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## Corporate Governance Report

Last Update: December 24, 2021

Daiwa Securities Group Inc.

President and CEO Seiji Nakata

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Securities Code: 8601

<http://www.daiwa-grp.jp/english/index.html>

The corporate governance of Daiwa Securities Group Inc. (the “Company”) is described below.

### I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

#### 1. Basic Views

The Company will respect the rights and interests of the shareholders, consider the position of all stakeholders and strive for sustainable growth and improvement of medium to long term corporate value through realization of our 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, establishes a highly transparent and objective governance structure that conforms to international standards, realizes highly efficient oversight of group companies and builds a unified group management system that elicits synergies among group companies. To achieve that, the Company has established “Daiwa Securities Group Inc. Corporate Governance Guidelines” to define the basic framework and policies of the Daiwa Securities Group’s corporate governance. For the contents of the guideline, please check the website below.

([https://www.daiwa-grp.jp/english/about/governance/pdf/corporate\\_governance\\_guideline.pdf](https://www.daiwa-grp.jp/english/about/governance/pdf/corporate_governance_guideline.pdf))

The Company has adopted a company with Three Committees System (a company with nominating committee, etc.) as an institutional design in order to supervise management through the following (1) and (2).

- (1) Making swift and decisive decisions by having the Board of Directors assign wide-ranging authority to Corporate Executive Officers and clarifying the division of duties among Corporate Executive Officers.
- (2) Improving transparency and fairness of the management by establishing three committees: the Nominating Committee, Audit Committee and Compensation Committee with highly independent Outside Directors as a majority of their members.

Furthermore, the Company positively addresses corporate social responsibility activities in order to obtain trust from all of the stakeholders. There are indeed various aspects to corporate social responsibility, such as providing superior products, services, and sincere responses to customers; returning profits appropriately and disclosing information to shareholders; measures for labor environment and evaluation of the employees; establishing legal compliance and corporate ethics; environmental management; as well as social contribution.

The Company believes that these approaches, together with a strengthened corporate governance system which emphasizes transparency, mobility and efficiency will lead to the sustainable improvement of the corporate value.

**[Reasons for Non-compliance with the Principles of the Corporate Governance Code] Updated**

The Company complies with all principles of the Corporate Governance Code (including the sections related to the Prime Market), which was revised in June, 2021.

**[Disclosure Based on the Principles of the Corporate Governance Code] Updated**

**【Principle 1-4】 Strategic Shareholding Shares**

- The Company and Daiwa Securities Co. Ltd. hold the strategic shareholding shares only when they determine that such shareholding serves their strategic interests. Furthermore, the Company regularly verifies the significance of such shareholding and will sell shares which are determined to be insignificant considering the impact on the market and other matters which should be taken into consideration.

Total amount (book value) of the strategic shareholding shares\* sold from the end of March 2016 to the end of FY2020: 6.6 billion yen (▲11%).

\* Excluding shares held for the purpose of alliance.

- In the verification of the significance of the shareholding, the Company checks whether such shareholding contributes to the enhancement of medium to long term corporate value of the Company group from the viewpoint of economic rationality (i.e. whether the returns from the shares such as revenues related to client companies or dividend income, etc., exceed the standard capital cost) and objectives for the shareholding (e.g. potential for growth and enhancement of business relationships, etc.).

Moreover, the Board of Directors regularly verifies the significance of each strategic shareholding shares.

\*The result of the verification at the end of March 2021 is as follows:

Excluding shares held for the purpose of alliance, around 80% of the client companies exceed the target value.

For the other approximately 20% of the client companies which are below the target value, the Company will verify qualitative aspects of the shareholding such as maintenance and enhancement of future business relationships with these companies and aim to improve the profitability of the shareholding. However, if the profitability of the shareholding does not improve in a certain period, the Company will consider selling such shares.

- With regard to the exercise of the voting rights of strategic shareholding shares, the Company integrally determines whether or not each proposal should be approved taking into account the need to enhance medium to long term corporate value of both the strategic shareholding company and the Company group.

Especially for the important proposals of the following proposals that could significantly affect the corporate value or shareholder interests, the Company will exercise the voting rights through dialogue with the client company if necessary.

- Election of directors or audit & supervisory board members
- Anti-Takeover measure
- Organizational restructure
- Distribution of Dividends of surplus, etc.

- In addition, if there is a possibility of a conflict of interest in exercising the voting rights, the

Company will take appropriate measures in accordance with the Management Policy for Conflict of Interest of the Company.

**【Principle 1-7】 Transactions between Related Parties**

- In order to avoid any prejudice to the Company and the common interests of its shareholders, the Company has established Regulations of the Board of Directors that a prior approval of the Board of Directors is necessary in cases where the Company conducts transactions with the Directors or Corporate Executive Officers (Shikkoyaku) of the Company or major shareholders, etc., unless the terms and conditions of the transactions are the same as those of general transactions.

**【Supplemental Principle 2-4①】 Ensuring Diversity in the Appointment, etc. of Core Personnel**

**<Our Approach to Ensuring Diversity>**

- To ensure, the Company continues to be a key part of society for the next ten years, the Company has formulated Vision 2030, a vision for the future and a shared set of action policy for all officers and employees to follow. Through Vision 2030, and with “From savings to SDGs” as the keyword, the Company will work to realize the SDGs by creating a sustainable capital cycle. To achieve the “From savings to SDGs”, the Company has set “Diversity & Inclusion” as a priority area, and is working to “Foster human resources who can provide added value”, and “Building an organization where everyone can play an active role by acknowledging diverse personalities”.
- “Passion for the Best” 2023—the Company’s Medium-Term Management Plan—serves as a specific set of initiatives to achieve the goals and tackle the priority areas of Vision 2030. Through this plan, the Company will accelerate efforts to increase job satisfaction, improve engagement and productivity, eliminate gender gaps, and more.

**<Voluntary and Measurable Goals for Ensuring Diversity and its Progress>**

- Promotion of Women

To develop and produce women who can play a leading role in Japanese financial industries, the Company group is actively promoting female employees. The number of women in management positions is increasing year on year, and as of the end of March 2021, the percentage of women in management positions in Japan<sup>\*1</sup> increased from 2.2% (at the end of FY2004) to 13.7%.

To drive the promotion of female employees to management positions, Daiwa Securities Co., Ltd. is working to increase the percentage of women in management positions to 25% or higher by 2025, setting this target as a key management indicator. As of the end of March 2021, Daiwa Securities Co. Ltd. has increased the percentage of women in management positions from 2.3% (at the end of FY2004) to 16.3%.

An increasing number of role models has made it easier for female employees to plan their careers, and in recent years, there has been a huge rise in the number of female employees seeking to advance their careers through the Company’s career-track, broad regional career-track, and regional career-track job shift systems. To date, more than 1,500 female employees have made use of these systems.

More details can be found in the “Other” section of “III. 3. Measures to Ensure Due Respect for Stakeholders” in this report.

- Promotion of Foreign Nationals

The Company group boasts global operating hubs in 25 different countries and regions, and actively hires local employees in these areas. The number of overseas hires<sup>\*2</sup> is increasing year on year, and as of the end of March 2021, overseas hires make up 11.9% of the Company group’s total number of employees. Moreover, overseas hires account for 13.2% of those in management positions in both Japan and overseas. The Company group will continue to actively promote local

employees for overseas business expansion, such as by building a global M&A advisory network.

- Promotion of Mid-career Hires

The Company group is currently expanding its range of new businesses that have little correlation with securities, and is thus moving forward with the hiring of external, specialist personnel who can be immediately effective in the creation, extension, and development of these new segments. To respond to the diverse needs of its customers (investors and companies), Daiwa Securities Co., Ltd. is also hiring external, highly skilled personnel who can help to direct capital to businesses that contribute to the resolution of social challenges. As of the end of March 2021, mid-career hires account for more than 10% of those in management positions at Daiwa Securities Co. Ltd and subsidiaries of the Company engaged in hybrid businesses (Daiwa Next Bank, Ltd., Daiwa Energy & Infrastructure Co., Ltd., and Fintertech Co., Ltd., etc.). The Company will continue to secure the necessary personnel through the hiring of mid-career professionals.

\*1: In domestic consolidated subsidiaries.

\*2: In domestic and overseas consolidated subsidiaries.

#### <Policies for and Progress in the Creation of In-house Environments for Diversity>

- One of the Company's basic policies with regard to its personnel strategy is "The development of professionals".
- Further, while creating a workplace environment in which all employees feel a sense of job satisfaction, the Company is aiming to develop personnel of the Quality No.1 professionals.
- The Company's main initiatives are as below:
  - Establishment of a new Expert Course for employees in roles requiring advanced expertise
  - Development of digital IT professional
  - Implementation of career training programs for women, and establishment of a career and workstyle consulting desk
  - Enhancement of personnel systems to support the success of veteran employees

#### 【Principle 2-6】 Roles of Corporate Pension Funds as Asset Owners

- Each company of the Company group, including the Company, adopted a Defined Contribution Pension Plan to allow each employee to freely build his/her assets according to his/her life plan.
- The Company has selected Daiwa Securities Co. Ltd., a subsidiary of the Company, as the DC provider and encourages employees of each company adopting the Defined Contribution Pension Plan to provide education for the subscribers and use a matching contribution plan.

#### 【Principle 3-1】 Enhancement of Information Disclosure

- (1) The Company enacts and discloses the Corporate Principles. The Company also has developed and disclosed Medium-Term Management Plan on its website.

Corporate Principles

(<https://www.daiwa-grp.jp/english/about/management/philosophy.html>)

Medium-Term Management Plan

(<https://www.daiwa-grp.jp/english/about/story.html>)

- (2) The basic views on Corporate Governance of the Company group are described in "I. 1. Basic Views" of this report.
- (3) The Company decides on the policy regarding the compensation of the Directors and Corporate Executive Officers (Shikkoyaku) in the Compensation Committee and has disclosed the policy on the Notice of Convocation of the Ordinary General Meeting of Shareholders, securities reports, and "II. 1. Organizational Composition and Operation, etc." of this report.

- (4) With regard to the election of Directors, the Nominating Committee, which is made up of a majority of Outside Directors, determines the candidates for the Directors. An overview of the procedure is disclosed in securities reports and “II. 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)” of this report.

Based on the Regulations of Board of Directors, appointment and dismissal of the CEO and other Corporate Executive Officers (Shikkoyaku) are determined by the Board of Directors. The Board of Directors will appoint or dismiss based on the discussions of the Nominating Committee. The Board of Directors resolves the appointment and dismissal of the CEO based on the discussions at the Nominating Committee. The Board of Directors will dismiss the CEO and other Corporate Executive Officers (Shikkoyaku), if the Board of Directors judges that the CEO or a Corporate Executive Officer (Shikkoyaku) cannot dully fulfill his/her duties and considers it appropriate to dismiss such CEO or Corporate Executive Officers (Shikkoyaku).

