Roundtable Discussion with Outside Directors

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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

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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.

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 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.