Corporate Governance

Message from the Chairperson of the Board

From form to substance: The Board's role in **maximizing customer asset value**

Seiji Nakata
Chairperson of the Board
Daiwa Securities Group Inc.

Japan's governance reform enters a new phase focused on substance

The third revision of Japan's Corporate Governance Code (CG Code) took effect in July 2026. While the CG Code has undergone two revisions since its introduction in 2015, this latest revision, which includes a review of the structure of its principles, represents a major turning point. Triggered by the Japan Revitalization Strategy put forward by the second Abe Administration in 2012, the pace of corporate governance reform in Japan accelerated in earnest. This led to the establishment of Japan's Stewardship Code in 2014 and the CG Code in 2015. With these two guiding principles now in place, efforts to develop governance mechanisms for publicly listed companies have shown considerable success. Coupled with the Tokyo Stock Exchange's calls to corporate management to take note of capital costs and stock prices, awareness of the importance of enhancing corporate value is steadily increasing. I am convinced that the cumulative effects of these reform measures have once again attracted the interest of foreign investors and contributed to a reevaluation of the Japanese market.

Taking into consideration the growing complexity of the CG Code as the result of successive revisions, together with the extremely high compliance rate, however, I believe the time is ripe to step back and reexamine whether corporate responses are truly substantive. If companies approach the CG Code as a checklist to be completed, they risk losing sight of its original purpose. The aim of the latest revision is to return to the principles-based spirit of the Code. Companies are increasingly expected to think for themselves and explain their approach in their own words. We believe this is what governance should be about.

A Board of Directors that supports **maximizing customer asset value**

To sustainably enhance corporate value, we must continue to earn the trust and confidence of our customers and remain their preferred partner. With that said, the role we must play to achieve that end is clear. Putting ourselves in each customer's shoes as they go about their life's journey, we support the growth of their precious assets. As a sign of our commitment, we formally established **maximizing customer asset value** as our Basic Group Management Policy. This represents the very foundation of our identity as a securities firm and the reason for our existence.

Led by the CEO, the management team is responsible for the executive function. Playing a dual role, the Board of Directors must provide its support when conditions call for an aggressive approach. Conversely, it must immediately apply the brakes when matters appear to be getting out of hand. In light of this dual role, the Board must exhibit independence and possess the necessary expertise to effectively oversee the Group's executive activities from a variety of perspectives. Drawing on their diverse expertise and experience, outside directors also play an important role in supporting this function. In this regard, the

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responsibilities of the Board of Directors are diverse and wide-ranging. They include ensuring the efficacy of succession planning, transparency of the Nominating and Compensation Committee, and effectiveness of the Audit Committee. Rather than viewing compliance as an end in itself, the Board must consider what is best for the Group and its stakeholders. With this in mind, we engage in ongoing discussions on a raft of topics, including medium- to long-term management strategies, the allocation of capital, sustainability issues, and next-generation leadership development. We conduct an annual evaluation of the Board's effectiveness and use the results to continuously improve its performance.

One instance where the Board's oversight function was put to the test was the acquisition of ORIX Bank as a wholly owned subsidiary. Notwithstanding the substantial scale of this investment, the Board repeatedly deliberated on and confirmed that this initiative was an indispensable step toward our long-term strategy of evolving into a total asset management business model and achieving the **maximization of customer asset value**. Moving forward, we will continue to monitor the progress of integration and results. Incorporating a wide range of perspectives through dialogue with stakeholders, including institutional investors, is also important when making strategic decisions of this kind. At the same time, it is equally important for the Board of Directors to make independent decisions based on its own judgment with a view to the long-term enhancement of corporate value while taking to heart a variety of other opinions. I believe that taking a firm stance as and when required on approaches to the creation of value that cannot be fully understood from a short-term perspective is what truly fulfills our responsibility to our stakeholders.

Going beyond an internal perspective, my role as Chair is to ensure that Board of Directors' meetings incorporate a wide range of viewpoints. Since assuming the position of Chairperson of the Board, I have also engaged in a number of activities through my involvement with such organizations as the Japan Business Federation and the Japan Securities Dealers Association. Over the past year, I have participated in discussions regarding the recent revision of the CG Code across a variety of settings, including those with the government. Drawing from these discussions, I am now keenly aware that there are many insights to be gained from industry, the business world, and society as a whole, insights that cannot be obtained solely within our Group. Once again, in my capacity as Chair, I believe that bringing back the insights gained from these outside opportunities to the Board of Directors and reexamining our operations from a broader perspective is an important duty of mine.

Continuing our journey as a trusted company

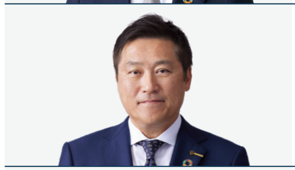
Daiwa Securities Group began reforming its governance function in earnest around 1997. Against the backdrop of substantial turmoil in the industry's operating environment, due most notably to corporate extortionist incidents, the financial system crisis, and Japan's version of the financial Big Bang, the trigger for this reform was the keen sense of urgency surrounding the need to undergo change. In 1999, we became the first publicly listed company in Japan to transition to a holding company structure. Later in 2004, we shifted to a company with a Three Committees System. Neither of these initiatives was in response to external pressure. Rather, they were the result of proactive decisions made as we confronted the challenges facing the Group head-on.

A quarter of a century has now passed, and the environment in which the Group operates has changed dramatically. Customer needs that have become more diverse and sophisticated than ever before are but one example. Technologies such as AI that have the potential to fundamentally change the way business is conducted, continue to take root at an accelerated pace. Under these circumstances, I strongly believe that maximizing the Group's comprehensive strengths and engaging with customers from a long-term perspective will help further garner trust.

By continuing to be chosen by our customers, I am convinced that we can achieve sustainable growth, enhance corporate value, and ultimately deliver value to shareholders. Trust is not something that is earned once and then forgotten. Governance too is something that must be continuously refined. Each is critical if we are to live up to the trust placed in us by customers, shareholders, investors, employees, and society at large. As a Board of Directors, we will continue to take uninterrupted steps in an effort to continue evolving.

Directors (Members of the Board)

Internal directors

		Years on the Board	Attendance at Board of Directors' meetings	Career	Expertise and experience	Significant concurrent positions
	Chairperson of the Board **Seiji Nakata** Corporate Executive Officer Nominating Committee Compensation Committee	11	10/10	1983 Joined Daiwa Securities Co. Ltd. He served successively as the Deputy Head of Corporate Planning and Human Resources of the Company, the Head of Corporate Institution and the Head of Sales of Daiwa Securities, and COO and the Head of Retail of the Company, and accordingly has broad experience related to all of Daiwa Securities Group. Also, he served as the President and CEO of the Company from 2017 to 2024 and has broad experience and insights as a manager.		Chairperson of Daiwa Securities Co. Ltd. Outside Director of Imperial Hotel, Ltd.
	**Akihiko Ogino** Corporate Executive Officer, President and CEO Nominating Committee Compensation Committee	6	10/10	1989 Joined Daiwa Securities Co. Ltd. He served successively as the Head of Legal, the Deputy Head of Overseas Operations, and the Head of Corporate Planning of the Company and the Executive Head of Human Resources and Corporate Planning of the Company. He has served as the President, and CEO of the Company since 2024. He has expertise and experience in presenting management strategies based on a wide vision and also to adequately execute the management and control of the Group.		President of Daiwa Securities Co. Ltd.
	**Eiji Sato** Corporate Executive Officer, Deputy President and COO	2	10/10	1991 Joined Daiwa Securities Co. Ltd. He served as the Head of the Finance Dept. and the Head of the Corporate Planning Dept. of the Company. He became a Senior Managing Director of the Company in 2017, and since then he has served successively as CFO, the Head of Corporate Planning and the Deputy Head of Overseas Operations of the Company. He has solid experience and record in Corporate Planning, Finance, and Investment Banking.		Deputy President of Daiwa Securities Co. Ltd.
	**Junichi Serizawa** Corporate Executive Officer, Deputy President Head of Wealth Management	Newly appointed	–	1992 Joined Daiwa Securities Co. Ltd. He served successively as the Head of Sales Support Dept. and the Head of Shibuya Branch of Daiwa Securities. He became the Senior Managing Director of Daiwa Securities in 2017, and since then he has served successively as the Head of Regional Marketing and the Head of Sales of Daiwa Securities. He has broad knowledge and experience in Wealth Management.		Deputy President of Daiwa Securities Co. Ltd.
	**Hiroko Sakurai** Corporate Executive Officer, Deputy President Head of Compliance	1	8/8*	1988 Joined Daiwa Securities Co. Ltd. She served successively as the Head of Investor Relations Office of the Company and the Head of Global Equity Sales Dept. (I) of Daiwa Securities. She became a Senior Managing Director of Daiwa Securities in 2016, and since then she has served successively as the Head of Private Banking, the Head of Contact Center, and the Head of Mass Affluent Marketing. She has broad experience and knowledge in areas such as Global Markets Division, Wealth Management Division, and Compliance Division.		Deputy President of Daiwa Securities Co. Ltd.
	**Kotaro Yoshida** Corporate Executive Officer, Executive Managing Director and CFO	Newly appointed	–	1992 Joined Daiwa Securities Co. Ltd. He served successively as the Head of the Daiwa Direct Planning Dept. and the Head of the Product Solution Dept. of Daiwa Securities, and the Head of the Corporate Planning Dept. of the Company. He became the Senior Managing Director of Daiwa Securities in 2021, and since then he has served successively as the Head of Product Solutions, etc. of Daiwa Securities. He has solid experience and track record in Corporate Planning and Finance and also has experience in Wealth Management Division.		Executive Managing Director of Daiwa Securities Co. Ltd.
	**Sachiko Hanaoka** Audit Committee Non-executive director	7	10/10	1990 Joined Daiwa Securities Co. Ltd. After serving in the Research and Product Divisions, she served successively as the Head of the Products Planning Dept., the Education and Training Dept., and the Investment Strategy Dept. of Daiwa Securities. Throughout her broad accumulated experience in the Research Division, she has developed a strong analytical ability and broad knowledge in business accounting and broad accumulated experience in management.		Audit & Supervisory Board Member of Daiwa Securities Co. Ltd., Daiwa Asset Management Co. Ltd., and Daiwa Institute of Research Ltd.