- (5) The reasons for the election of Directors, including the Director holding concurrent post of representative Corporate Executive Officer (Shikkoyaku), are explained in the Appendix 1 of this report. With regard to the Outside Directors, the reasons for election are described on “Reasons for Appointment” of “Outside Directors’ Relationship with the Company (2)” of [Outside Directors] of “II. 1. Organizational Composition and Operation, etc.” of this report.

**【Supplemental Principle 3-1③】 Sustainability Initiatives**

- The Company group has formulated Vision 2030 to coincide with the target year of the SDGs. At the same time, the Company group has put together a Medium-Term Management Plan “Passion for the Best” 2023 to map out specific strategies for the first three years, which are essential to achieving the goals of Vision 2030. As part of this Medium-Term Management Plan, the Company group has established a set of non-financial KPIs related to human resources and sustainability.
- Initiatives for sustainability through these management strategies, including investment in human capital and intellectual property, as well as initiatives in line with TCFD recommendations, are disclosed through the Company group’s Integrated Report and its SDGs website.

**【Supplemental Principle 4-1①】 Scope of Delegation to the Managers**

- In order to promote swift decision-making and efficient group management, the Board of Directors of the Company, in principle, delegates the decision-making authority regarding the execution of operations to the Corporate Executive Officer (Shikkoyaku) or the Executive Management Committee, which is comprised of the Corporate Executive Officers (Shikkoyaku), except for the matters that, according to the laws and regulations, have to be decided by the Board of Directors.

**【Supplemental Principle 4-1③】 Succession plan for the CEO**

- The CEO establishes a succession plan for the CEO based on management strategy, business strategy and etc., and reports to the Nominating Committee. The Nominating Committee supervise its content properly.
- In case of unexpected situations for the CEO, COO will act for the CEO. The CEO will also establish a succession plan in case of unforeseen situations.

**【Principle 4-9】 Independence Criteria and Qualities of the Independent Outside Directors**

- The Company formulates evaluation criteria on the independence for becoming an Independent

Outside Director at the Nominating Committee. Such criteria are disclosed in securities reports and “2. Auditing and Oversight (1) Nominating Committee” of “II. 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)” of this report.

**【Supplemental Principle 4-10①】 Authority and Roles, etc. of the Nominating Committee and Compensation Committee**

- The Company’s Nominating Committee, Audit Committee, and Compensation Committee shall each comprise at least three Directors appointed by the Board of Directors. Further, the majority of these committees shall be made up of independent Outside Directors.
- The Chairman for each of these committees shall be selected by the committee from among the Outside Directors, who are themselves committee members.
- For more information on the composition, authority, and roles, etc. of each committee, please refer to “Committees” of “II. 1. Organizational Composition and Operation, etc.” and “II. 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions, etc.” of this report.

**【Supplemental Principle 4-11①】 Our Approach to Board of Director Diversity**

- Regarding the personnel composition of the Board of Directors, the Company strives to ensure a balance of knowledge, experience, and ability, as well as diversity with regard to gender and internationality, etc.
- For Outside Directors, the Company appoints Outside Directors who have management experience at other companies.
- The skills matrix of Outside Directors outlining their knowledge, experience, ability, and other relevant information is disclosed in the Company’s Integrated Reports, etc.
- The Company’s appointment policy for Director candidates is disclosed in “2. Auditing and Oversight (1): Nominating Committee” of “II. 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions, etc. (Overview of Current Corporate Governance System)” of this report.

**【Supplemental Principle 4-11②】 Status of Directors’ Concurrent Posts**

- Status of holding concurrent posts of the Outside Directors is disclosed on the Notice of Convocation of the Ordinary General Meeting of Shareholders and “II. 1. Organizational Composition and Operation, etc.” of this report.
- The status of other Directors is described in the Appendix 2 of this report.

**【Supplemental Principle 4-11③】 Evaluation of the Effectiveness of the Board of Directors**

- The Company implements the effectiveness evaluation of the Board of Directors annually.
- The Company takes a survey for all of the Directors. Based on the results of the survey, the Company implements the interview for them, and analyzes and evaluates the results of those interviews. The results of the evaluation are reported to the Board of Directors and discussed by the directors in order to implement PDCA cycle. The Company endeavors to maintain and enhance the effectiveness of the Board of Directors using such PDCA cycle.

<Measures in response to the results of the evaluation of the effectiveness of the Board of Directors in FY2019>

- Based on the issues pointed out in the evaluation of the effectiveness of the Board of Directors in FY2019, the Company reconfirmed the role of the Outside Directors and clarified it in Corporate

Governance Guidelines. Also, the Company has strengthened its support for the Outside Directors by actively utilizing the Outside Directors' meetings and promoting information sharing, etc. Furthermore, the Company actively discussed strengthening group governance, "Customer First" operations, further promotion of SDGs/ESGs initiatives, DX (digital transformation), and potential risks related to the spread of coronavirus (COVID-19), etc.

<Overview of the results of the evaluation of the effectiveness of the Board of Directors in FY2020>

- Regarding the evaluation of the effectiveness of the Board of Directors in FY2020, the Company evaluated the following items with reference to the advice of an external third-party organization and confirmed that the effectiveness is ensured.

Evaluation Items

1. Strategy and its execution, 2. Risk and crisis management, 3. Corporate culture, 4. Performance monitoring, 5. Investment and business alliance, etc. 6. Engagement with stakeholders, and 7. Composition and operation of the Board of Directors.

- Directors pointed out that it is necessary to strengthen monitoring of the new Medium-term Management Plan and risks, and to discuss DX and SDGs/ESG. Furthermore, there was an opinion that it is necessary to deepen the common understanding of the functions and roles of the Board of Directors and to further streamline the operation of the Board of Directors.
- The Company will continuously endeavor to enhance the effectiveness of the Board of the Directors to earn trust from various stakeholders and improve the corporate value sustainably.

【Supplemental Principle 4-14②】 Policy on Training for the Directors

- The Company provides training and explanations to newly appointed Directors when they take office so that they can effectively fulfill their roles and duties, and continues to support for them to acquire information and knowledge to fulfill their roles even after taking office.
- For Outside Directors, the Company shares sufficient internal information and bears the expenses for the Outside Directors to fulfill their roles (use of outside experts, etc.)
- The Company provides a wide range of training content, including description of business of the Company, laws, regulations and compliance, corporate governance, and the roles and duties, etc. of officers, etc. and supports directors to fully fulfill their functions.

<Training implementation status in FY2020>

- Training for newly appointed officers (April)

Participants: newly appointed officers of the Company group

Contents: Management policy, Authority and responsibility of officers, Governance system of the Group, Legal position of officers, Labor administration and social trends, etc.

- Training for officers (July)

Participants: officers of the Company and Daiwa Securities Co., Ltd.

Contents: Change of society based on the technology and management, Recent trends in compliance, Basics and practices of harassment prevention, etc.

- Training for newly appointed Outside Directors

- Training for Outside Directors (October)

Participants: Outside Directors of the Company

Contents: Global risks, Issues of securities business and the direction to aim for

- Compliance Training for officers (December)

Participants: officers of the Company group

Contents: Prevention of insider trading, Elimination of antisocial forces, Strengthening of measures against money laundering and financing of terrorism and Information security

- Domestic branch visit

Participants: Outside Directors of the Company  
 Contents: Understanding of business through inspects the branch of Daiwa Securities Co. Ltd., and exchange of opinions with employees.

**【Principle 5-1】 Policy on Constructive Communication with Shareholders**

- The Company has established the “IR Office”, a fully specialized dedicated section in charge of IR activities of the Company group that tries to promote constructive communication with shareholders cooperating with each company of the Company group.
- The Company has determined the “Disclosure Policy” which summarizes the general considerations with regard to the information disclosure. The Company is committed to disclosing the information in a fair, timely and adequate manner pursuant to the Disclosure Policy.
- Furthermore, the Company has adopted internal rules, Disclosure Rules, and has also established the Disclosure Committee which, as the subcommittee of the Executive Management Committee, decides on information disclosure in order to embody the spirits of the policy.
- The Disclosure Policy is available at the Company’s website:  
<https://www.daiwa-grp.jp/english/ir/disclosurepolicy.html>
- For more details on the IR activities, please see “III. 2. IR Activities” of this report.

**2. Capital Structure**

Percentage of Foreign Shareholders	From 20% to less than 30%
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**[Status of Major Shareholders]**

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	129,328,700	8.48
Custody Bank of Japan, Ltd. (Trust Account)	61,931,800	4.06
Taiyo Life Insurance Company	41,140,000	2.69
Barclays Securities Japan limited	34,390,900	2.25
Nippon Life Insurance Company	31,164,237	2.04
Northern Trust Co. (AVFC) Re Silchester International Investors International Value Equity Trust	30,973,100	2.03
JAPAN POST HOLDINGS Co., Ltd.	30,000,000	1.96
Daiwa’s Employee Stock Ownership Association	23,389,036	1.53
Custody Bank of Japan, Ltd. (Trust Account 5)	22,649,600	1.48
STATE STREET BANK WEST CLIENT – TREATY 505234	22,299,852	1.46

Controlling Shareholder (except for Parent Company)	—
Parent Company	Nil

**Supplementary Explanation**

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### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section and Nagoya Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Securities & Commodity Futures Transactions
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	Equal to or more than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	100 or more to less than 300 companies

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

▪ No particular matters to be described.

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation, etc.

