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	Three Committees System
▸ 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.	▸ 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	Establishment of the Corporate Principles
June	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	Established Corporate Governance Guidelines
June	Appointed half of the directors (seven out of 14) as outside directors
December	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.

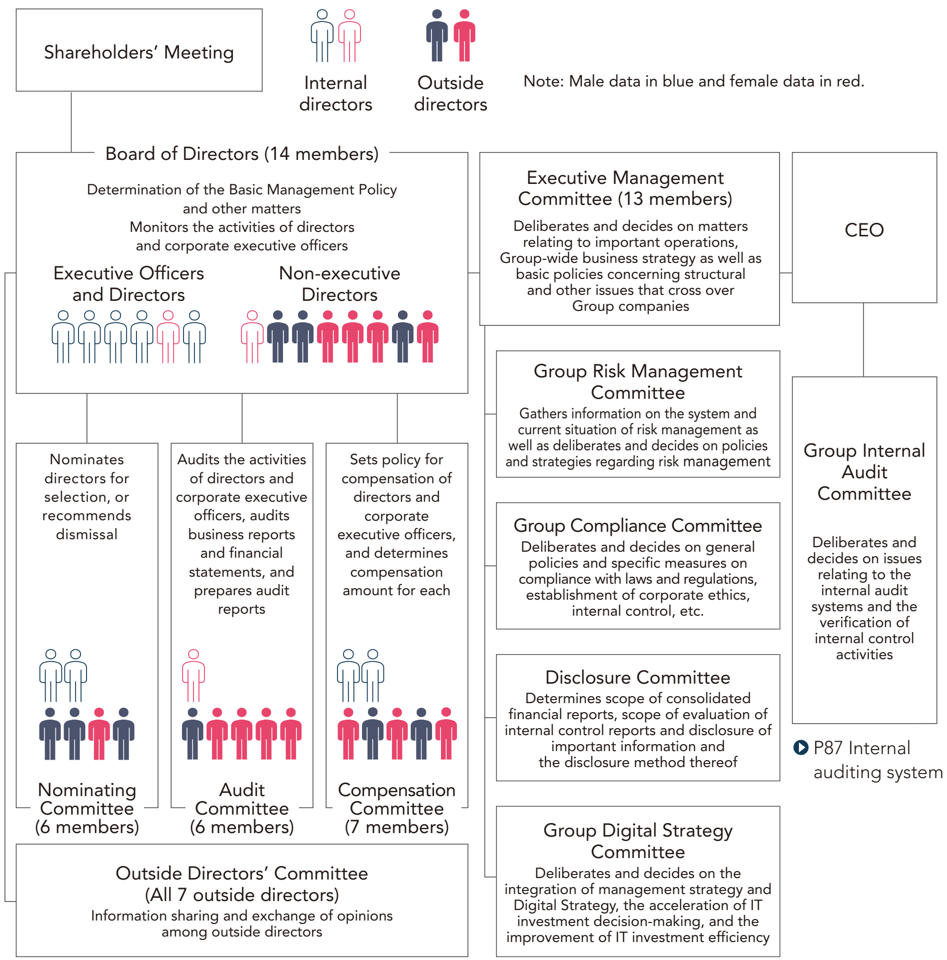
The Board of Directors' agenda involves matters to be resolved and reported. In addition to key management and other matters that are to be exclusively handled by the Board according to laws, regulations, and the Articles of Incorporation, matters to be resolved also include those that the Board of Directors 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



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

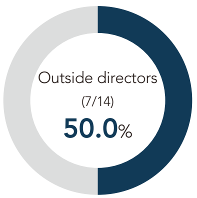
*1 Securities Report: https://ssl4.eir-parts.net/doc/8601/ir_material_for_fiscal_ym7/210681/00.pdf *2 Corporate Governance Report: https://www.daiwa-grp.jp/english/about/governance/pdf/corporate_governance_report.pdf

Corporate Governance System

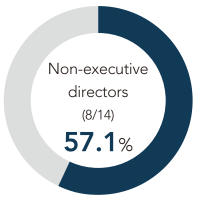
(2) Composition of the Board of Directors

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.