They have expertise and experience to execute adequately the management and control of the Group.

* Attendance at Board of Directors' meetings since being appointed in June 2025

Corporate management | Finance/Accounting | Legal/Compliance | DX/ICT | Global business | Sustainability

Directors (Members of the Board)

Outside directors

★ indicates committee Chair

	Outside directors	Years on the Board	Attendance at Board of Directors' meetings	Career	Expertise and experience	Significant concurrent positions
	**Katsuyuki Nishikawa** Nominating Committee ★ Audit Committee Outside director	7	10/10	He held positions such as the Vice-Minister of Justice, the Superintending Prosecutor of the Tokyo High Public Prosecutors Office, and the Prosecutor General, and is currently an attorney-at-law. The Company has drawn on his wealth of experience and expertise on legal and compliance issues nurtured throughout his career in providing management advice.	Legal/Compliance; Sustainability	Attorney at Nishikawa Katsuyuki Law Office; Outside Audit & Supervisory Board Member of Aeon Hokkaido Corporation
	**Toshio Iwamoto** ★ Nominating Committee Compensation Committee Outside director	6	10/10	He held positions such as the President of NTT DATA Corporation. The Company has drawn on his significant accumulated experience in the management of global companies and extensive knowledge about IT nurtured throughout his career in providing management advice.	Corporate management; DX/ICT; Global business; Sustainability	Outside Director of East Japan Railway Company; Outside Director of Isetan Mitsukoshi Holdings Ltd.; Outside Director of Sumitomo Forestry Co., Ltd.
	**Yumiko Murakami** Audit Committee ★ Compensation Committee Outside director	5	10/10	She worked for the United Nations, Goldman Sachs Japan Co., Ltd., and Credit Suisse Securities (Japan) Limited, and served as the Head of Organization for Economic Cooperation and Development (OECD) Tokyo Centre. The Company has drawn on her significant global experience and knowledge about corporate management and understanding of the securities business nurtured throughout her career in providing management advice.	Corporate management; Global business; Sustainability	General Partner of MPower KK Outside Director of Nippon Television Holdings, Inc.; Outside Director of Nippon Television Network Corporation
	**Noriko Iki** Nominating Committee Audit Committee Outside director	3	10/10	She has held positions such as the Director-General of Equal Employment, Children and Families Bureau, Ministry of Health, Labour and Welfare, the Director-General of Tokyo Labor Bureau, Ministry of Health, Labour and Welfare, and Ambassador Extraordinary and Plenipotentiary to Brunei. The Company has drawn on her expert knowledge and experience related to labor administration and diversity and significant global experience cultivated through that experience in providing management advice.	Legal/Compliance; Global business; Sustainability	Special Adviser of Japan Institute for Women's Empowerment & Diversity Management; Outside Director of FUJI KYUKO CO., LTD.
	**Mami Yunoki** Audit Committee Compensation Committee Outside director	2	10/10	She has been involved in auditing many listed companies as a certified public accountant for many years at PricewaterhouseCoopers Aarata (currently known as PricewaterhouseCoopers Japan LLC). The Company has drawn on her expert knowledge and experience related to financial accounting nurtured throughout her career in providing management advice.	Finance/Accounting; Sustainability	Representative of Mami Yunoki Certified Public Accountant Office; Outside Audit & Supervisory Board Member of Chugai Pharmaceutical Co., Ltd.; Outside Director of ORIX Corporation
	**Akira Ichikawa** Nominating Committee Compensation Committee Outside director	1	8/8*	He held positions such as President of Sumitomo Forestry Co., Ltd. and is currently Chairman of the company. The Company has drawn on his extensive experience in management of a global company and wealth of knowledge on sustainability-oriented management throughout his career in providing management advice.	Corporate management; Global business; Sustainability	Chairman of the Board and Representative Director of Sumitomo Forestry Co., Ltd.; Outside Director of SUMITOMO CHEMICAL COMPANY, LIMITED; Representative Director and Chairman of Wooden Home Builders Association of Japan, Organization for Landscape and Urban Green Infrastructure, and Japan International Association for the Industry of Urban Development, Building and Housing
	**Christina Ahmadjian** Audit Committee Compensation Committee Outside director	Newly appointed	–	She held positions such as Assistant Professor of Columbia University and Professor of Hitotsubashi University. In order to leverage her expert knowledge and experience accumulated throughout her career in the Company's management, she was newly appointed as an outside director at the Company's 2026 General Meeting of Shareholders.	Corporate management; Global business; Sustainability	Outside Director of Yokogawa Electric Corporation; Outside Director of DISCO CORPORATION: Outside Director of The University of Tokyo Edge Capital Partners Co., Ltd.; Executive Director of Hokkaido University

* Attendance at Board of Directors' meetings since being appointed in June 2025

Corporate management | Finance/Accounting | Legal/Compliance | DX/ICT | Global business | Sustainability

Roundtable Discussion with Outside Directors

Mami Yunoki
Outside Director
Daiwa Securities Group Inc.

Noriko Iki
Outside Director
Daiwa Securities Group Inc.

Akira Ichikawa
Outside Director
Daiwa Securities Group Inc.

Earning and sustaining the trust and expectations of stakeholders

Outside directors support the management of the Daiwa Securities Group from an independent standpoint. Three of our outside directors, each bringing expertise in human resources and organizational development, finance and accounting, or corporate management, sat down to discuss governance, human capital investment, and risk management, as well as ways of enhancing corporate value. Drawing on their supervisory perspective, they highlighted both the Group's strengths and the challenges it faces.

Healthy tension and psychological safety on the Board of Directors

—First of all, what do you see as the distinctive characteristics and atmosphere of the Company's Board of Directors?

Yunoki: I've been impressed by the sincerity of the executive team. There's always a briefing session before Board meetings, and I feel like executives respond earnestly to questions and comments from outside directors. When anything is unclear, they follow up and never sidestep critical points. For example, discussions don't shy away even from uncomfortable topics, like the unfavorable performance of overseas businesses, and the executives share information appropriately about how the situation unfolds—this builds trust and enables outside directors to speak their minds freely.

Iki: From the perspective of psychological safety, I've observed the atmosphere of discussions in Board meetings and the mood among the executives. In my own experience, the Company's Board of Directors has fostered an environment that enables the frank and free expression of views, and I believe it ensures psychological safety. Regarding Board composition, we engaged in a timely process of exchanging opinions and making decisions regarding the increase in the number of outside directors with extensive management experience—and were eventually able to welcome Director Ichikawa as a result. In terms of diversity on the Board, having several women not only among the outside directors but also as internal directors is a great strength, and I believe the Board's composition is something the Group can be proud of.

Yunoki: The Company's Board of Directors may have a slightly more formal atmosphere compared to other

Roundtable Discussion with Outside Directors

industries, perhaps because it is a financial institution. Even in that kind of environment, though, the executive team and outside directors engage in frank discussions while respecting each other's perspectives, and the secretariat provides robust support for that. Considering this structure and the mutual recognition of our different roles, I believe the Company's governance framework is functioning effectively.

Iki: I serve on the Nominating Committee. A key responsibility of that committee is selecting the individuals who will steer the Company in the future. To assist in this process, we have luncheons arranged with executives who are not members of the Board, creating opportunities for communication. Through the free exchange of views with potential future leaders of the Group, it's clear to me that psychological safety is also well maintained within the management team.

—The Group made the major decision in 2026 to acquire ORIX Bank.

Ichikawa: I think we can say that this is a highly strategic deal. While the scale of the acquisition is considerable, I believe it will serve as a stepping stone for the Group as it moves to the next stage of growth. The executive side demonstrated that they were meticulously prepared for the deal, presenting detailed analyses covering the market structure, the target company's business model, finances, and personnel systems. I also felt there was a strong determination to leverage the strengths of both companies to achieve growth. At the same time, as someone responsible for supervising the process, I thought it necessary to consider whether there were any unforeseen risks or blind spots. I had repeated conversations with the executive team about this all the way up until the deal was concluded to ensure that no material issues were overlooked. Going forward, I intend to keep a close eye on progress with the post-merger integration.

Iki: Another important role of outside directors is to look closely at whether two companies grounded in different organizations, systems, and cultures can be integrated smoothly. Regarding this process, for a company like Daiwa Securities Group with a Three Committees System, decisions about corporate acquisitions and large-scale investments that don't require approval by the shareholders' meeting are made by the executive side, while the Board of Directors receives reports on such decisions. In this case, however, I was impressed that opportunities were provided for outside directors to receive explanations of the decision-making process while it was underway, and that the deal was being carefully thought through. My sense was that the executive side advanced the transaction while placing great importance on maintaining a close relationship with the Board of Directors.

Human capital investment and risk management: Linking non-financial initiatives to corporate value

—How would you evaluate the Group's growth strategy, particularly its non-financial initiatives?

Ichikawa: I believe there is considerable validity to a business strategy that involves ongoing investment in human capital. It's often said that "business is people" and "corporations are culture," and for a company to grow sustainably, it is necessary to continuously cultivate high-caliber talent and foster a healthy culture. One business leader I respect is Teigo Iba, the second Director-General of the Sumitomo conglomerate. Iba is well known for the environmental restoration of the Besshi Copper Mine, which had been devastated by pollution during the Meiji era. He upheld the principle that "a man of noble character esteems wealth and is scrupulous in seeking the ethical way to acquire it." Iba believed companies should pursue profits, but that they should choose the correct means and approaches to do so. And I believe that the people who determine that "way" are what truly lie at the core of a company. Especially in the financial and capital markets, because people are the true capital of the business, management cannot afford to neglect investment in personnel. At the same time, I hope that the executives and employees who are the beneficiaries of such generous investment are aware of their responsibilities. To **maximize customer asset value** and contribute to the Group's growth, each employee must continue to develop their expertise, engage sincerely with customers, and fulfill their responsibilities as a professional.