Organization Form	Company with Three Committees
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	1 year
Chairman of the Board of Directors	Chairperson of the Board (except holding concurrent post of president)
Number of Directors	14

#### [Outside Directors]

Number of Outside Directors	7
Number of Independent Directors designated among Outside Directors	7

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Michiaki Ogasawara	Other												
Hiroataka Takeuchi	Academic												
Ikuo Nishikawa	Certified Public Accountant												
Eriko Kawai	Academic												
Katsuyuki Nishikawa	Attorney at law												
Toshio Iwamoto	From another company												
Yumiko Murakami	From another company												

\* Categories for "Relationship with the Company"

\* "○" when the Director presently falls or recently fell under the category;

"△" when the Director fell under the category in the past

\* "●" when a close relative of the Director presently falls or recently fell under the category;

"▲" when a close relative of the Director fell under the category in the past

a. Executive of the listed company or its subsidiaries

b. Non-Executive Director or executive of a parent company of the listed company

c. Executive of a fellow subsidiary company of the listed company

d. A party whose major client or supplier is the listed company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the listed company besides compensation as a Director/Audit & Supervisory Board Member
- g. Major shareholder of the listed company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the listed company (which does not correspond to any of d, e, or f) (the Director himself/herself only)
- i. Executive of a company, between which and the Company outside Directors/Audit & Supervisory Board Member are mutually appointed (the Director himself/herself only)
- j. Executive of a company or organization that receives a donation from the listed company (the Director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name	Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
	Nominating Committee	Compensation Committee	Audit Committee			
Michiaki Ogasawara	○		○	○	<p>Advisor of Sumitomo Corporation; Outside Director of Tokyu Fudosan Holdings Corporation; Chairman of Foundation for MultiMedia Communications; Advisor of Fujitsu Future Studies Center Ltd.; and Outside Director of KOEI TECMO HOLDING CO., LTD.</p> <p>He has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act,</p>	<p>&lt;Reasons for Appointment as Outside Director&gt; He served successively as the Director-General of Global ICT Strategy Bureaus and the Vice-Minister of Ministry of Internal Affairs and Communication etc. The Company believes that he is qualified for the Outside Director because he has specialized experience and knowledge accumulated through his career.</p> <p>&lt;Reasons for Appointment as Independent Director&gt; He fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because it is believed that there is no conflict of interest between general shareholders and him, the Company designates him as an Independent Director.</p>

					whichever is higher.	
Hiroataka Takeuchi	○	○		○	<p>Professor of Harvard Business School;          Outside Director of Integral Corporation;          Senior Advisor of P&amp;E Directions, Inc;          Outside Director of BrightPath Biotherapeutics Co., Ltd.;          Director of t-lab;          Principal of Global Academy K.K.;          Co-founder and Special Advisor to the Board of GlobalTreehouse Inc.; and          Chair of the Board of Trustees of International Christian University.          He has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.</p>	<p>&lt;Reasons for Appointment as Outside Director&gt;          He served successively as the Professor of Hitotsubashi University, Faculty of Commerce and Management and Professor of Harvard Business School, etc. The Company believes that he is qualified for the Outside Director because he has specialized experience and knowledge accumulated through his career.</p> <p>&lt;Reasons for Appointment as Independent Director&gt;          He fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because it is believed that there is no conflict of interest between general shareholders and him, the Company designates him as an Independent Director.</p>
Ikuo Nishikawa		○	○	○	<p>Outside Director of MEGMILK SNOW BRAND Co., Ltd.;</p>	<p>&lt;Reasons for Appointment as Outside Director&gt;          He served successively as the Representative Partner of Century Audit</p>

					<p>Graduate School of Keio University, Faculty of Business &amp; Commerce; and Outside Audit &amp; Supervisory Board Member of Tokio Marine &amp; Nichido Fire Insurance Co., Ltd.</p> <p>He has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.</p>	<p>Corporation and Chairman of Accounting Standards Board of Japan, etc. The Company believes that he is qualified for the Outside Director because he has specialized experience and knowledge accumulated through his career.</p> <p>&lt;Reasons for Appointment as Independent Director&gt; He fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because it is believed that there is no conflict of interest between general shareholders and him, the Company designates him as an Independent Director.</p>
Eriko Kawai	○		○	○	<p>Outside Director of CMIC HOLDINGS Co., Ltd.;</p> <p>Outside Audit &amp; Supervisory Board Member of Yamaha Motor Co., Ltd.;</p> <p>Professor of Graduate School of Advanced Integrated Studies in Human Survivability, Social Innovation Center, Kyoto University;</p> <p>Senior Advisor of International Management Forum Co., Ltd.;</p>	<p>&lt;Reasons for Appointment as Outside Director&gt; She held positions such as the Pension Funds Administrator of BIS and OECD, etc. The Company believes that she is qualified for the Outside Director because she has ample experience and knowledge about corporate management accumulated through her career.</p> <p>&lt;Reasons for Appointment as Independent Director&gt; She fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because the Company believes that there is no</p>

					<p>Outside Director of Mitsui Fudosan Co., Ltd. She has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.</p>	<p>conflict of interest between general shareholders and her, the Company designates her as an Independent Director.</p>
Katsuyuki Nishikawa	○		○	○	<p>Attorney at Nishikawa Katsuyuki Law Office; and Outside Audit &amp; Supervisory Board Member of Aeon Hokkaido Corporation. He has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.</p>	<p>&lt;Reasons for Appointment as Outside Director&gt; He served successively 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 believes that he is qualified for the Outside Director because he has ample experience and professional knowledge about law and compliance accumulated through his career.</p> <p>&lt;Reasons for Appointment as Independent Director&gt; He fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because it is believed that there is no conflict of interest between general shareholders and him, the Company designates him as</p>

						an Independent Director.
Toshio Iwamoto	○	○		○	<p>Advisor of NTT DATA Corporation; and Outside Audit &amp; Supervisory Board Member of IHI Corporation.</p> <p>He has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.</p>	<p>&lt;Reasons for Appointment as Outside Director&gt; He held positions such as the President of NTT DATA Corporation, etc. and currently is the Advisor of NTT DATA Corporation. The Company believes that he is qualified for the Outside Director because he has significant accumulated experience in management of global companies and experience and extensive knowledge about IT through his career.</p> <p>&lt;Reasons for Appointment as Independent Director&gt; He fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because it is believed that there is no conflict of interest between general shareholders and him, the Company designates him as an Independent Director.</p>
Yumiko Murakami		○	○	○	<p>General Partner of MPower.</p> <p>She has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.</p>	<p>&lt;Reasons for Appointment as Outside Director&gt; She worked for the United Nations, Goldman Sachs Japan Co., Ltd. and Credit Suisse Securities (Japan) Limited, and Head of Organization for Economic Cooperation and Development (OECD) Tokyo Centre. The Company believes that she is qualified for the Outside Director because she has significant global experience and experience about corporate management and</p>

						<p>understanding of the securities business through her career.</p> <p>&lt;Reasons for Appointment as Independent Director&gt;</p> <p>She fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges.</p> <p>Because the Company believes that there is no conflict of interest between general shareholders and her, the Company designates her as an Independent Director.</p>
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### [Committees]

#### Committee's Composition and Attributes of Chairman

	All Committee Members	Full-time Members	Internal Directors	Outside Directors	Chairman
Nomination Committee	7	0	2	5	Outside Director
Compensation Committee	6	0	2	4	Outside Director
Audit Committee	7	2	2	5	Outside Director

### [Corporate Executive Officers (Shikkoyaku)]

Number of Corporate Executive Officers (Shikkoyaku)	16
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#### Status of Additional Duties

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Compensation Committee Member	
Seiji Nakata	Yes	Yes	Yes	Yes	No
Toshihiro Matsui	Yes	Yes	No	No	No
Keiko Tashiro	No	Yes	No	No	No
Kazuo Takahashi	No	No	No	No	No
Mikita Komatsu	No	No	No	No	No
Koichi Matsushita	No	No	No	No	No
Masahisa Nakagawa	No	No	No	No	No



Akihiko Ogino	No	Yes	No	No	No
Shinsuke Niizuma	No	No	No	No	No
Atsushi Mochizuki	No	No	No	No	No
Junichi Arihara	No	No	No	No	No
Yoshifumi Otsuka	No	No	No	No	No
Kana Shirakawa	No	No	No	No	No
Tomoyuki Murase	No	No	No	No	No
Eiji Sato	No	No	No	No	No
Takashi Hibino	No	Yes	Yes	Yes	No

### [Auditing Structure]

Appointment of Directors and/or Employees to Support Audit Committee	Appointed
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Matters Related to the Independence of Such Directors and/or Employees from Corporate Executive Officers (Shikkoyaku)

- The Company has established Audit Committee's Office as a full-time post to support the duties of Audit Committee.
- Personnel affairs, change of organization, etc. of the Audit Committee's Office require consent of Audit Committee or Audit Committee member selected by Audit Committee.

Cooperation among Audit Committee, Accounting Auditors and Internal Audit Division

- In FY2020, Audit Committee held periodic meetings three times with KPMG AZSA LLC, Accounting Auditors. Audit Committee has received reports on audit plan, circumstances and result of the audit, etc. from Accounting Auditors, and has evaluated independence and the quality control system of Accounting Auditors.
- Furthermore, a member of Audit Committee, selected by Audit Committee, has been conducting hearings with Accounting Auditors as necessary.
- Audit Committee has provided "Policy of Determination of Dismissal or Non-Reappointment to Accounting Auditors" and receives explanations about the audit Remuneration of the Accounting Auditors from the section in charge and consents to it.
- In FY2020, Audit Committee received reports eight times from the Internal Audit Department on the circumstances of internal audit of the Company and the group companies.
- Furthermore, a member of Audit Committee, selected by Audit Committee, makes inquiries to the Internal Audit Department on progress and results of internal audits as necessary, and attends the Group Internal Audit meetings and makes remarks as necessary.
- Audit Committee or a member of Audit Committee selected by Audit Committee consents to important issues on the internal audit, such as Audit Policy of Internal Audit or formulation of internal audit plan etc.
- Audit Committee is able to put forward inquiries to the Internal Audit Department as necessary.

### [Independent Directors]

Number of Independent Directors	7
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Matters relating to Independent Directors

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### [Incentives]

Incentive Policies for Directors and/or Corporate Executive Officers (Shikkoyaku)	Introduction of Performance-linked Remuneration and others
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Supplementary Explanation

<p>Performance-linked Remuneration</p> <ul style="list-style-type: none"> <li>▪ Determined depending on the level of individual contribution, mainly on the basis of consolidated ROE and consolidated ordinary income, which are set 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 the other relevant factors and provided at a certain time every year.</li> <li>▪ A certain limit is set on Performance-linked remuneration to be paid in cash based on business performance. If Performance-linked remuneration exceeds the limit, the exceeded amount will be paid in restricted stock instead of cash.</li> <li>▪ It does not apply to Directors who do not serve as Corporate Executive Officers.</li> </ul> <p>Stock-linked Remuneration</p> <ul style="list-style-type: none"> <li>▪ To increase the link between remuneration and shareholders' value, the Company grants, as Stock-linked remuneration, restricted stock, etc. the value of which corresponds to a certain percentage of base remuneration as non-monetary remuneration at a certain time every year.</li> <li>▪ It does not apply to Outside Directors.</li> </ul> <p>※Please refer to Appendix 3 for ratio of Performance-linked Remuneration and remuneration other than Performance-linked remuneration, indicators for Performance-linked Remuneration, reasons for choosing the indicators, and how to determine Performance-linked Remuneration.</p> <p>※Regarding the Stock Options, the Company issued Series 17 Stock Acquisition Rights in August 2020 as stock options to employees of the Company and its subsidiaries, and directors and executive officers of the Company's subsidiaries as an incentive to contribute towards increasing consolidated performance and to enable the recruitment of talented personnel.</p>
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Recipients of Stock Options	
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Supplementary Explanation

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### [Compensation for Directors and Corporate Executive Officers (Shikkoyaku)]

Disclosure of Individual Directors' Remuneration	Selected Directors
Disclosure of Individual Corporate Executive	Selected Corporate Executive Officers (Shikkoyaku)

## Supplementary Explanation

- In FY2020, Amounts of Remunerations, etc. paid based on Resolution of the Compensation Committee for 9 Directors were 194 million yen, and for 16 Corporate Executive Officers (Shikkoyaku) were 1,307 million yen, totaling 1,501 million yen for 25 members.
  - ※ Performance-linked Remuneration is included.
  - ※ The above paid amounts include Restricted Stock allotted to the Directors and Corporate Executive Officers (Shikkoyaku) valued at 215 million yen in total.
  - ※ The total Remuneration, etc. paid to the 7 Outside Directors was 126 million yen.
  - ※ The Remunerations to the 5 Directors who also serve as Corporate Executive Officers (Shikkoyaku) are stated in the amount paid to the Corporate Executive Officers (Shikkoyaku).

