitally native customers	◆ Promote new NISA and installment-type Investments ◆ Strengthen video utilization and owned media
Stimulate transactions	◆ Strengthen installment-type services and promote continuous transactions ◆ Utilize data analysis and marketing automation
Collaborate with Daiwa Securities Group companies and external corporations	◆ Mutual referrals between Group companies ◆ Collaborate with external companies with a customer base

Fintertech

Fintertech

Fintertech was established in April 2018 with the purpose of developing next-generation financial services in an agile and flexible manner by utilizing cutting-edge technology and collaborating with external companies. Currently, the company offers services such as Digital Asset-backed Loans and Digital Asset Staking as well as the loan-type crowdfunding service Funvest. By leveraging Daiwa Securities Group's business platform and cutting-edge technologies, including blockchain, Fintertech will create a new cycle of capital flow that bridges the digital and physical worlds.

Expand the digital asset finance business

デジタルアセット担保ローン 6th

デジタルアセットステーク（消費貸借）

Crowdfunding-based cash flow creation

Funvest

Employee comment: Sustainable growth underpinned by the frontline

I work closely with customers to address their challenges and needs, supporting their sustainable growth with multifaceted solutions.

Keisuke Takahashi
Director
Iwaki Branch
Daiwa Securities

At our sales branch, I work with individual customers and unlisted corporations to help address their wealth management and business succession needs. I strive daily to address customers' ever-changing needs and provide proposals that help them achieve their goals.

I particularly recall one customer, an owner of an unlisted corporation who was concerned about the high valuation of the company's shares in relation to business succession. In this instance, I was able to contribute to the growth of the customer's core business by providing solutions that addressed a myriad of issues, including asset management for surplus funds, measures to address the valuation of the company's shares, retirement allowance planning, and referrals to tax advisors.

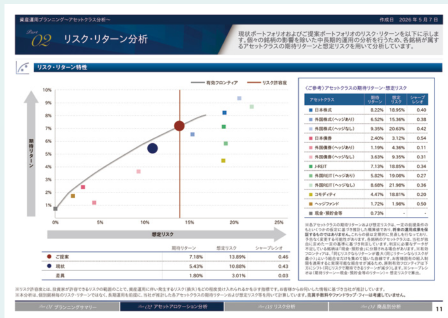
Currently, the market environment is undergoing significant change. In the midst of unprecedented conditions, marked by such factors as the surge in the Nikkei Stock Average and steps by the BOJ to implement interest rate hikes, I feel a renewed sense of responsibility as a professional in the securities industry. Moving forward, I will continue to work tirelessly to contribute to our customers' sustainable growth.

Drawing on frontline insights, I will continue evolving the frameworks that support customers in realizing their ideal future.

Shiori Oze
Associate Director
NPS Acceleration Department
Daiwa Securities

Planned and developed by this department, Daiwa Securities' investment and asset inheritance planning tools help customers envision their ideal future from a medium- to long-term perspective. What we deliver through these two tools is not the financial products themselves. Rather, we provide the value of a continuous process designed to help customers achieve their goals, supported by professional consulting. Both tools support a seamless and integrated cycle that encompasses an assessment of prevailing conditions, subsequent proposals, and a review as circumstances evolve.

One of the benefits of this cycle is that it does not rely on the level of experience of an individual member of staff at our head office or branches. Each staff member can provide customers with the optimal way forward, backed by pertinent data. Furthermore, since introducing these tools, we have made hundreds of specification changes based on staff insights. Promoting version updates while enhancing convenience as a matter of course, we are constantly working to ensure that the tools evolve in a manner that accurately adapts to changing customer needs and developments in the broader environment.



(Sample proposal) An example of investment planning