Yunoki: Among the risks involved in risk management, I think the one to be most wary of right now is cybersecurity. As AI continues to evolve at an accelerating pace, cybercriminals are also exploiting these advances.

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For financial institutions, customer assets and information are subject to zero tolerance and require the highest levels of protection and oversight, meaning that unauthorized access and data breaches are absolutely unacceptable. The Group is seeking to continuously review and reinforce the measures it has put in place so far, but it can never let its guard down. If any suspicious activity is identified, the top priority has to be on quickly containing it and protecting customer assets and information. This is a responsibility we all share.

Iki: Risk management requires the proper execution of both preventive and responsive measures—specifically detection, recovery, and external communications. The difficulty, though, is that there is no magic bullet for either aspect of risk management. A realistic approach is to systematically run an ongoing risk management PDCA cycle, and choose optimal solutions as the context changes. The Board of Daiwa Securities Group Inc. thoroughly reviews and discusses a Risk Appetite Statement twice a year—this serves as the basis for management decisions. Agenda items are also carefully selected with a keen awareness of the mounting importance to corporate management of areas such as cybersecurity and AI governance.

What is needed for the sustainable enhancement of corporate value

—Could you share your thoughts on initiatives aimed at enhancing corporate value?

Ichikawa: I believe it's critical to increase the number of shareholders and investors who share and support the Group's management policies from a longer-term perspective. The conventional way of going about this is to articulate a growth strategy and consistently follow through on it, thus rewarding shareholders with both profit returns and capital gains—and not getting carried away by short-term ups and downs in market valuation. As a listed company, though, we need to constantly monitor whether its market valuation is tending to fall behind the industry as a whole.

Yunoki: Shareholder returns are one way to enhance corporate value, and the Group has committed to a dividend payout of at least 50% while also setting a minimum dividend and proactively repurchasing shares. I believe the Group has been proactive in terms of shareholder returns. To further enhance corporate value, therefore, it will be crucial to invest in future growth. The Group is also allocating funds to growth investments such as the ORIX Bank acquisition and investments in human resources and digital technologies. It is setting forth a stance of actively allocating funds to growth investments while taking capital allocation into consideration.

Iki: As you said, Daiwa Securities Group has always been a company that is generous with its shareholder returns, which fuels high expectations among investors and makes its capital policy a topic of great interest. In that context, at the management strategy briefing held in May and in other venues, CEO Ogino has clearly outlined a policy of accelerating growth and I think has communicated his intent to focus on growth investments. In the next Medium-Term Management Plan due to begin in FY2027, I think the challenge will be how to explain the strategic significance of growth investments and the thinking behind capital allocation, and to gain the understanding and buy-in of the market. I intend to talk this over fully in Board of Directors meetings.

Ichikawa: Growth investments and shareholder returns are not a trade-off—they should be pursued simultaneously. However, the two aspects do involve different timeframes in terms of when shareholders can expect to enjoy returns. It is vital to tell a concrete story about growth investment and steadily put that into action. The balance between the two is crucial—a company without the ability to generate profits can't gain trust in its investments. Earnings power in the present is essential for profits in the future, and this is something I think needs to be looked at constantly.

Yunoki: If I were to point out one challenge for the Group in terms of enhancing corporate value, it would be how to communicate its commitment to the market. While the Group has enhanced shareholder returns, it is also building a resilient revenue base that is less susceptible to external market fluctuations, and its

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performance is becoming more stable as a result. Nevertheless, the ROE target is expressed simply in terms of "roughly 10%" or "aiming to significantly exceed 10% ROE by FY2030"—there still seems to be some hesitation there. Now that the Group is steadily shoring up its revenue base, I believe there's room to communicate a stronger commitment to the market.

To all stakeholders

—Finally, do you have a message for our readers?

Iki: I strongly agree with the Group's management stance that emphasizes strengthening and expanding human capital. As the labor market in Japan becomes more mobile and the proportion of mid-career hires increases, ensuring even greater psychological safety in the workplace so that diverse talent can thrive will prove to be a major strength for the Group. I am confident that fostering an organization in which diverse personnel continue to grow will contribute to the further enhancement of corporate value. I will also work to help the Group further realize a workforce that is even more international and offers more career diversity.

Yunoki: Two years have passed since I assumed this position, and I strongly feel that Daiwa Securities Group is a company that engages sincerely with customers, employees, and society. In addition to a customer-centric approach, a desire for the success and contentment of employees and a commitment to helping bring about a better society are palpable at all levels of the Group. I believe this is what has led to the trust and confidence outside parties have placed in the Group. As an outside director, while I have personal affinity for the Group and want to support it, I strive to always view its management from an objective and rigorous perspective. Still, I find it extremely meaningful to be involved in the development of the Group, which has this kind of corporate culture and values.

Ichikawa: As the economy becomes more and more globalized, corporate demand for funds continues to expand, and individual investors are becoming increasingly important in terms of providing that funding. In Japan as well, as the shift "from saving to investment" becomes entrenched, I feel we're also in a period of re-examining the role of financial groups like Daiwa Securities Group that are centered on the wealth management business. Possessing a high degree of specialization, all of the Group's executives and employees are positioned to play a significant role in supporting the flow of capital throughout the global economy, and I want to support them in doing so.

Message from the newly appointed outside director

I was appointed as an outside director of Daiwa Securities Group Inc. from FY2026. I have long followed the Group's commitment to sustainability and have been impressed by its leadership in diversity and inclusion, climate, and governance. At a time when companies around the world are rethinking or even retreating from their sustainability commitments, Daiwa Securities Group has continued to demonstrate leadership. An important role of the Board of Directors is to oversee this commitment and ensure that sustainability is firmly linked to corporate strategy, continued value creation, and the **maximization of customer asset value**. As the world becomes more uncertain and more complex, outside directors must bring independent perspectives, critical judgment, and rigorous assessment of risks and opportunities. I will draw on my experience as a corporate director and academic to contribute to the Board.

Christina Ahmadjian
Outside Director
Daiwa Securities Group Inc.

Corporate Governance System

The Company respects the rights and interests of shareholders, considers the interests of all stakeholders, and strives to achieve sustainable growth while enhancing medium- to long-term corporate value through the realization of its 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 framework aligned with international standards. At the same time, the Company ensures highly efficient oversight of Group companies and builds a unified group management system that elicits synergies among Group companies. The Company discloses the details of its basic approach to corporate governance through its website, Securities Report*1, and Corporate Governance Report*2.

Sustainable growth and the improvement of medium- to long-term corporate value

Holding company structure

- The Company's corporate executive officers and employees responsible for head office functions also serve concurrently at securities subsidiaries, enhancing the efficiency of head office operations and maximizing synergies across the Group.
- Enhances competitiveness and growth potential by enabling each independent business to leverage its strengths while maintaining Group-wide cohesion.

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 executive officers and clarifying the division of duties among corporate executive officers.
- Improving management transparency and fairness by establishing three committees: the Nominating Committee, Audit Committee, and Compensation Committee, with independent outside directors comprising the majority of each committee.

History of Daiwa's Corporate Governance

The Company transitioned 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. The Company pioneered the establishment of 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. The table on the right shows the major initiatives undertaken to strengthen corporate governance based on these foundations. The Company has also continued to enhance related governance functions, including oversight of the Medium-Term Management Plan, risk monitoring, group governance, and support for outside directors.

*1 Securities Report: https://ssl4.eir-parts.net/doc/8601/ir_material_for_fiscal_ym7/210681/00.pdf
*2 Corporate Governance Report: https://www.daiwa-grp.jp/english/about/governance/pdf/corporate_governance_report.pdf

March 1998 June	Establishment of the Corporate Principles 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 June December	Established Corporate Governance Guidelines Appointed half of the directors (seven out of 14) as outside directors 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) (at that time)
June 2026	Elected a foreign national as a director

Corporate Governance Guidelines (CG Guidelines)

The CG Guidelines stipulate the basic framework and policies for Daiwa Securities Group corporate governance. They set out the objectives of the Group's corporate governance; the institutional design; the roles and composition of the Board of Directors and each committee; the roles and qualifications of the outside and internal directors; CEO succession planning; the operational and support framework for the Board of Directors; information disclosure; engagement with stakeholders; and the commitment to ensuring shareholder equality, among others.

Key points of the Corporate Governance Guidelines

Viewpoint	Rules from the CG Guidelines
Execution of the management supervisory function	One-third or more of the members of the Board of Directors shall be independent outside directors.
	As a general rule, the majority of the directors shall not concurrently serve as corporate executive officers.
Diversity of the Board of Directors	In principle, the Company shall keep the ratio of female directors at 30% or more.
Greater transparency and fairness	The Chairs of the Committees are determined by the Committees from among the outside directors.
Independence of the outside directors	In principle, the total tenure of outside directors shall not exceed 8 years, with a maximum of 10 years.

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

Corporate Governance System

Roles, composition, and activities of the Board of Directors

(1) Roles and activities 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 determines core management matters such as basic management policy, matters relating to the appointment and dismissal of corporate executive officers, as well as internal control systems and risk management frameworks. To ensure agile decision-making, the Board of Directors delegates decision-making authority to the corporate executive officers to the greatest extent 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.