Disclosure Status of Remuneration for Directors and Corporate Executive Officers (Shikkoyaku) is as follows:

- Takashi Hibino: amount of consolidated Remuneration 225 million yen  
(Base Remuneration 115 million yen, Restricted Stock 23 million yen, Performance-linked Remuneration 85 million yen)
- Seiji Nakata: amount of consolidated Remuneration 264 million yen  
(Base Remuneration 115 million yen, Restricted Stock 23 million yen, Performance-linked Remuneration 124 million yen)
- Toshihiro Matsui: amount of consolidated Remuneration 181 million yen  
(Base Remuneration 86 million yen, Restricted Stock 17 million yen, Performance-linked Remuneration 77 million yen)
- Keiko Tashiro: amount of consolidated Remuneration 133 million yen  
(Base Remuneration 66 million yen, Restricted Stock 13 million yen, Performance-linked Remuneration 53 million yen)
- Kazuo Takahashi: amount of consolidated Remuneration 131 million yen  
(Base Remuneration 65 million yen, Restricted Stock 13 million yen, Performance-linked Remuneration 52 million yen)
- Mikita Komatsu: amount of consolidated Remuneration 131 million yen  
(Base Remuneration 65 million yen, Restricted Stock 13 million yen, Performance-linked Remuneration 52 million yen)
- Akihiko Ogino: amount of consolidated Remuneration 109 million yen  
(Base Remuneration 55 million yen, Restricted Stock 10 million yen, Performance-linked Remuneration 42 million yen)
- Shinsuke Niizuma: amount of consolidated Remuneration 107 million yen  
(Base Remuneration 53 million yen, Restricted Stock 10 million yen, Performance-linked Remuneration 41 million yen)
- Atsushi Mochizuki: amount of consolidated Remuneration 107 million yen  
(Base Remuneration 53 million yen, Restricted Stock 10 million yen, Performance-linked Remuneration 41 million yen)
  - ※ The Director or Corporate Executive Officer (Shikkoyaku) whose total Remuneration, etc. paid is equal to or more than 100 million yen are listed above.
  - ※ Performance-linked Remuneration does not include the amount granted as Restricted Stock.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

#### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

As stipulated by the 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 (Shikkoyaku) is determined based on the following fundamental policies.

- To create effective incentives, which contribute to the increase of shareholders’ value through sound business development and also lead to the improvement of business performance in the short-term and in the medium/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.

Remuneration for Directors and Corporate Executive Officers (Shikkoyaku) that the Compensation Committee has determined is comprised of Base Remuneration, Performance-linked Remuneration and Stock-linked Remuneration, which are described as below.

- Base Remuneration
  - Base Remuneration is a fixed amount calculated based on his/her position, duties and role, and paid in cash monthly.
- Performance-linked Remuneration
  - Determined depending on the level of individual contribution, mainly on the basis of consolidated ROE and consolidated ordinary income, which are set 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 the other relevant factors and provided at a certain time every year.
  - A certain limit is set on Performance-linked remuneration to be paid in cash based on business performance. If Performance-linked remuneration exceeds the limit, the exceeded amount will be paid in restricted stock instead of cash.
  - It does not apply to Directors who do not serve as Corporate Executive Officers.
- Stock-linked Remuneration
  - To increase the link between remuneration and shareholders’ value, the Company grants, as Stock-linked remuneration, restricted stock, etc. the value of which corresponds to a certain percentage of base remuneration as non-monetary remuneration at a certain time every year.
  - It does not apply to Outside Directors.

#### [Supporting System for Outside Directors]

The Company shares sufficient internal information with Outside Directors, including following measures.

- Corporate Secretariat and Corporate Planning Section which act as a joint secretariat of the Board of Directors and drafting department provide explanation of planned agenda and distribute reference materials to Outside Directors at least one day before the meeting of the Board of Directors.
- Secretariat of each Committee supports Outside Directors who are chosen to be members of

Nominating Committee, Compensation Committee, and/or Audit Committee.

**[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]**

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
Shigeharu Suzuki	Honorary Advisor	Activities contributing to the financial world, etc.	Part-time, with compensation	2017/06/28	2023/03/31
Yoshinari Hara	Honorary Advisor	Activities contributing to the financial world, etc.	Part-time, no compensation	2008/06/21	Indefinite
Motoo Esaka	Honorary Advisor	Activities contributing to the financial world, etc.	Part-time, no compensation	1997/09/30	Indefinite
Masahiro Douzen	Honorary Advisor	Activities contributing to the financial world, etc.	Part-time, no compensation	1997/09/30	Indefinite

Number of retired presidents/CEOs holding  
advisory positions (sodanyaku, komon, etc.)

4

Others

- Former CEOs, etc. of the Company may engage in external activities such as their activities in contributing to the financial world, etc. as an Honorary Advisor.
- The Honorary Advisor is not involve in business execution and oversight of it.
- As for the Honorary Advisor, the term of office is indefinite. However, in case where compensation is paid to the Honorary Advisor, the term of office of such Honorary Advisor is fixed for a certain period of time after retirement (up to two years in total).
- The Company believes that advisor system has certain value for improvement of corporate value and will retain the present system.

**2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions, etc. (Overview of Current Corporate Governance System)**

The corporate governance system of the Company consists of (i) the Board of Directors and the Three Committees (Nominating Committee, Audit Committee, and Compensation Committee) as a supervising body, (ii) Executive Management Committee and its subcommittees (Group Risk Management Committee, Group Compliance Committee, Disclosure Committee, Group IT Strategy Committee, and Overseas Management Committee) as an executing body, and (iii) Group Internal Audit Committee, which is in direct control of the CEO as an internal audit body.

In order to have a variety of views in a group management, the Company has assigned five females as its Director and Corporate Executive Officer (Shikkoyaku). The Company group has also assigned twelve females as its Directors, Corporate Executive Officers (Shikkoyaku), Executive Officers

(Shikkoyakuin) and Audit & Supervisory Board Member.

#### 1. Business Execution

- The Company established the “Executive Management Committee” as a decision-making body regarding business execution to deliberate and determine important business matters and the Company group’s business strategy and the basic policy on the structural problems between the group companies.
- Executive Management Committee consists of all of the Corporate Executive Officers and is held once or more than once every three months. In FY2020, there were eighteen meetings in total.
- In order to make the management decisions promptly, the Board of Directors delegated decision-making powers to the Executive Management Committee as much as possible. Furthermore, to have more expert deliberation, the Company established five subcommittees (Group Risk Management Committee, Group Compliance Committee, Disclosure Committee, Group IT Strategy Committee, and Overseas Management Committee) each of which consists of certain Corporate Executive Officers (Shikkoyaku), etc.
- The Corporate Executive Officers (Shikkoyaku) of the Company hold main posts of Directors in group companies to have unity among group management and enable efficient and effective implementation of the divisional strategies based on the Company groups’ strategy.

#### 2. Auditing and Oversight

- As the auditing section of the management, the Company has established the Board of Directors, in which a Board Chairman served as a chairman and “Nominating Committee”, “Audit Committee” and “Compensation Committee” in each of which Outside Directors hold the majority and serve as Chairman.
- The Board of Directors determine core management matters such as basic management policy, matters related to appointment and dismissal of Corporate Executive Officers (Shikkoyaku), division of duties, command system, etc., internal control systems and risk management systems. In order to make management decisions promptly and to enhance efficient group management, the Board of Directors delegates decision-making powers to the Corporate Executive Officers (Shikkoyaku) as much as possible. In addition, by supervising the execution of duties of the Directors and the Corporate Executive Officers (Shikkoyaku), the Company aims to ensure the fairness and transparency of the Group management and to achieve sustainable growth and maximization of corporate value over the medium to long term based on the corporate philosophy.
- The Board of Directors, in which a Board Chairman served as a chairman, is held once or more than once every three months. In FY2020, there were twelve meetings in total. As of the date of submission, the Board of Directors consists of fourteen members, seven of whom are Outside Directors, nine of whom do not serve as the Corporate Executive Officers (Shikkoyaku) and four of whom are females.
- The members of the Board of Directors and their status of attendance in FY2020 is as follows.  
Takashi Hibino (Chair) 12/12 (100%)  
Seiji Nakata 12/12 (100%)  
Toshihiro Matsui 12/12 (100%)  
Keiko Tashiro 12/12 (100%)  
Akihiko Ogino 9/9 (100%) (Note 2)  
Sachiko Hanaoka 12/12 (100%)  
Hiromasa Kawashima 9/9 (100%) (Note 2)  
Michiaki Ogasawara 12/12 (100%) (Note 1)

Hiroataka Takeuchi 12/12 (100%) (Note 1)

Ikuo Nishikawa 12/12 (100%) (Note 1)

Eriko Kawai 12/12 (100%) (Note 1)

Katsuyuki Nishikawa 12/12 (100%) (Note 1)

Toshio Iwamoto 9/9 (100%) (Note 1) (Note 2)

Yumiko Murakami (New Appointment) (Note 1)

*(Note 1) Outside Directors.*

*(Note 2) Attendance Rate at the Board of Directors' meeting held since their appointment in June, 2020.*

## 2. Auditing and Oversight (1): Nominating Committee

- The Nominating Committee examines the composition of the Board of Directors and the basic idea of candidates for Director in consideration of corporate governance, and selection of candidates for Director, the succession plan of the CEO, etc.

- The meetings of the Nominating Committee are held once or more a year. In FY2020, there were six meetings in total.

- Nominating Committee consists of five Outside Directors, including a chairman, and two Internal Directors.

- The members of the Nominating Committee and their status of attendance in FY2020 is as follows.

Michiaki Ogasawara (Chair) 6/6 (100%) (Note 1)

Takashi Hibino 6/6 (100%)

Seiji Nakata 6/6 (100%)

Hiroataka Takeuchi 6/6 (100%) (Note 1)

Eriko Kawai 6/6 (100%) (Note 1)

Katsuyuki Nishikawa 6/6 (100%) (Note 1)

Toshio Iwamoto 5/5 (100%) (Note 1) (Note 2)

*(Note 1) Outside Directors.*

*(Note 2) Attendance Rate at the meetings of the Nominating Committee held since their appointment in June 2020.*

- In order to nominate Directors from multiple points of view, the specialized expertise of the Outside Directors is taken into consideration.

