Message from the Chairperson of the Board

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

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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 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.