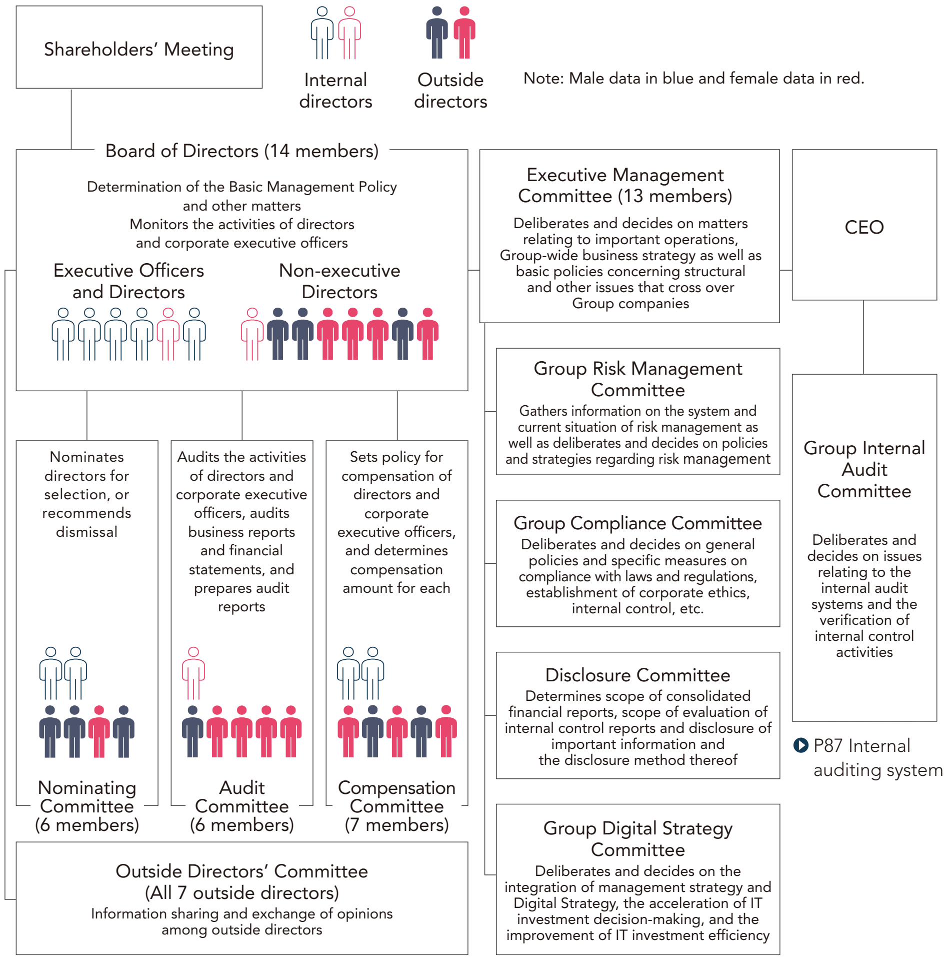
The Board of Directors' agenda involves matters to be resolved and reported. In addition to key management and other matters that are to be exclusively handled by the Board according to laws, regulations, and the Articles of Incorporation, matters to be resolved also include those that the Board of Directors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

Major agenda items for the FY2025 Board of Directors

- Review of the Medium-term Management Plan
- Revision of the Environmental and Social Policy Framework
- Acquisition of ORIX Bank as a subsidiary
- Progress updates regarding Group business alliances and overseas business
- Implementation status of unauthorized access response and cybersecurity measures
- Status of AI governance implementation

Note: For details on the Board of Directors' agenda, see page 96 of the Securities Report*[1]. In addition, for the Board of Directors' member attendance status for each director in FY2025, see Directors (Members of the Board). (page 74)

Corporate governance system at Daiwa Securities Group



P87 Internal auditing system

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 on the Group's website at the following URL.

https://www.daiwa-grp.jp/english/sustainability/environment/tcfd.html

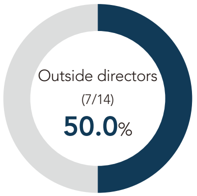
*1 Securities Report: https://ssl4.eir-parts.net/doc/8601/ir_material_for_fiscal_ym7/210681/00.pdf *2 Corporate Governance Report: https://www.daiwa-grp.jp/english/about/governance/pdf/corporate_governance_report.pdf

Corporate Governance System

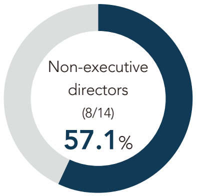
(2) Composition of the Board of Directors

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 half of its director positions, and therefore meets this condition. The majority of directors are also non-executive directors, and as a Company with Three Committees, a majority of the members of each committee are 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.

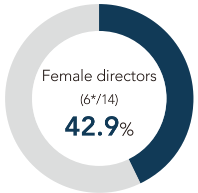
Ratio of independent outside directors



Ratio of non-executive directors



Ratio of female directors



* Of these six, two are internal directors and four are outside directors (one of whom is a foreign national)

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 Directors (Members of the Board) (page 74).

The Board of Directors is chaired by the Chairman of the Board, who does not hold representative authority and concurrently serves as a corporate executive officer in order to ensure management continuity and seamless cooperation between the Executive Management Committee and the Board of Directors.

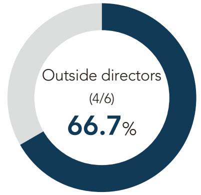
Meanwhile, the chair of the Outside Directors' Committee is responsible for organizing the outside directors, collaborating and coordinating with management, and other duties. The current Outside Directors' Committee Chair is outside director Katsuyuki Nishikawa.

(3) Activities of each Committee

◆ Nominating Committee

Members	Chair: Toshio Iwamoto (Outside Director) Director: Seiji Nakata, Akihiko Ogino Outside director: Katsuyuki Nishikawa, Noriko Iki, Akira Ichikawa
Frequency	At least 1 time/year (FY2025: Held 5 times with a 100% attendance rate)

Ratio of independent outside directors



Message from the Chair of the Nominating Committee

Toshio Iwamoto
Outside Director
Chair of the Nominating Committee

The business environment in which today's corporate sector operates is undergoing a period of significant change, impacted by a variety of factors, including rising geopolitical risks, rapid advancements in generative AI, and the tightening of international regulations regarding sustainability. In such a highly uncertain environment, the mission and responsibilities of the Nominating Committee have become even more critical to ensuring sustainable growth and management stability. Taking into consideration the need to ensure organizational continuity, maintain and develop expertise, secure diversity and creativity, and promote sound governance, strategically formulating succession plans not only for the President, but also for the entire management team, and supporting the smooth and well-planned transition of leadership are of the utmost importance.

Moreover, with regard to the nomination and evaluation of directors, including outside directors, the goals of the Committee are to ensure transparency and fairness while living up to the unwavering trust placed in us by all stakeholders. Moving forward, we will continue to uphold the highest ethical standards and strictly adhere to a position of independence. In doing so, we will steadfastly fulfill our role as the Nominating Committee and build an optimal leadership and governance structure.

*1 Securities Report: https://ssl4.eir-parts.net/doc/8601/ir_material_for_fiscal_ym7/210681/00.pdf *2 Corporate Governance Report: https://www.daiwa-grp.jp/english/about/governance/pdf/corporate_governance_report.pdf

Corporate Governance System

Major agenda items for FY2025

- Selection of Director candidates
- Disclosure of Directors' "Knowledge, experience and ability," etc.
- Composition of the Board of Directors in consideration of corporate governance
- The basic idea for nominating Director candidates
- CEO succession plan
- Overview of the advisor system

Policies for selection of candidates to serve as Directors

- Able to exert maximum effort to actualize the Daiwa Securities Group's Corporate Principles.
- Have a high sense of ethics and morals and take the initiative to set a good example.
- Have experience in the course of business or have expert knowledge in law, accounting, or management, etc.

Outside Directors must also fulfill all of the requirements for independence listed below, in addition to the requirements above:

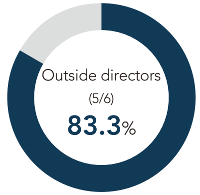
- Should not have served as an executive director, corporate executive officer, executive officer, or person in an equivalent position, nor have been an employee of the Daiwa Securities Group.
- Should not be a director, corporate executive officer, manager or employee of a company whose major shareholder is the Daiwa Securities Group or which is the main business partner of the Daiwa Securities Group.
- Have no circumstances that could impair their independence in performing their duties as a director.

For details, please see page 97 of the Securities Report*1.

Audit Committee

Members	Chair: Katsuyuki Nishikawa (Outside Director) Director/Full-time: Sachiko Hanaoka Outside director: Yumiko Murakami, Noriko Iki, Mami Yunoki, Christina Ahmadjian
Frequency	In principle, 1 time/month (FY2025: Held 12 times with a 100% attendance rate)

Ratio of independent outside directors



Message from the Chair of the Audit Committee

Katsuyuki Nishikawa
Outside Director
Chair of the Audit Committee

With the Group's business operations progressing smoothly overall, the role of the Audit Committee is to confirm that initiatives geared toward **maximizing customer asset value** are increasingly taking root. In addition to wealth management, cross-Group collaboration is expanding in the asset management field. Signs are clearly beginning to emerge that a framework for the provision of more advanced services is taking shape. Recognizing that the scope of the Group's business is expected to expand both in Japan and overseas, we will further strengthen efforts to better grasp the status of each affiliated company and work diligently to ensure the effectiveness of our governance. Cognizant also of the importance of using AI to improve operational efficiency, we will pay close attention to emerging risks, such as cyberattacks exploiting AI, and engage in the necessary oversight. Trust is the cornerstone of any financial institution. With this firmly in mind, the Audit Committee is committed to maintaining and enhancing this trust going forward.

*1 Securities Report: https://ssl4.eir-parts.net/doc/8601/ir_material_for_fiscal_ym7/210681/00.pdf *2 Corporate Governance Report: https://www.daiwa-grp.jp/english/about/governance/pdf/corporate_governance_report.pdf

Corporate Governance System

The Audit Committee complies with the Audit Committee audit standards, which it has set for itself, in fulfilling its duties, including auditing the legality and appropriateness of the execution of duties by directors and corporate officers, auditing business reports and financial statements, and preparing audit reports. The Company has set up the Audit Committee Department for the sole purpose of assisting in the duties of the Audit Committee.