### <Policies for selection of candidates to serve as the Directors>

Policies for selection of candidates to the position of Directors are described below:

- Able to exert maximum effort to actualize the Company 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 the requirements for independence listed below, in addition to the requirements above:

- Should have no work experience as an Executive Director, Corporate Executive Officer (Shikkoyaku), Executive Officer (Shikkoyakuin), or any other person equivalent to these or an employee of the Company group.
- Should not be a Director, Corporate Executive Officer (Shikkoyaku), manager or employee of a company whose major shareholder is the Company group or which is the main business partner of the Company group.
- Have no matter which impairs the independence in order to perform the duty as the Director.

## <Composition of the Board of Directors>

Composition of the Board of Directors is described below:

- In principle, two or more and one-third or more of the members of Directors shall be elected as Independent Outside Directors and the majority of the Directors shall not concurrently serve as Corporate Executive Officers (Shikkoyaku).
- The Company endeavors to ensure a balance of knowledge, experience and ability, and diversity including gender, internationality, etc. The Company aims to increase the ratio of female Directors to 30% or more by 2030.

### 2. Auditing and Oversight (2): Audit Committee

- The Audit Committee is in charge of auditing the execution of duties by the Directors and Corporate Executive Officers (Shikkoyaku), auditing business reports and financial statements, etc., preparing audit reports, and determining the content of proposals to be submitted at shareholders meetings regarding the election or dismissal and non-reappointment of the Accounting Auditor.
- In principle, meetings of Audit Committee are held once a month. In FY2020, there were fifteen meetings in total.
- Audit Committee consists of seven Directors who do not serve as Corporate Executive Officers (Shikkoyaku). Five members, including the chairman, are Outside Directors and other two members are full-time Internal Director. Ikuo Nishikawa, the chairman of the Audit Committee, is a certified public accountant and served as Chairman of Accounting Standards Board of Japan, etc., and has considerable knowledge of finance and accounting. Katsuyuki Nishikawa, the member of the Audit Committee, served as the prosecutor general, etc. and is a qualified attorney at law, and has considerable knowledge of law.
- The members of the Audit Committee and their status of attendance in FY2020 is as follows.  
Ikuo Nishikawa (Chair) 15/15 (100%) (Note 1)  
Sachiko Hanaoka 15/15 (100%)  
Hiromasa Kawashima 12/12 (100%) (Note 2)  
Michiaki Ogasawara 15/15 (100%) (Note 1)  
Eriko Kawai 15/15 (100%) (Note 1)  
Katsuyuki Nishikawa 15/15 (100%) (Note 1)  
Yumiko Murakami (New appointment) (Note 1)  
*(Note 1) Outside Directors.*  
*(Note 2) Attendance Rate at the meetings of the Audit Committee held since their appointment in June 2020.*
- Audit Committee members attend meetings of the Board of Directors, and Audit Committee members selected by Audit Committee attend the Executive Management Committee as well as other important meetings and have report hearings from Directors and employees to share the information with other Audit Committee members, in order for the Company to create an environment for the effective audit by the Audit Committee.
- The Company has established Audit Committee's Office as a full-time post to support the Audit Committee.
- The Audit Committee, in compliance with audit standards of Audit Committee established by the Audit Committee and in accordance with the policy of audit, division of duties and the like, conducts audits in cooperation with the Internal Audit Division and Accounting Auditors. In FY2020, the Audit Committee carried out audits with the following as priority issues: (1) Efforts on the practice of "Customer First" operations, (2) Progress and management of hybrid strategy, and



(3) Internal control and risk management systems of domestic and overseas group companies.

2. Auditing, Oversight (3): Compensation Committee

- The Compensation Committee discusses issues related to Director remuneration policy and decisions upon individual remuneration, as well as the incentive plan of the Company group, to ensure the enhancement of consolidated earnings, etc.
- The meetings of the Compensation Committee are held once or more a year. In FY2020 there were five meetings in total.
- Compensation Committee consists of four Outside Directors including a chairman and two Internal Directors.
- The members of the Compensation Committee and their status of attendance in FY2020 is as follows.

Hirota Takeuchi (Chair) 5/5 (100%) (Note 1)

Takashi Hibino 5/5 (100%)

Seiji Nakata 5/5 (100%)

Ikuo Nishikawa 5/5 (100%) (Note 1)

Toshio Iwamoto 4/4 (100%) (Note 1) (Note 2)

Yumiko Murakami (New appointment) (Note 1)

*(Note 1) Outside Directors.*

*(Note 2) Attendance Rate at the meetings of the Compensation Committee held since their appointment in June 2020.*

- The specialized expertise of the Outside Directors is taken into consideration so that the Compensation Committee can plan, operate, and verify rational Remuneration system.

3. Other meetings (1): Group Risk Management Committee

- Group Risk Management Committee deals with the group risk management system and the status of the risk of the Company group etc., deliberates and decides upon policy and concrete measures on risk management.
- The Committee consists of ten Corporate Executive Officers (Shikkoyaku) and one Executive Officer (Shikkoyakuin). The CEO is the chairman of the committee; the meetings are held once or more than once every three months. In FY2020 there were ten meetings in total.

3. Other meetings (2): Group Compliance Committee

- Group Compliance Committee deliberates and decides general policies and specific measures on the compliance with the laws and regulations, establishment of corporate ethics, internal control, etc. of the Company group.
- The Committee consists of eleven Corporate Executive Officers (Shikkoyaku). The CEO is the chairman of the Committee; the meetings are held once or more than once every three months. In FY2020 there were four meetings in total.

3. Other meetings (3): Disclosure Committee

- Disclosure Committee is in charge of decision making regarding disclosure of the Company group's information on management, effectiveness and appropriateness of internal control report, the scope of consolidated financial reporting, etc. In principle, the meetings of the Committee are held before the quarterly earnings announcement, disclosure of a securities report or a quarterly report. Committee meetings are also held from time to time when certain important matters to be disclosed occur.

- The Committee consists of seven Corporate Executive Officers (Shikkoyaku), who are in charge of the sections which have close relations to the above decision making and who have jurisdiction over such section and one other member, a total of eight members. In principle, the chairman of the Committee is CFO. In FY2020 there were sixteen meetings in total.
3. Other meetings (4): Group IT Strategy Committee
- Group IT Strategy Committee deliberates and decides to integrate management strategy and IT strategy, enhance speed of the decision-making related to IT investment and improve IT investment efficiency.
  - The Committee consists of six Corporate Executive Officers (Shikkoyaku) and four Executive Officer (Shikkoyakuin), a total of ten members. The CEO is the chairman of the Committee; the meetings are held once every six months in principle. In FY2020 there were two meetings in total.
3. Other meetings (5): Overseas Management Committee
- The Company established the Overseas Management Committee as a deliberative and decision-making body for the management administration of overseas subsidiaries, etc. and other related matters.
  - The Committee consists of thirteen Corporate Executive Officers (Shikkoyaku), eight Executive Officers (Shikkoyakuin) and two Senior Managing Director (Sanyo), a total of twenty three members. The CEO is the chairman of the Committee; the meetings of the Committee are held once or more than once every three months. In FY2020 there were six meetings in total.
3. Other meetings (6): Group Internal Audit Committee
- Group Internal Audit Committee deliberates and determines various matters of the business of the Company group related to the development of the internal audit system and verification of internal controls to secure suitability and effectiveness of the Group's business operations, internal audit system and internal control.
  - The Committee consists of twelve Corporate Executive Officers (Shikkoyaku). The CEO is the chairman of the Committee; the meetings are held once or more than once every three months. In FY2020 there were six meetings in total.
3. Other meetings (7): Outside Directors' Committee
- The primary purpose of Outside Directors' Committee is sharing information among the Outside Directors and aims to exchange their opinions on the issues including the contents of the proposal of the Board of Directors.
  - The meetings of the Committee are held once or more a year. In FY2020 there were seven meetings.
4. Organization, Staff, Procedure of the Audit
- Based on the recognition that instalment of a sound and efficient internal audit system enhances the value of the Company group, and having concluded that the internal audit plays an important role in such a system, the Company has positioned a full-time Internal Audit Corporate Executive Officer (Shikkoyaku) in charge, and has Internal Audit Department, which is independent from other sections, examine the internal control system. Internal audit plans are subject to approval by and results of the audits are presented to the Group Internal Audit Committee. Furthermore, internal audit plans shall be consented by the Audit Committee or Selected Committee Member who has been given certain authority from the Audit Committee, and the results of the audits are also reported to the Audit Committee.

- The Company's Internal Audit Department is in close liaison with the Audit Committee and Accounting Auditors in order to carry out auditing properly and efficiently. It may also be delegated investigative authority from the Audit Committee.
- The Company's Internal Audit Department investigates on each group companies directly or monitors and coordinates activities of Internal Audit Departments established at the principal group companies.
- The certified public accountants of the Company are Ms. Kanako Ogura, Mr. Tomomi Mase, and Mr. Koji Fukai, who have executed accounting audit services and are designated members with limited liability of KPMG AZSA LLC based on Article 34-10-5 of Certified Public Accountants Act. All of the members have audited continuously within 7 years.

### **3. Reasons for Adoption of Current Corporate Governance System**

The Company has adopted a company with Three Committees System (a company with nominating committee, etc.) as an institutional design with the objective of supervising management through the following (1) and (2).