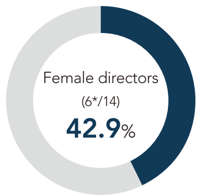
Ratio of independent outside directors



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.

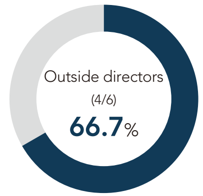
Meanwhile, the chair of the Outside Directors' Committee is responsible for organizing the outside directors, collaborating and coordinating with management, and other duties. The current Outside Directors' Committee Chair is outside director Katsuyuki Nishikawa.

(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:

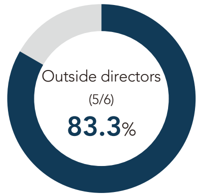
- Should not have served as an executive director, corporate executive officer, executive officer, or person in an equivalent position, nor have been an employee of the Daiwa Securities Group.
- Should not be a director, corporate executive officer, manager or employee of a company whose major shareholder 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.

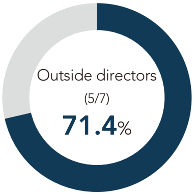
Scene from the site visit

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.

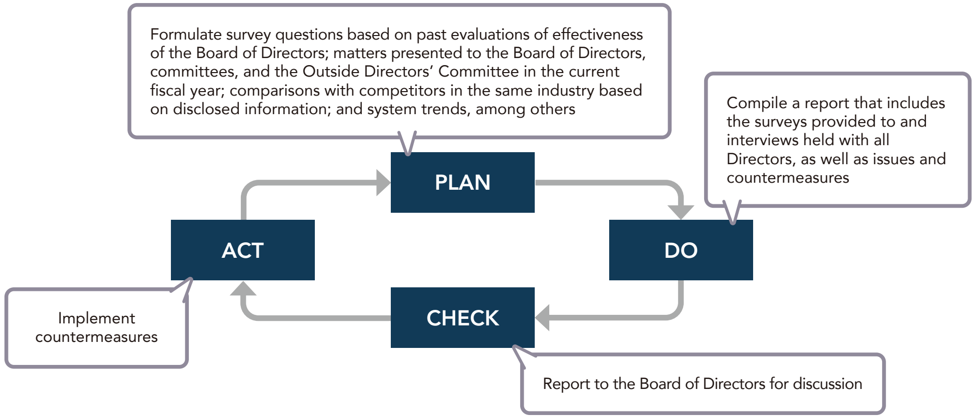
Hiraku Nihei
Head of the Corporate Secretariat

*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.

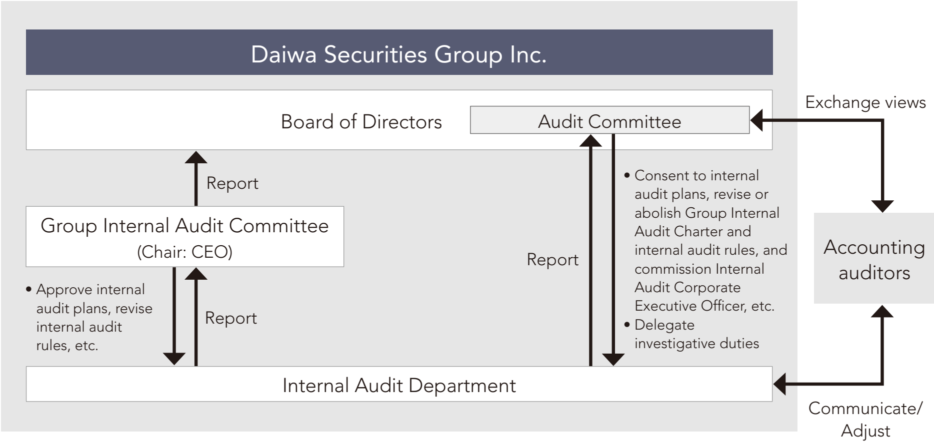
https://www.daiwa-grp.jp/english/about/governance/corporate_governance.html

*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