Activity details

The Audit Committee regularly receives reports from the Internal Audit Department on the status of the Group's internal audits. Along with receiving reports from the Accounting Auditors regarding audit plans, the status and results of audits, and other matters, the Audit Committee exchanges views with the Accounting Auditors regarding Key Audit Matters (KAM).

In addition to attending meetings of the Board of Directors, Audit Committee members selected by the Audit Committee attend the Executive Management Committee and other important meetings and receive reports from directors and employees. Moreover, they enhance the effectiveness of the Audit Committee by sharing this information with other Audit Committee members.

Key audit themes for FY2025

- Initiatives for accelerating **maximizing customer asset value**
- Expanding the revenue base through Group coordination and external collaboration
- Internal control systems for Group companies in Japan and overseas

Audits under the key themes were conducted by receiving reports from directors and employees of the Company, domestic subsidiaries, and overseas subsidiaries, and entailed visiting the Daiwa Securities Ginza Branch, the Daiwa Institute of Research Eitai Building, and data centers. During the visit to Daiwa Institute of Research, auditors toured the office floors and exchanged their views on the spread of AI and the impact on human resource development and other human resource-related measures.

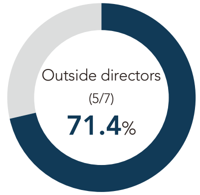
Scene from the site visit

For details, please see pages 98,135 and 136 of the Securities Report*1.

Compensation Committee

Members	Chair: Yumiko Murakami (Outside Director) Director: Seiji Nakata, Akihiko Ogino Outside director: Toshio Iwamoto, Mami Yunoki, Akira Ichikawa, Christina Ahmadjian
Frequency	At least 1 time/year (FY2025: Held 5 times with a 100% attendance rate)

Ratio of independent outside directors



Message from the Chair of the Compensation Committee

Yumiko Murakami

Outside Director
Chair of the Compensation Committee

The Chair of the Compensation Committee fulfills a substantive oversight role with respect to the executive compensation determination process from the independent standpoint of an outside director. The Committee's key mission is to ensure not only the appropriateness of compensation levels, but also the transparency and objectivity of both the decision-making and evaluation processes.

Performance-linked remuneration is designed and rigorously reviewed to ensure consistency with efforts aimed at enhancing corporate value over the medium to long term, based on an evaluation system that combines financial metrics (consolidated ROE, consolidated ordinary income, and Base Income) with the level of business KPI achievement. From FY2025, Daiwa Securities Group introduced a phantom stock program to strengthen the link to the Company's stock value without causing dilution.

The Compensation Committee held five meetings in FY2025, with all members participating in substantive deliberations. Going beyond mere formal approval, the Committee will continue to take responsibility for building a compensation governance framework that supports the Company's sustainable growth.

*1 Securities Report: https://ssl4.eir-parts.net/doc/8601/ir_material_for_fiscal_ym7/210681/00.pdf *2 Corporate Governance Report: https://www.daiwa-grp.jp/english/about/governance/pdf/corporate_governance_report.pdf

Corporate Governance System

Major agenda items for FY2025

- Director remuneration policy and details of individual remuneration
- Group-wide incentive plans to support improvements in consolidated earnings and share price
- Results of the executive compensation survey

For details, please see pages 98-99 of the Securities Report*1.

CEO succession planning

The Nominating Committee conducts periodic reviews of key officers who could be considered as CEO candidates, while taking into account 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 its progress is regularly reported to the Board of Directors.

Article 15 of the CG Guidelines outlines the CEO succession planning process along with the appointment and dismissal process. 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 has established the Corporate Secretariat as a dedicated department reporting directly to the Board of Directors to support the secretariat functions of the Board and 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 to facilitate the sharing of information and exchange of opinions among outside directors. Off-site meetings are also held to encourage more candid discussions and strengthen communication between internal directors and outside directors. For details, see page 99 of the Securities Report*1.

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 enhance communication. In addition, the Company has implemented the following initiatives to conduct training for and share information with outside directors.

Presentation by Kazuya Aihara, Representative Director and President of Fintertech, during an off-site meeting

- 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
- Preparation and provision of information booklets on the Group for outside directors

Message from the Head of the Corporate Secretariat

The role of the Corporate Secretariat, an office dedicated to supporting the Board of Directors, is multifaceted. Responsibilities include managing the running of meetings, setting agendas, organizing key discussion points, and promoting opportunities for communication among directors and with management. In addition, the Corporate Secretariat works diligently to enhance the quality of discussions at Board meetings through various means, including the provision of timely and appropriate information to outside directors and the strengthening of pre-meeting briefings. The role and responsibilities of the Corporate Secretariat are consistent with requirements prescribed under the revised Corporate Governance Code. By steadily advancing these initiatives, we are committed to further enhancing corporate governance.

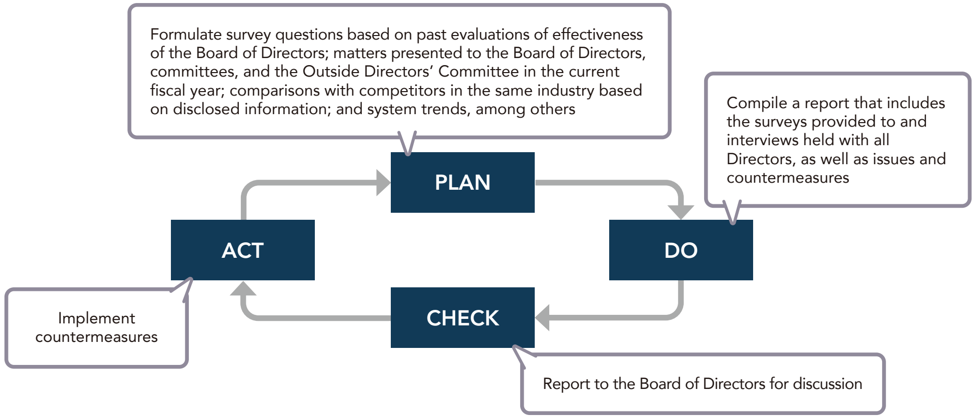
Hiraku Nihei
Head of the Corporate Secretariat

*1 Securities Report: https://ssl4.eir-parts.net/doc/8601/ir_material_for_fiscal_ym7/210681/00.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

Corporate Governance System

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 and responsibilities, composition, operation, and quality of discussions by the Board of Directors as well as other matters, including operation 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

- External professional organizations provided advice on survey design 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 FY2025 evaluation covered management strategy, risk management (added questions with respect to technology risk), the Board of Directors' agenda, dialogue with stakeholders, and the composition and management of the Board of Directors (added questions with respect to strengthening earnings power and the secretariat)
- Also conducted evaluations of the Nominating, Audit, and Compensation Committees
- As a personal assessment, the outside directors reviewed the past year themselves

The results of the FY2025 Board of Directors evaluation confirmed the overall effectiveness of the Board of Directors. The primary issues recognized by the evaluation are as follows:

- Opinions stating the need for ongoing reports regarding investment and business alliance projects and for deeper discussions that indicate the links between sustainability initiatives and enhanced corporate value
- Opinions stating the need for the early involvement of outside directors in the formulation of the next Medium-Term Management Plan and for strengthening risk management in light of increasing geopolitical, cyber, and AI risks
- Opinions stating the need for further leveraging the expertise of outside directors

The Company will seek to further enhance effectiveness by setting agenda items in light of the issues, enhancing the operations of the Board of Directors, and increasing opportunities for outside directors to exchange their views.

Furthermore, in order to further enhance objectivity, the Company periodically engages a third-party organization in addition to the external organization previously mentioned, as was the case for the FY2020 and FY2024 evaluations.

Notes: 1 For details on the FY2025 evaluation, see the Corporate Governance Report*2.
2 For issues and actions indicated by the Board of Directors in the past, see the following website.

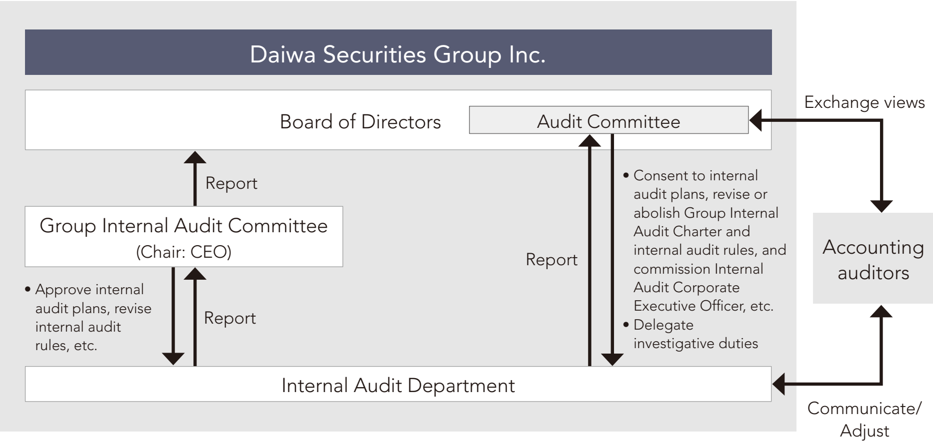
https://www.daiwa-grp.jp/english/about/governance/corporate_governance.html

*1 Securities Report: https://ssl4.eir-parts.net/doc/8601/ir_material_for_fiscal_ym7/210681/00.pdf *2 Corporate Governance Report: https://www.daiwa-grp.jp/english/about/governance/pdf/corporate_governance_report.pdf

Corporate Governance System

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 in charge of 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. This system primarily serves to detect, correct for, and prevent violations of laws, regulations, and rules, and any other acts that risk damaging the Group's corporate value, at an early stage. 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. 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 fact-finding investigation, while taking steps to protect the caller. In FY2025, 106 reports were received through the whistleblowing system.

The Company raises awareness of the Corporate Ethics Hotline through the Group newsletter, intranet, and various training programs, and administers the hotline so that anyone can use it without hesitation.

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

Executive Compensation

Daiwa Securities Group recognizes that one of the most important underlying factors for enhancing corporate governance is the control of compensation-based incentives combined with ensuring transparency.