- (1) Making swift and decisive decisions by having the Board of Directors assign wide-ranging authority to Corporate Executive Officers and clarifying the division of duties among Corporate Executive Officers.
- (2) Improving transparency and fairness of the management by establishing three committees: the Nominating Committee, Audit Committee and Compensation Committee with highly independent Outside Directors as a majority of their members.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of Convocation of General Shareholder Meeting	<ul style="list-style-type: none"> <li>Since 2005, the Company has sent Notice of Convocation of the General Shareholders Meeting more than three weeks before the day when General Shareholders Meeting is held.</li> <li>In 2021, the Company sent such a notification on May 31, i.e., more than three weeks before the day of the General Shareholders Meeting.</li> </ul>
Scheduling the General Shareholders Meeting Avoiding the Peak Day	<ul style="list-style-type: none"> <li>The Company has decided the date by avoiding the peak day and considering schedule of the venue, efficiency, reduction of the cost and other aspects comprehensively.</li> <li>The General Shareholders Meeting in 2021 was held on June 23.</li> </ul>
Allowing Electronic Exercise of Voting Rights	<ul style="list-style-type: none"> <li>The Company has enabled shareholders to exercise their voting rights by the Internet (including smartphone and cell-phone).</li> </ul>
Participation in Electronic Voting Platform and other measures to enhance the environment for Institutional Investors to exercise voting rights	<ul style="list-style-type: none"> <li>The Company has participated in “Electronic Voting Platform for Institutional Investors” managed by ICJ Corporation.</li> </ul>
Providing Convocation Notice in English (Summary)	<ul style="list-style-type: none"> <li>The Company has created the Notice of Convocation of General Shareholders Meeting in English and has posted on the website of the Company.</li> </ul>

#### 2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	<ul style="list-style-type: none"> <li>The Company has adopted the “Disclosure Policy”, which sort out basic views on information disclosure, and has disclosed it on the website of the Company.</li> </ul>	—
Regular Investor Briefings for Individual Investors	<ul style="list-style-type: none"> <li>The Company has established the “For Individual Investors page” for individual investors on the website to enhance the usability by gathering the information on IR.</li> <li>In FY2020, Company information sessions for individual investors hosted virtually by the CEO, the CFO, the Director in charge of IR, etc., were held nine times and two videos were created to promote the understanding of individual investors, which were viewed by a total of approximately 17,600 people (the total number of live participants and on-demand viewers)</li> <li>The Company provides live streams of the regular telephone conferences for Financial Results with analysts and institutional investors on the Internet (the website of the Company) and keeps the</li> </ul>	Yes

	<p>recording available for six months. Management strategy meetings are also recorded and are made available on the Internet later.</p>	
Regular Investor Briefings for Analysts and Institutional Investors	<ul style="list-style-type: none"> <li>▪ Telephone conferences are held for analysts and institutional investors on the evening of quarterly earnings announcements through a Japanese-English simultaneous interpretation. Furthermore, after announcing full-year financial results, the Company holds business strategy briefing sessions.</li> <li>▪ From November to December 2020, the Company carried out individual interviews with the main theme of ESG to promote understanding of non-financial information.</li> <li>▪ In FY2020, the Company held interviews with 186 investors and analysts (excluding information sessions).</li> </ul>	Yes
Regular Investor Briefings for Overseas Investors	<ul style="list-style-type: none"> <li>▪ Telephone conferences are held for analysts and institutional investors on the evening of quarterly earnings announcement day through a Japanese-English simultaneous interpretation for overseas investors. An English version of the recording is available for six months.</li> <li>▪ The managers, such as the CEO, CFO and the Director in charge of IR, etc. conduct overseas IR activities in Europe, Asia and the United States respectively around twice a year. In FY2020, the Company held telephone and online conferences with overseas investors 75 times.</li> </ul>	Yes
Posting of IR Materials on Website	<ul style="list-style-type: none"> <li>▪ The Company posts financial information, materials for timely disclosure, annual securities report or quarterly report, materials for the Company introduction, status of corporate governance, notice of convocation of the general meeting of shareholders, integrated report, quarterly data for part of business and other information related to the Company for investors, analysts, customers, and shareholders to understand and evaluate the situation of the Company. <a href="https://www.daiwa-grp.jp/english/">https://www.daiwa-grp.jp/english/</a></li> <li>▪ The Company has established the English version of the website which functions similarly to the Japanese version. <a href="https://www.daiwa-grp.jp/english/">https://www.daiwa-grp.jp/english/</a></li> </ul>	—
Establishment of Department and/or Manager in Charge of IR	<ul style="list-style-type: none"> <li>▪ The Company has established the “IR Office” as a specialized department of IR and has placed full-time workers at the IR Office.</li> <li>▪ Head of IR of the Company is the Executive Officer</li> </ul>	—

	(Shikkoyakuin) Yukiko Takeuchi and Head of IR Office is Yusuke Fujino.	
Other	<ul style="list-style-type: none"> <li>▪The Company is preparing the “Integrated Report” and “Business Report” as IR information material to disclose information to stakeholders in accordance with the Disclosure Policy.</li> <li>▪The Company sincerely responds to inquiries from individual investors by phone and e-mail and reports the contents to the managers including the CEO.</li> </ul>	—

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
<p>Stipulation of Internal Rules, etc. for Respecting the Position of Stakeholders</p>	<ul style="list-style-type: none"> <li>▪ The Company believes that in order to enhance the Company group’s sustainability, the support from all stakeholders is essential. The Company group specifies the basic spirit in “The Group Corporate Principles”.</li> <li>▪ In the Group Corporate Principles, “Building trust” is for the customer, “Placing importance on personnel” is for the employees, “Contributing to society” is for the society at large and “Maintaining healthy earnings results” is for shareholders, in principle. The Company believes that practicing all of these items will enhance the value of the Company.</li> </ul> <p>“Corporate Principles of the Daiwa Securities Group”</p> <ul style="list-style-type: none"> <li>▪ Building trust The trust and approval of customers form the very foundation of the Daiwa Securities Group. The Group will always place the needs of customers first, and strive to develop the advanced, specialized skills to offer them the most-attractive products and services of any securities group.</li> <li>▪ Placing importance on personnel The source of the Daiwa Securities Group's competitiveness lies in the capabilities of its employees. The Group will promote the creativity of employees by offering them a challenging and self-directed working environment that encourages their abilities and appropriately rewards their contributions.</li> <li>▪ Contributing to society The Daiwa Securities Group will seek to benefit the economy and society through the development of healthy financial markets. In addition to scrupulously observing both regulations and internal policies, the Group will strive to maintain a high sense of morality and duty, endeavoring to continue contributing to the sustainable growth of the societies.</li> <li>▪ Maintaining healthy earnings results The Daiwa Securities Group will always seek to develop healthy business operations and to increase corporate value for the benefit of shareholders. By providing customers with attractive products and services, the Daiwa Securities Group will seek to generate strong profits and healthy returns for shareholders.</li> </ul>
<p>Implementation of Environmental Activities, CSR Activities, etc.</p>	<p><b>【Environment】</b></p> <ul style="list-style-type: none"> <li>▪ The Company group has established an “Environmental Vision / Environmental Philosophy / Basic Environmental Policy”.</li> <li>▪ When the Company invests and updates the equipment, the Company aims to reduce the environmental burden by adopting products based on top-runner’s standards, promoting paperless work and replacing old cars with eco or hybrid cars, etc.</li> <li>▪ Since April 2021, the electricity used in the head office building has been provided by renewable energy.</li> </ul>

• The Company has prepared and disclosed environmental accounting to understand the investment amount, etc. and effects of capital investment on environmental measures, in order to achieve the goal of reducing the burden on the environment more efficiently.

※Environmental Accounting (Environmental Conservation Cost and Economic Benefits Association with Environmental Conservation Activities) is published at the website of the Company.

[https://www.daiwa-grp.jp/english/sdgs/data/pdf/daiwa\\_sdgs\\_data\\_2020.pdf#page=14](https://www.daiwa-grp.jp/english/sdgs/data/pdf/daiwa_sdgs_data_2020.pdf#page=14)

• The Company has created and performed an approach on alleviation of climate change issues from a financial perspective by composition and sales of financial instruments such as “Impact Investment Bonds”.

• Further, with regard to the extreme climate caused by the change of global environment, the Company relocates the important equipment in the relevant sites and pluralizes the bases, etc., utilizing hazard maps and the like.

#### 【SDGs・CSR】

##### •SDGs Promotion

Since 2018, the Group has established the SDGs Promotion Committee chaired by Seiji Nakata, President and CEO of the Company, as a forum for discussing group policies regarding the promotion of SDGs.

In addition, the Company has announced “Passion for SDGs - Daiwa Securities Group’s SDGs Declaration-” as being our declaration to promote activities to achieve SDGs.

*“Passion for SDGs -Daiwa Securities Group’s SDGs Declaration-”*

※Please check our website for more details

[https://www.daiwa-grp.jp/english/sdgs/group\\_sdgs/declaration.html](https://www.daiwa-grp.jp/english/sdgs/group_sdgs/declaration.html)

In May 2021, the Group also formulated and announced “Vision 2030,” the management vision for the year 2030, the deadline for achieving the SDGs.

Vision 2030 takes as its core concept “From savings to SDGs”, and the Group intends to realize the SDGs by creating a sustainable capital cycle. In this context, the Company identifies priority areas and issues to focus on as “Materiality”.

The Group positions the Medium-term Management Plan “Passion for the Best” 2023 as the strategies for the first three years to realize the Vision 2030 and sets KPIs for managing progress in realizing its vision.

*“Daiwa Securities Group’s Management Vision “Vision 2030” and Materiality”*

※Please check our website for more details

[https://www.daiwa-grp.jp/english/sdgs/group\\_sdgs/value.html](https://www.daiwa-grp.jp/english/sdgs/group_sdgs/value.html)

• Main approach through Business Activity



	<p>The main approach through the securities business is as follows:  Bonds: Arranged the issuance of various SDGs bonds as a structuring agent and lead manager.  Equity: Arranged SDGs-IPO and social PO as a lead manager.  Asset management: Expanded the lineup of SDGs-related funds.  The Group also working to promote the SDGs through the hybrid strategy.  <i>“Approach through Business Activity”</i>  ※Please check our website for more details  <a href="https://www.daiwa-grp.jp/english/sdgs/business/">https://www.daiwa-grp.jp/english/sdgs/business/</a></p> <p>• Social Action Programs  The Company continues aid and support activities through Daiwa Securities Foundation, Daiwa Securities Health Foundation, the Daiwa Anglo-Japanese Foundation and the Daiwa Myanmar Japan Foundation. Additionally, the Company is carrying out disaster relief, such as the continual support for Great East Japan Earthquake disaster areas, etc. and is also doing activities such as economic and financial education.  In 2017, the Company also launched “For Your Dream – Smiles to Children Project” and supports the non-profit organization which addresses problems of children living in financial difficulty to improve their living environment and to prevent the cycle of poverty.</p> <p>• Disclosure through reports  The Company discloses activities for SDGs and CSR in reports down below.  Integrated Report:  <a href="https://www.daiwa-grp.jp/english/ir/toolkit/annualreport/">https://www.daiwa-grp.jp/english/ir/toolkit/annualreport/</a>  SDGs website:  <a href="https://www.daiwa-grp.jp/english/sdgs/">https://www.daiwa-grp.jp/english/sdgs/</a>  SDGs Booklet:  <a href="https://www.daiwa-grp.jp/english/sdgs/data/">https://www.daiwa-grp.jp/english/sdgs/data/</a></p>
Development of Policies on Information Provision to Stakeholders	<p>• The Company works on enhancing the disclosure of various contents which is useful to all the stakeholders, including but not limited to documents pertaining to legally mandated disclosure, on the website of the Company.</p>
Other	<p>&lt;Promotion of the Women’s Active Participation&gt;</p> <p>• The Group is actively recruiting talented people regardless of gender. In order to expand the layer of female managers, the Group has introduced various measures such as introducing successful female employees by internal newsletters, raising motivation through career training, building a network, etc.  In addition, various consultation counters have been set up to make it easier to consult about concerns such as work styles and careers, etc. In 2021, a system was introduced to exchange information and discuss concerns among employees using the internal SNS.</p> <p>• There are female Directors , Corporate Executive Officers</p>

(Shikkoyaku), Executive Officers (Shikkoyakuin), and Audit & Supervisory Board Member totaling twelve in the Company group, including five Directors and Corporate Executive Officers (Shikkoyaku) of the Company. The number of female managers in the Company group is increasing year by year; there were 654 as of the end of March 2021. The ratio of female managers has risen from 2.2% in the end of FY2004 to 13.7% (as for Daiwa Securities Co. Ltd. 2.3% to 16.3%). By increasing the number of role models, the Company is making it easier for the Company group's female employees to envision their career path. In this context, there has been a sharp increase in female employees aspiring to advance their careers by switching to career-track, broad regional career-track and regional career-track positions in recent years. To date, more than 1,500 female employees changed their corporate post. An increasing number of employees have also taken advantage of our Professional Return Plan, a system for re-hiring employees who left work to raise children or care for family members, and allowing them to restart their career at the same level of compensation as when they left, it has helped us secure talented personnel who support our business.

