

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.

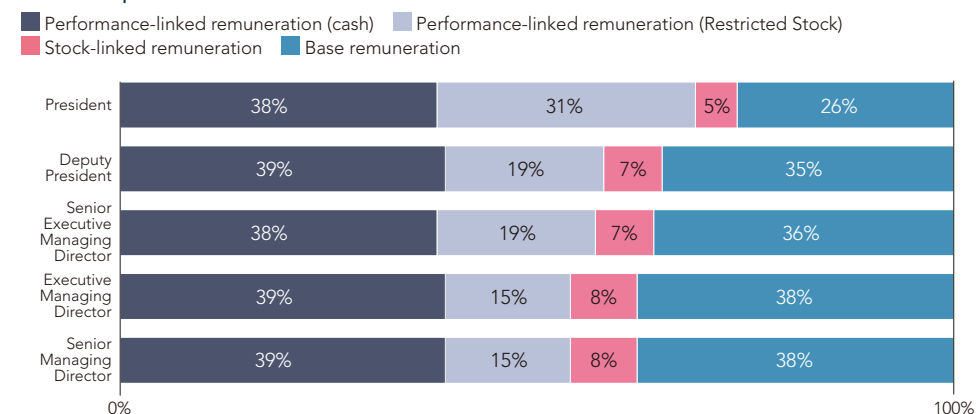
Compensation for directors and corporate executive officers is determined by the Compensation Committee and consists of base remuneration, stock-linked remuneration and performance-linked remuneration. Specifically, these are as follows:

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.

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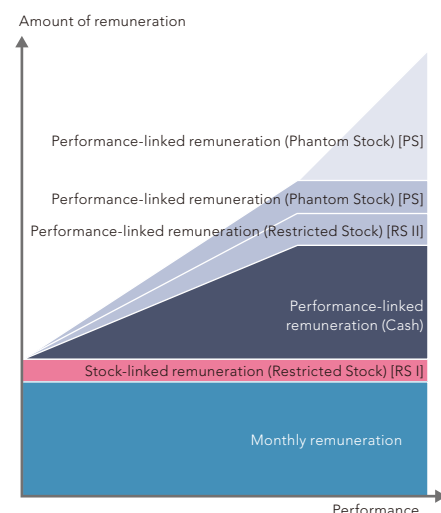
Performance-linked remuneration is calculated by multiplying the reference value determined for each position and performance evaluation and reflecting the degree of individual contribution. Performance evaluation applies the same calculation formula to all positions.



Please refer to the Securities Report for details.

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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.

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