Policies for determination of remuneration of directors and corporate executive officers

As stipulated by Japan's Companies Act, the Compensation Committee has determined Policies for Determination of Remuneration of Directors and Corporate Executive Officers.

> Compensation for directors and corporate executive officers is determined based on the following fundamental policies.
>
> ▷ To create effective incentives, which contribute to the increase of shareholder value through sound business development and also lead to the improvement of business performance in the short term as well as the medium and long term.
>
> ▷ To maintain a remuneration level which is competitive enough to recruit and retain people not only in Japan but also in the world as a global securities company group.
>
> ▷ To ensure the execution and supervision functions operated effectively as a company with a nominating committee, etc.

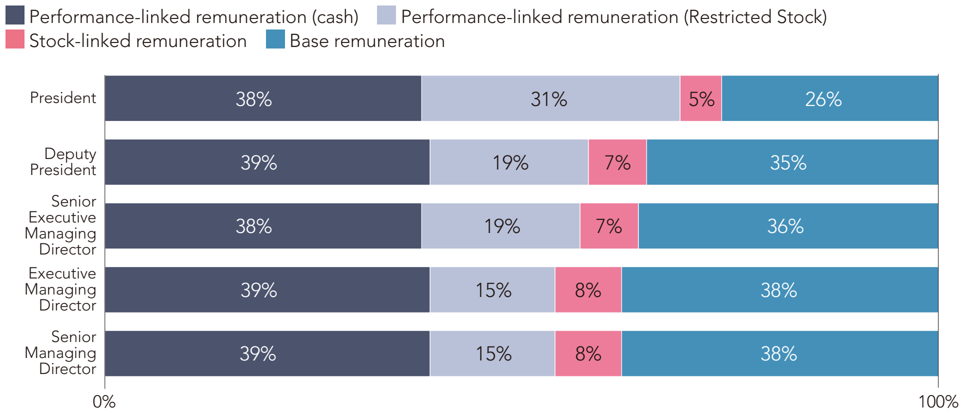
Compensation for directors and corporate executive officers is determined by the Compensation Committee and consists of base remuneration, stock-linked remuneration and performance-linked remuneration. Specifically, these are as follows:

Base remuneration	▷ A fixed amount calculated based on his/her position, duties and role, and paid monthly in cash.
Stock-linked remuneration	▷ To increase the link between remuneration and shareholder value, granted by the Company as Restricted Stock, etc., the value of which corresponds to a certain percentage of base remuneration, as non-monetary remuneration annually at a fixed time.
Performance-linked remuneration	▷ Determined depending on the level of individual contribution, based on consolidated ROE, consolidated ordinary income, and Base Income* which are settled as Performance KPIs of the Medium-Term Management Plan, while also comprehensively taking into account achievement status of the managerial goals set in the Medium-Term Management Plan and other relevant factors, and paid annually at a fixed time in the form of cash and restricted stocks. ▷ A certain upper limit is set on performance-linked remuneration that is paid in cash based on business performance. If such remuneration exceeds the limit, the excess amount will be paid in Restricted Stock instead of cash. ▷ Does not apply to directors who do not serve as corporate executive officers.

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

Regarding individual remuneration, etc., for directors and corporate executive officers in FY2025, the Compensation Committee decided on the content of such remuneration after confirming the consistency of the Policies for Determination of Remuneration of Directors and Corporate Executive Officers. Therefore, the Committee judges that the remuneration is in line with the guiding policies.

Ratio of performance-linked remuneration and other



Note: Above figures are the ratios when Performance KPIs of the Medium-Term Management Plan are achieved.

Indicators for performance-linked remuneration, reasons for choosing the indicators, how to determine performance-linked remuneration, and targets and results

In calculating performance-linked remuneration, the Compensation Committee makes reference to individual KPIs established as Group numerical targets in the Medium-Term Management Plan "Passion for the Best" 2026.

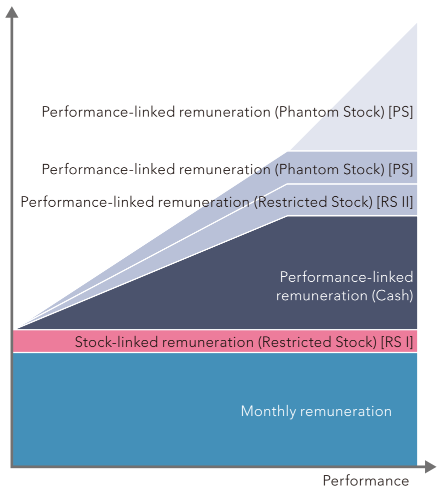
For the performance evaluation used to calculate performance-linked remuneration, the evaluation of financial performance based on Performance KPIs (calculated based on financial information) reflects a comprehensive quality evaluation of the KPIs other than Performance KPIs. Financial performance evaluation and quality evaluation are determined by the Compensation Committee.

Executive Compensation

Performance-linked remuneration is calculated by multiplying the reference value determined for each position and performance evaluation and reflecting the degree of individual contribution. Performance evaluation applies the same calculation formula to all positions.

Please refer to the Securities Report for details.
https://ssl4.eir-parts.net/doc/8601/ir_material_for_fiscal_ym7/210681/00.pdf

Image of remuneration



Restricted Stocks and Phantom Stocks at a value corresponding to a certain ratio of performance-linked remuneration (cash) are paid to foster a system that increases incentives for long-term performance improvement and sustainable growth.

If performance-linked remuneration exceeds a certain limit, the excess amount is paid in the form of Phantom Stocks and the level of increase gets steeper in order to foster a system that increases incentives for long-term performance improvement and sustainable growth.

Stock Compensation Plan

Daiwa Securities Group Inc. introduced the Stock Compensation Plan to increase incentives for the Company and its subsidiaries' directors, corporate executive officers, and executive officers, etc., to enhance performance in the medium and long term and strengthen values shared among the Eligible Officers, etc., and shareholders.

Stock-linked remuneration (RS I)	It is intended to provide Restricted Stocks (RS I) to an amount that equals the fixed ratio of the base remuneration, and to function effectively as an incentive for long-term performance improvement, restriction will be released when he/she resigns his/her position as director, officer, etc., of the Company and its subsidiaries and affiliates.
Performance-linked remuneration (RS II)	Performance-linked remuneration is paid in the form of Restricted Stocks (RS II) of a value corresponding to a certain percentage of performance-linked remuneration (cash). The restricted transfer period is approximately three years, which functions both as an incentive to boost long-term performance and to defer actual compensation.
Performance-linked remuneration (PS)	Performance-linked remuneration is paid in the form of Phantom Stocks (PS) of a value corresponding to a certain percentage of performance-linked remuneration (cash). Furthermore, where performance-linked remuneration exceeds a set upper limit, the portion in excess is paid in Phantom Stocks. Phantom Stocks are a cash-based compensation system linked to the Company's stock price. The holding period is approximately three years, which functions both as an incentive to boost long-term performance and to defer actual compensation.

Notes: 1. RS II is calculated by multiplying the ratios established by position by performance-linked remuneration (cash).
2. PS is calculated by multiplying performance-linked remuneration (cash) by a fixed percentage regardless of position. Regarding the President and CEO, a structure is in place to decide the ratio of performance-linked remuneration based on the Company's total shareholder return (TSR) during the results evaluation period, the rate of change of TOPIX, and a comparative valuation with the TSR of competitors.
3. Where serious compliance violations are discovered within the Group, in addition to the forfeiture of unpaid stock remuneration (malus), based on deliberation by the Compensation Committee, a clawback scheme is being introduced to allow the Company to demand the return of all or part of the stock remuneration that has already been paid.

Compensation by type of officer, remuneration, and number of eligible officers (FY2025)

Type of officer	Total compensation, etc. (millions of yen)	Value of compensation, etc., by type (millions of yen)						Recipients (persons)
		Base remuneration	RS I	Performance-linked remuneration			Retirement bonus	
				Cash	RS II	PS		
Directors	52	43	8	–	–	–	–	1
Corporate executive officers	2,059	517	138	956	157	291	–	11
Outside directors	149	139	9	–	–	–	–	7

Notes: 1. Six directors also served as corporate executive officers; their total compensation is included in the corporate executive officers category.
2. The amount of performance-linked remuneration is the amount to be paid for the current fiscal year.

Please refer to the Securities Report for details of consolidated compensation, etc., by officer.
https://ssl4.eir-parts.net/doc/8601/ir_material_for_fiscal_ym7/210681/00.pdf

Risk Management

While Daiwa Securities Group pursues profitability and growth, it also recognizes the importance of appropriately identifying, evaluating, and effectively managing various risks associated with its business operations. The Group aims to continuously improve its corporate value by maintaining a sound financial base and profit structure that is balanced in terms of risks and returns, and by appropriately controlling risks that are likely to manifest over the medium to long term, in addition to short-term risks.