- The Chairman and CEO of the Company have agreed with activities of “30% club Japan” (Note) and participate in such activities as members since May 2019. Takashi Hibino, Chairman of the Board, serves on the steering committee and led its activities. In the Company, four out of fourteen (28.6%) Directors are female.

*(Note) A worldwide campaign launched in the UK to increase the ratio of female executives.*

- The Company will keep expanding the layer of female managers to promote female leaders to lead the Japanese financial world.
- Daiwa Securities Co. Ltd. has made efforts to support women's active participation and has clearly set goals to be fulfilled by FY2025.
  - Ratio of female managers: 25% or more with the goal of reaching 30% or more in the 2020s
  - Ratio of female new graduates: stably 50%.
  - Ratio of female employees participating in training: 50%.
  - Rate of male employees taking childcare leave: acquisition rate will continue to be 100%, and the number of acquisition days will be fourteen days or more.

As a result, the Company will further accelerate an environment in which human resources with diverse values can maximize their abilities.

- The Company agreed in 2015 to the “Declaration on Action by Male Leaders Coalition for Empowerment of Women” led by Gender Equality Bureau of Cabinet Office. Furthermore, the Company is awarded for “Awards to Commend Leading Companies Where Women Shine”, “Minister of State for Gender Equality Commendation” in FY2016 by Cabinet Office and “Minister's Prize for Equal Employment/Work and Family Harmonization”, Excellence Award

(Family-friendly Enterprises Category) in FY2016 by Ministry of Health, Labor and Welfare, in honor of actively supporting women, promoting employees to leave the office by 7PM and supporting the balance of work with childcare and nursing care. In addition, the Company has been selected as a “Nadeshiko Brand” and “Health & Productivity Stock Selection” for seven consecutive years since 2015.

<Reference>

- Ratio of the female managers: 13.7%(total of the Company group as of the end of March 2021), 16.3%(Daiwa Securities Co. Ltd. as of the end of March 2021).
- The number of female officers: twelve (total of the Company group)
- The Company group established a system to support the women’s active participation such as: Professional Return Plan, Job Location Change System, Childcare Leave, Childcare Support Leave, Spouse Accompaniment Leave System, Shorter Working Hours, Exemption from Overtime Work, Daycare Subsidy, Expanded Leave System (pre-childcare leave for male employee, etc.), Training of Supporting Women Career, Follow Up of the Usage of the System, Support of Coming Back to Work, Support for searching daycare center, Babysitter System, Babysitter service during the training, Daiwa ELLE Plan, etc.

## IV. Matters Related to the Internal Control System, etc.

### 1. Basic Views on Internal Control System and the Progress of System Development

The Company group has created management structure centered on the Company with regard to the group's various main risks, and seeks to ensure compliance with the laws and regulations regarding the effectiveness and efficiency of operations, the reliability of the finance report and the business operations, and the preservation of assets, etc. This is based on the recognition that the maintenance of the internal control system to accomplish the sound and appropriate operation is the responsibility of the manager.

The following is the outline of the matters resolved by the Board of Directors as a system to ensure appropriateness of business.

#### (1) Outline of the matters necessary for execution of Audit Committee's duties

##### 1) Matters as to Directors and employees who shall assist in the duties of Audit Committee

The Company sets up the Audit Committee Office as a department, the sole role of which is to assist in the duties of Audit Committee.

##### 2) Matters regarding the independence of Directors and employees set forth in the preceding paragraph from the Corporate Executive Officers (Shikkoyaku) and the enhancement of the effectiveness of instructions from Audit Committee

\* The Audit Committee Office sits directly under Audit Committee.

\* Corporate Executive Officers (Shikkoyaku) have to obtain the prior consent of Audit Committee or its member selected by the committee (hereinafter referred to as "Selected Committee Member"), when trying to decide the personnel matters (personnel change, evaluation, etc.) and re-organization of the Audit Committee Office, taking the importance of Audit Committee into consideration.

\* Audit Committee or Selected Committee Member may request that Corporate Executive Officers (Shikkoyaku) secure the adequate number of staff who has adequate knowledge and ability in the Audit Committee Office. Corporate Executive Officers (Shikkoyaku) shall respect the request.

\* The Audit Committee Office may request Internal Audit Department and other departments to ensure the support system for investigation and information gathering by Audit Committee. Each department shall respect the request.

\* The Audit Committee Office can attend various meetings if necessary.

##### 3) System of report to Audit Committee

##### a) System to ensure that Directors (excluding Audit Committee member), Corporate Executive Officers (Shikkoyaku) and employees shall report to Audit Committee

The following rule shall be stipulated in the rules on report to Audit Committee, etc.

\* Directors (excluding Audit Committee members), Corporate Executive Officers (Shikkoyaku) and employees must report the following matters to Audit Committee or Selected Committee Member by sufficient means including whistle-blowing system.

a. Any facts that have a possibility of causing significant damages to the Company or the Company group, immediately after they find such facts

b. Any activities of officers or employees of the Company or the Company group which violate or may violate any laws and regulations or the Articles of Incorporation

c. Matters that Audit Committee or Selected Committee Member requests to be reported and other matters which are deemed useful for audit

b) The system to ensure that Directors, Auditors and employees of the Company's subsidiaries or the persons who received reports from them shall report to Audit Committee of the Company  
The following rule shall be stipulated in the rules on report to Audit & Supervisory Board Member, etc. of such subsidiaries

\* Director, Audit & Supervisory Board Member and employees of the Company's subsidiaries or the persons who received reports from them must report the following matters to Audit Committee or Selected Committee Member by sufficient means including internal whistle-blowing system.

a. Any facts that have the possibility to cause significant damages to the Company or the Company group, immediately after they find such facts

b. Any activities of officers or employees of the Company or the Company group which violate or may violate any laws and regulations or the Articles of Incorporation

c. Matters which Audit Committee or Selected Committee Member requests to be reported and other matters which are deemed useful for audit

4) System to ensure that reporters in the preceding item are not treated unfavorably due to their report

The Company makes a rule that the persons who make reports in accordance with the preceding item shall not suffer dismissal, demotion, salary reduction or any other disadvantages due to their report. In order to secure the effectiveness of such rule, the Company created the details of the system in the rules about report to Audit Committee and the rules about report to Audit & Supervisory Board Member, etc. of the Company's subsidiaries.

5) Procedures for prepayment and refund of expenses incurred in execution of the duties of Audit Committee members (limited to those related to the duties of Audit Committee) and other matters relating to the policy on expenses and obligations incurred in execution of such duties

\* When Audit Committee or Audit Committee member requests the Company to carry out the following matters about their exercise of function (including but not limited to appointment of external experts), the Company shall not refuse them unless the Company proves that the expenses and obligations concerning such requests are unnecessary for execution of the duties of Audit Committee or its member.

a. Prepayment of expenses

b. Refund of expenses paid and its interests accrued after payment

c. Payment to creditors of obligations (in the case where such obligations are not due, provision of security equivalent to such creditors)

6) Other systems to ensure the effective audit by Audit Committee

\* Audit Committee members may attend meetings of the Group Compliance Committee, Group Risk Management Committee and Group Internal Audit Committee and also ask for explanations and state opinions there. They can also attend other important meetings.

\* Audit Committee members periodically receive reports (i) on the risk management system and the risk status of the Company group from the departments handling each risk and (ii) on the progress and results of internal audit of the Company group from the Internal Audit Department.

\* Regarding audit policies and audit plans pertaining to internal audit, revision of Internal Audit Rules, and delegation of Head of Internal Audit, the consent of Audit Committee or Selected Committee Member is required.

\* Audit Committee or Selected Committee Member can, if necessary, request the Internal Audit Department, etc. to conduct an investigation on its behalf.

\* Audit Committee periodically receives reports from the Accounting Auditor as to the audit status of

each group companies.

- \* Audit Committee or Selected Committee Member can have external experts independent from the business execution department support audit activities.

(2) System to ensure the compliance in execution of Corporate Executive Officers' (Shikkoyaku) duties with laws and regulations and the Articles of Incorporation and other systems to ensure appropriateness of the business of the Company and the corporate group consisting of such company and its subsidiaries

1) System to ensure the compliance in execution of duties of the Company's Corporate Executive Officers (Shikkoyaku) and employees and also its subsidiaries' Directors, etc. and employees with laws and regulations and the Articles of Incorporation

a. Compliance System

- \* Establish a whistle-blowing system for the purpose of identifying and correcting any conduct violating laws and regulations or other rules in the Company group, etc. at an early stage.
- \* Enact the rules of ethics and the standards of ethical conduct for the purpose of officers' and employees' compliance with laws, etc.
- \* Hold training seminars regarding compliance for officers and employees in each company of the Company group which address the respective business features of each company.
- \* Appoint a person in charge of formation and promotion of the system as to corporate ethical compliance across the Company group, and establish a section to promote corporate ethics among officers and employees.
- \* Establish a section that gives advice regarding overall legal issues of the Company group, and assist each group company in activities relating to formation of systems for compliance with laws and regulations, etc.

b. Group Compliance Committee

The Group Compliance Committee, as a sectional committee of the Executive Management Committee, deliberates and decides general policies and specific measures on the compliance with the laws and regulations, establishment of corporate ethics, internal control and etc. of the Company group.

c. Group Risk Management Committee

The Group Risk Management Committee, as a sectional committee of the Executive Management Committee, figures out the risk management system and the risk status of the Company group, etc., and discusses and determines the policies and actual implementation of measures relating to risk management.

d. Group Internal Audit Committee

The Group Internal Audit Committee, directly under the CEO, deliberates and determines the matters of the Company group's business regarding maintenance of an internal audit system and verification of the internal controls.

e. Internal Audit Division

- \* For sound and effective internal controls of the Company group, the Company believes that internal audit performs an important function and has established internal audit departments in major group companies as well as the Company.
- \* The Internal Audit Division evaluates and examines the effectiveness of the Company group's internal controls, and makes proposals for improvements and efficiencies of the Company group's business operation.
- \* The Company's Internal Audit Department proposes audit plans and reports results to the Group

Internal Audit Committee.

f. Internal Control on Financial Reporting

\* For preparing the structure necessary to ensure appropriateness of financial statements and other financial information, the Company establishes the basic rules relating to internal control on financial reporting.