Risk Management System

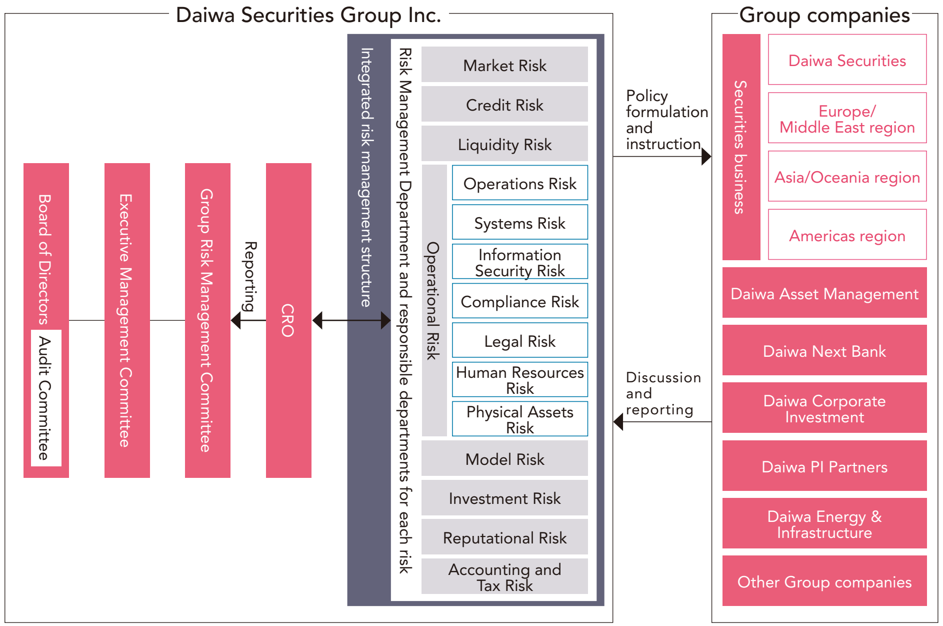
Basic policies as defined by the Rules for Risk Management at Daiwa Securities Group

1. Management's proactive involvement in risk management.
2. The structure of a risk management system that responds to features of the risks held by the Group.
3. Understand overall risk based on integrated risk management, secure strong capital and the soundness of liquidity.
4. Clarify the risk management process.

Each Group company conducts risk management suited to the risk profile and size of its business in accordance with the basic policies related to risk management. The Risk Management Department within Daiwa Securities Group Inc. and responsible departments for each risk monitor the risk management systems and risk status of Group companies. The risk status of Group companies grasped through such monitoring, as well as their risk management issues, is reported to the CRO, who is appointed from among corporate executive officers, as necessary. The CRO gives directions to address the risk management system, risk status, and other issues for each company, verifies the performance of risk management systems, and conducts reviews if necessary according to the business scale, characteristics, and risk status of each company. The CRO is in charge of reporting risk to the CEO, and does not concurrently serve as the officer in charge of internal audits or as a member of the Audit Committee.

The risk status and other issues of Group companies are reported to the Group Risk Management Committee, a subcommittee of the Daiwa Securities Group Inc. Executive Management Committee. This committee deliberates and decides on policies for risk management and specific measures. The Group Risk Management Committee also deliberates and revises the risk management process. This committee is comprised separately from the Audit Committee, and also reports on the details of its discussions to the Audit Committee.

Risk Management System



Risk Appetite Framework

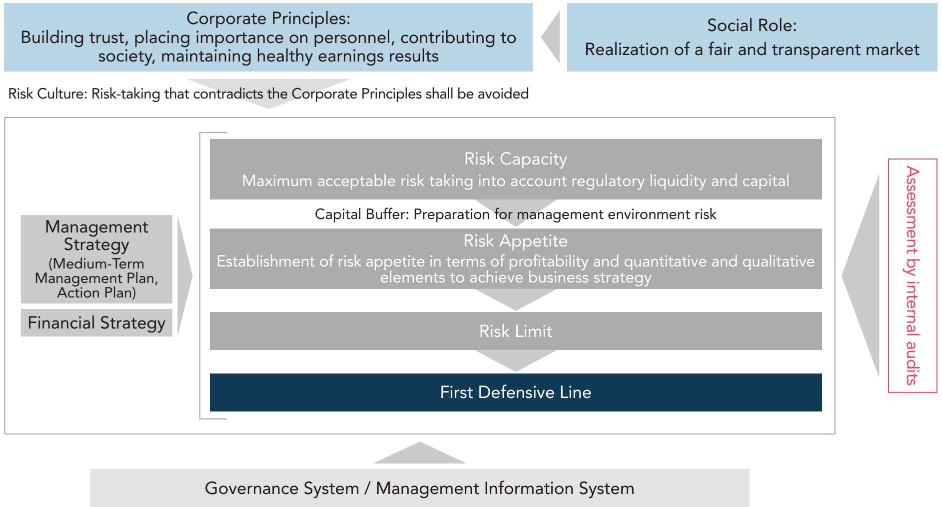
International financial institutions are increasingly required to exhibit sufficient soundness to operate their functions as financial intermediaries during times of economic and market stress. In addition, the Group is required to ensure it has sufficient liquidity and equity capital commensurate with these risks in order to be adequately prepared during times of stress.

Under this environment, the Group has introduced a risk appetite framework (RAF). The Group has documented this framework in its Risk Appetite Statement, which the Board of Directors has deliberated and decided on, and is working to spread this Group-wide while raising the level of its management system.

The quantitative risk appetite index is a topic of discussion and determination by the Board of Directors as part of the Risk Appetite Statement and reviewed twice a year.

Moreover, RAF-related audits of the Board of Directors and management business execution are conducted by the Audit Committee.

RAF Concept Chart



■Integrated Risk Management

Integrated risk management is a risk management approach that aims to ensure management safety while continually improving corporate value by identifying all risks faced by the Group and comparing them to management strengths. When engaging in integrated risk management, we measure the impact on capital and liquidity within the Group from a forward-looking perspective and utilize RAF-based stress tests*1 as well as top risk management*2 as part of our efforts to ensure a comprehensive understanding of risk.

*1 Stress tests are used for the integrated evaluation of impacts on capital, liquidity, and business systems based on probable stress scenarios that may have a major impact on the Group.
*2 To select and manage risk events that require particular attention in light of the Group's business characteristics.

Please refer to the following website for more information on the Group's risk management.
https://www.daiwa-grp.jp/english/about/governance/risk.html

Compliance

Fostering compliance awareness

Daiwa Securities Group rigorously observes regulations and exercises self-discipline so that it can contribute to the sustainable growth of society while maintaining high ethical standards. We conduct training programs for new graduates when they join the Group, and continue through regularly scheduled training sessions throughout their careers, thus ensuring that every employee is aware of and retains a deep understanding of compliance issues.

Even when undertaking new business activities where laws and regulations are not yet fully established, we are committed to developing professionals who possess integrity grounded in social norms and common sense, as well as strong self-discipline rooted in a legal mindset, so that they can consistently act and make decisions autonomously while keeping the spirit of laws and regulations in mind.

Compliance system

Daiwa Securities Group established the Group Compliance Committee, which deliberates and decides on such matters as general policies and specific measures on compliance with laws and regulations, the establishment of corporate ethics, and internal controls.

As far as compliance risks are concerned, we identify insider trading risks, inability to prevent money laundering and involvement in terrorist financing, inadequate measures to eliminate anti-social forces, information security risks, and inappropriate conduct by officers and employees as key risk areas, and are working to strengthen our management framework. Based on this identification and understanding of risks, we formulated Group Minimum Standards covering the prevention of insider trading, the elimination of anti-social forces, and information security as the basic requirements that all Group companies must comply with at a bare minimum. In addition to implementing these standards as common compliance guidelines across the Group, we work to ensure that all officers and employees are aware of and adhere to these standards through training and other initiatives.

At the same time, the Compliance Control Department, which is responsible for overall compliance planning and formulation for both Daiwa Securities Group and Daiwa Securities together with Compliance Department (I) and Compliance Department (II), oversees efforts to establish and strengthen compliance frameworks by clarifying and sharing fundamental principles and approaches, monitoring the frameworks and operational status of each company, and providing necessary support. In addition, steps are taken to collaborate with the compliance departments of Group companies and overseas bases to ensure the exchange of a wide range of information, assess the status of compliance and risk, and provide support for addressing specific issues and cases. At Daiwa Securities, every effort is made to collaborate with internal administrators assigned to the head office, branches, and divisions across a broad array of areas, including the prevention of violations of laws and regulations through monitoring as well as guidance and training.

Systems Risk Management

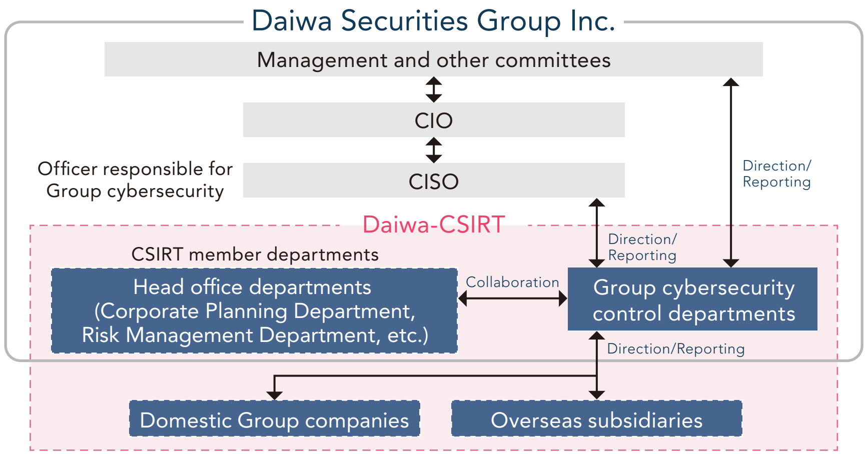
Changes in the environment surrounding financial institutions have made risks increasingly complex, raising concerns that continuity of critical operations may be difficult to maintain through preventive measures and business continuity plans (BCPs) designed for specific scenarios alone. The Group therefore works to ensure operational resilience, including business robustness and recovery capabilities, based on the assumption that business suspensions may occur despite its best preventive efforts. Built on three pillars, cybersecurity, BCPs, and governance, we are working diligently to provide services that our customers can use with confidence.

Cybersecurity

Both Japan and countries around the world have experienced repeated incidents of serious cyberattacks, which have become increasingly sophisticated and diverse through the use of AI. With the emergence of advanced AI capable of independently identifying vulnerabilities and launching attacks in a short period of time, sophisticated cyberattacks have become a significant and increasingly realistic threat. Such attacks are also borderless and demand a comprehensive response that assumes threats from overseas. Under these circumstances, the Group has positioned cybersecurity as a critical management issue and collaborates with outside organizations in an effort led by Daiwa-CSIRT, a dedicated organization that works throughout the Group, while seeking to enhance our defensive capabilities as well as our resilience in the event of a cyberattack, in an ongoing manner.

In July 2026, we established a new department solely responsible for enhancing cybersecurity management. Similarly, we created the Group Chief Information Security Officer (CISO) position to strengthen the governance framework. These moves have enabled us to identify and manage cyber risk in a centralized manner at the management level and to engage in rapid, effective decision-making while implementing countermeasures.

Under this new framework, we prioritize risks based on their significance and potential impact under a risk-based approach, and are strengthening visibility into cyber risk across the Group, as well as enhancing unified risk management and monitoring across Group companies. We are also strengthening both the incident response capabilities of Daiwa-CSIRT and the governance functions of the dedicated cybersecurity management department in an integrated manner. Through these efforts, we are enhancing cyber resilience across the Identify, Protect, Detect, Respond, and Recover functions.



Moreover, we introduced passkey authentication for online trading in order to provide an environment in which customers can carry out transactions securely. By introducing biometric authentication that does not rely on passwords, we have greatly reduced the risks of phishing and unauthorized access.

Strengthening the BCP Framework

From a business continuity planning (BCP) perspective, we had already completed the construction of a BCP response hub by FY2025 in preparation for earthquakes directly beneath Tokyo and other large-scale disasters. This initiative has successfully diversified risk in terms of geography and strengthened business resilience, in addition to enhancing the continuity of systems in the event of an emergency. In FY2026, we will conduct BCP drills for managers and employees in an effort to further improve BCP effectiveness.

Enhancing Three-tiered Governance (AI, Data, and IT)

Recognizing that AI, data, and IT governance are interrelated and complementary, the Group interprets these together as a form of three-tiered governance and seeks to further strengthen this framework. As far as AI governance is concerned, we formulated and disclosed the Daiwa Securities Group AI Governance Mission Statement, within which we defined seven items: Contribution to Society and Economy through AI, Human-Centered AI, Transparency and Accountability of AI, Appropriate Use and Learning of AI, Compliance with Laws and Privacy Protection, Security and Monitoring of AI, and Governance and Literacy Improvement of AI. Moreover, at the Group AI Governance Committee, the Heads of Compliance, Human Resources, CRO and other relevant personnel engage in multifaceted discussions on AI provision, utilization and risk control.

To ensure the safe and efficient deployment of AI agents, we will implement a host of measures going forward. This includes putting in place an integrated management platform, managing the quality of the data we handle, managing access control, and monitoring behavior.

For information regarding the Group's AI governance, please see the website below.
https://www.daiwa-grp.jp/english/about/governance/ai_governance.html

Stakeholder Engagement

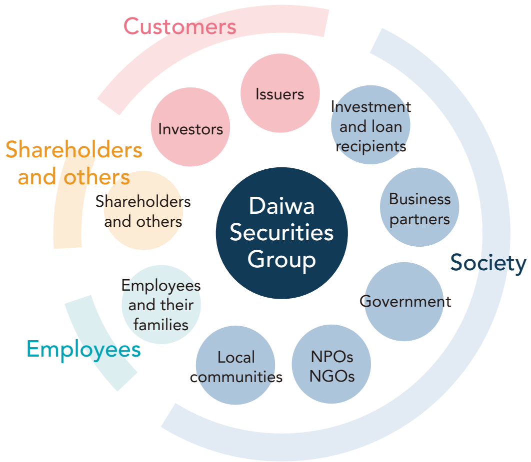
Daiwa Securities Group strives to engage proactively with stakeholders and disclose information in a fair, timely, and appropriate manner so that customers, shareholders and investors, investment and loan recipients, local communities, employees and executives clearly understand and properly evaluate the Group's activities.

Basic Policy on stakeholder engagement

1 Daiwa Securities Group will strive to engage with a broad range of stakeholders based on ISO 26000 and the Charter of Corporate Behavior of the Nippon Keidanren (Japan Business Federation).

2 The Group will strive to deepen engagement with stakeholders already known to us, including customers, shareholders and other investors, investment and loan recipients, business partners, employees and local communities.

3 The Group will strive to actively communicate and engage with third-party institutions, organizations, and individuals, etc., with whom we have previously had no contact in order to identify other stakeholders.



Basic Policy on Stakeholder Engagement
https://www.daiwa-grp.jp/english/sustainability/group_sustainability/stakeholder.html

Supply chain engagement

In order to take account of human rights, labor standards, the environment, and other social responsibilities throughout the supply chain, Daiwa Securities Group established the Daiwa Securities Group Suppliers' Code of Conduct. The Group also requests the understanding and cooperation of suppliers regarding this statement so that its suppliers also engage in ethical business practices and responsible procurement activities.

Similarly, the Group released its Declaration of Partnership Building, through which the Group strives to build sustainable relationships that enable the Group to grow together with its partners and to further raise the added value of the entire supply chain.

Supply Chain Management, Daiwa Securities Group Suppliers' Code of Conduct
https://www.daiwa-grp.jp/english/sustainability/social/supply_chain.html

Environmental and Social Policy Framework

Under the Environmental and Social Policy Framework (investment and loan policy), the Group manages the environmental and social risks of its business. This Framework applies to new investments and loans executed, as well as bond and stock issuances underwritten by Daiwa Securities Group Inc. and major Group companies, and aims to create a better society in partnership with the Group's stakeholders by acknowledging the risks for businesses that may have major negative impacts on the environment and society, and by taking appropriate measures through engagement.

Environmental and Social Policy Framework
https://www.daiwa-grp.jp/english/about/governance/risk.html#anc-04

Communication with shareholders and investors

As a means of direct communication with shareholders, the Group conducts a variety of investor relations (IR) activities. These include its general meetings of shareholders, telephone conferences on the days of earnings announcements, briefings for individual investors, management strategy briefings, individual meetings with analysts and domestic and overseas institutional investors as well as participation in the Daiwa Investment Conference held in Tokyo, Hong Kong, San Francisco, and New York.

We held a Top Management IR Meeting in February 2026 in a hybrid format, combining in-person and online participation. Featuring President and CEO Akihiko Ogino and Outside Director and Chair of the Nominating Committee Toshio Iwamoto, the meeting took the form of a panel discussion moderated by the Head of the Corporate Planning Department. Through the discussion, we engaged in interactive dialogue with institutional investors, analysts, ESG specialists, and members of the media on a variety of topics, including our capital and business alliance with Aozora Bank, the use of digital technology and AI, and efforts to strengthen our governance structure and systems. A recording of the event was made available on-demand at a later date.

Top Management IR Meeting

Stakeholder Engagement

Moreover, we provide opportunities for dialogue with a wide range of stakeholders, including ESG-focused meetings with institutional investors. In addition to holding briefings and in-person one-on-one meetings at physical venues, the Group actively utilizes online methods, such as web conferences and teleconferencing, in an effort to maintain ongoing communication with its shareholders and investors.

The insights gained through these engagements are utilized not only in formulating management strategies and capital policies but also in enhancing briefing materials and other forms of information disclosure. For example, taking into consideration opinions expressed during each dialogue, the Group set a minimum full-year dividend per share of ¥44 for the period covered by the current Medium-Term Management Plan, FY2024 to FY2026.

Focusing on the need to provide individual investors with information, we renewed and updated the section of Daiwa Securities Group Inc.'s website dedicated to individual investors and shareholders, improving its design and structure while expanding IR content in September 2025. In FY2025, we held four company briefings for individual investors, led by the CEO, CFO, and members of the Investor Relations Office, both in-person and through online formats. One of these was the Group's first-ever briefing for individual shareholders, at which the CFO served as the presenter. We are also drawing on the feedback received through Q&A sessions and surveys to improve the content and manner in which we convey information going forward.

As far as the Group's Integrated Report is concerned, and starting with the 2025 edition, we released the Japanese version two months earlier than usual, in August, and reduced the number of pages by approximately half in an effort to improve readability and ensure its timely disclosure. At the same time, we are working to diversify the manner in which information is disseminated. This includes uploading explanatory videos highlighting key points on YouTube and, once again starting with the 2025 Integrated Report, creating a video dubbed in English featuring AI-generated voice narration.

Going forward, we will redouble our efforts to strengthen our relationships of trust with shareholders and investors through constructive dialogue while working to further enhance information disclosure and deepen communication.

Daiwa Securities Group Integrated Report 2025

Status of dialogue with management, etc.
https://www.daiwa-grp.jp/ir/toolkit/dialogue.html (In Japanese only)

IR site for individual investors and shareholders
https://www.daiwa-grp.jp/ir/digest/ (In Japanese only)

Main IR Activities in FY2025

Number of briefings for institutional investors and analysts ____ 9

Number of meetings with institutional investors and analysts ____ 337

Meetings with overseas institutional investors included in the above ____ 157

Number of briefings for individual investors ____ 4

Of which the number of briefings for individual shareholders ____ 1

Approach to IR and SR activities

The Group conducts IR and shareholder relations (SR) activities with the aim of deepening understanding of the Group among its shareholders, investors, and all other stakeholders. These initiatives help stakeholders to make fair and appropriate evaluations of the Group.

Provided as feedback to the Group in an appropriate manner through reports to the Board of Directors and other means, opinions, requests, and issues received through dialogue with stakeholders are utilized in the formulation of management strategies and the making of management decisions designed to increase corporate value.

Strategic IR Cycle Envisioned by the Group to Improve Corporate Value

Promote understanding of management strategies	Provide detailed explanations focusing on progress toward achieving the KPIs
Communicate non-financial information, including sustainability information	Creation of integrated reports, sustainability data editions, etc.
Address the changing makeup of investors	• Increase dialogue with analysts and managers of active funds • Hold ESG meetings with analysts and managers of passive funds • Balance expansion of IR for individual investors with efficiency
Dissemination of information to employees	Promote understanding of management strategy and performance via internal media
Obtaining/sharing of investor feedback	In addition to activity reports, share comments obtained for financial results/ events with management

Employ feedback from investors in management strategies and information disclosure	Improve sustainability information disclosure	Disclose the progress and achievements of management strategies