\* The Disclosure Committee and the Group Internal Audit Committee discuss and determine important issues concerning internal control on financial reporting.

2) System for storing and managing information relating to execution of Corporate Executive Officers' (Shikkoyaku) duties

Information relating to execution of Corporate Executive Officers' (Shikkoyaku) duties shall be stored and managed properly in accordance with the rules for filing and storing documents.

3) Rules and other systems relating to management of risk of loss of the Company and its subsidiaries

\* Enact the rules of risk management for the purpose of establishing basic matters to properly manage various risks belonging to the business of the Company group considering each characteristic of the Company group, and thereby securing sound financial status and appropriate business operation. Further, to clarify the risk management system by providing for policies of risk management, the category of risks to be managed, Corporate Executive Officers (Shikkoyaku) managing each risk and sections in charge of each risks, etc.

\* Each section shall establish its own management rules for each risk it has control over, and shall make reports regarding the risk management system and the situation of the risk, etc., to Group Risk Management Committee, etc.

4) System to ensure efficient execution of the duties of Corporate Executive Officers (Shikkoyaku) and Directors, etc. of its subsidiaries

\* Clarify Corporate Executive Officers' (Shikkoyaku) duties, the methods of execution thereof and the business operations in their charge in the rules of Corporate Executive Officers (Shikkoyaku).

\* As to matters which have material effect on the Company or the Company group, clarify the matters to be resolved and matters to be reported in the rules of the Executive Management Committee and Overseas Management Committee, etc.

\* By requiring that Corporate Executive Officers (Shikkoyaku) serve concurrently as representatives of main group companies, etc. and perform their business strategy quickly and efficiently based on the Company group strategy.

\* Formulate Group Medium-Term Management Plan, the term of which is 3 fiscal years, and, in order to embody this plan, determine management policy and budget allocation, etc. as a group for each fiscal year.

5) System for the report of matters concerning execution of subsidiaries' Directors, etc. to the Company and other systems to ensure appropriateness of business operation in the corporate group consisting of the Company and its subsidiaries

\* Clarify the measures for information gathering and the matters to be approved and reported from group companies, by establishing the rules for management of group companies and overseas offices, etc., for the purpose of proper management of business activities of group companies in Japan and overseas.

\* Establish the rules at each group company to grasp important information regarding the management of each group company and also to ensure the fair, timely and appropriate disclosure of such

information in compliance with laws, regulations and rules.

## 2. Basic Views on Eliminating Anti-Social Forces and Progress of Development

- The Company group has established a “Basic Policy on Eliminating Anti-Social Forces” and a “Group Minimum Standard to eliminate relations with Anti-Social Forces” (the Common Standard Points to Fulfill as each group company), trying to cut off relationships with Anti-Social Forces.
- The Company group established Department in charge of elimination of Anti-Social Forces and proactively gathers information on Anti-Social Forces. Also, the Company creates a unified database and shares the information among the group companies. Against unfair demands from Anti-Social Forces, the Company assigns Managers in charge of Prevention of Unfair Demands in each group company and works closely with police agencies and legal experts on a daily basis. In addition, the Company implements various online and joint training and regular e-Learning for taking a unified approach to eliminate Anti-Social Forces.
- In addition, regarding “Anti-Money Laundering and Combating the Financing of Terrorism” which becomes internationally important, the Company views it as a major management task throughout the Group companies and works to strengthen the management system of the Group companies and established “AML/CFT Global Policy” for overseas and “AML/CFT Domestic Group Policy” for domestic group companies. The Company trains officers and employees of the Group companies to share the recognition of the importance of, and latest laws and cases of, Anti-Money Laundering and Combating the Financing of Terrorism, every year.



## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation
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### 2. Other Matters Concerning the Corporate Governance System

#### 1. Timely Disclosure

An Overview of the Company's Timely Disclosure System is as follows:

##### (1) Corporate Structure Related to Timely Disclosure of Corporate Information

The Company group has formulated a Disclosure Policy, which sums up the Company group's basic approach to information disclosure which is available at the Company's website. In addition, the Company established "Disclosure Rules" and the main subsidiaries have established "Management Rule of Management-Related Information", etc. in order to realize the spirit of the Policy and to disclose the Company group's important financial, social, and environmental information (hereinafter referred to as, "Management-Related Information") in a timely and proper manner.

The disclosure systems of the Company group based on these policies and rules are as follows:

- For the purpose of fair, timely and proper disclosure of the Management-Related Information of the Company group, the Company has established the "Disclosure Committee" as the subcommittee of the Executive Management Committee. The members and roles of the Committee are stipulated in the Disclosure Rule and chairman of the Committee is the CFO.
- Disclosure Committee is responsible for disclosure of the Management-Related Information in accordance with the purpose of the Disclosure Rules described below.

(The purpose of the Disclosure Rule)

The purpose of this rule is, by settling the fair, timely and proper disclosure of the important financial, social, and environmental information of the Company group, observing the laws and regulations with respect to securities trading and regulations of financial instruments exchange, and working to communicate proactively and provide fair and appropriate information in a timely manner so that stakeholders, such as shareholders, investors, and local communities could clearly understand and properly evaluate the Company group's activities.

- Reporting System on Management-Related Information in the Company is structured in accordance with the Disclosure Rules. As for Management-Related Information on main subsidiaries, the Company has established a system to report Management-Related Information from each subsidiary to the Company in accordance with the subsidiaries' rules.

##### (2) Check Function of the Company System on Timely Disclosure

- In accordance with establishment of Fair Disclosure Rules and Guidelines for Fair Disclosure Rules on the Financial Instruments and Exchange Act, the Company checked the adequacy of its Disclosure Rules and its corporate structure, and disseminated its Disclosure Rules among its employees again.
- The Company conducts the self-assessment regularly on internal control related to the information disclosure process at each relevant departments in order to verify whether fair, timely and proper disclosure of corporate information to investors is observed. The Internal Audit Department carries out internal audits as necessary on such disclosure system including above

mentioned self-assessment, and reports the results to the Group Internal Auditing Committee.

## 2. Risk Appetite Framework

The Company group, for the purpose of strengthening of risk governance at the management level, has introduced a Risk Appetite Framework.

The "Risk Appetite Framework", is the management framework that defines the type and total amount of risk, which should be willingly accepted for achieving business strategy, as a risk appetite and uses it as a common language within the Company about the risk-taking policy in general. On risk appetite, the Company selects the risk appetite index from the viewpoint of liquidity, equity capital, etc., sets the level of risk to accept, and manages and monitors the risk appetite.

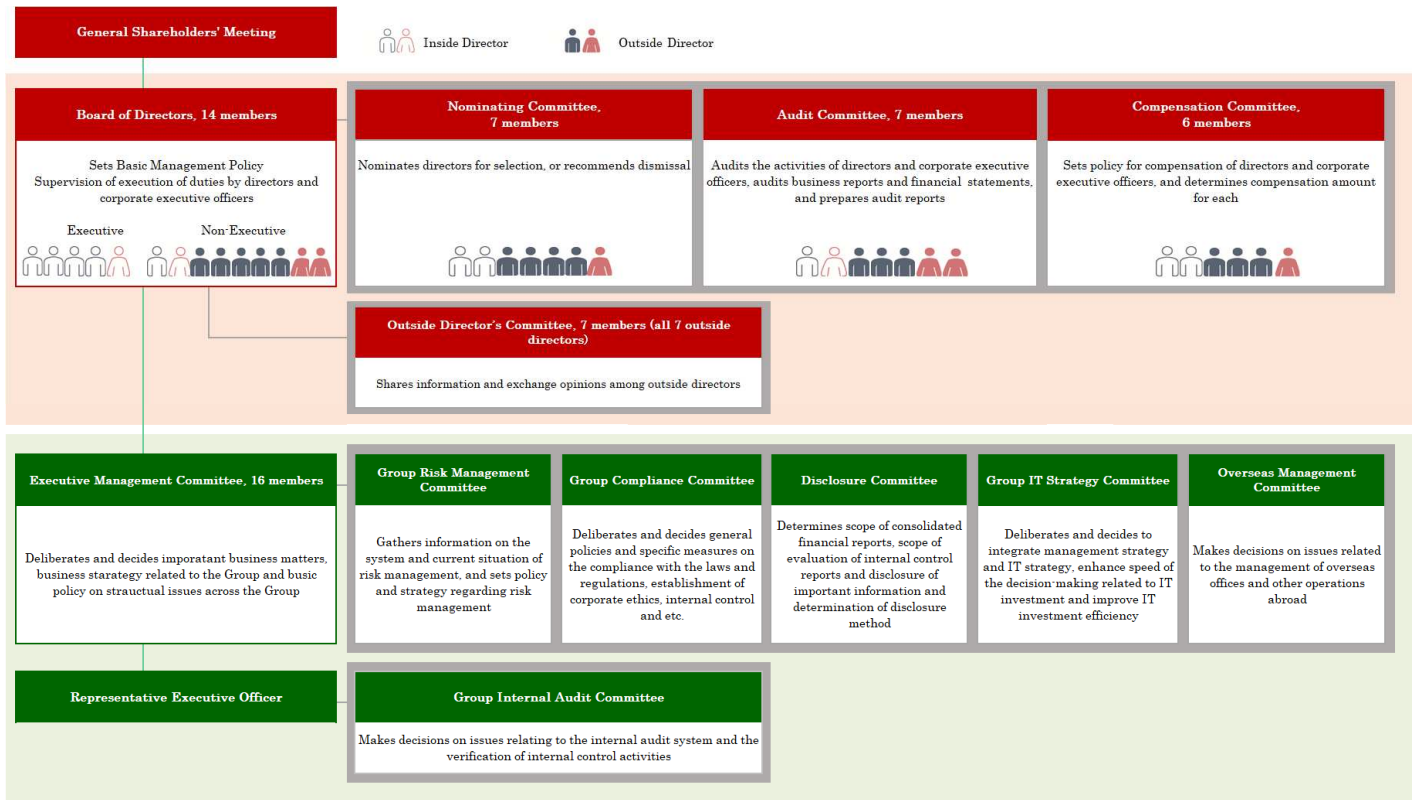
The Company group promotes the penetration of the risk appetite into the Company group and the improvement of the standard of the business management systems and the risk management systems, and strives to foster the risk culture by documenting such framework as a risk appetite statement.

Based on its risk appetite framework, the Board of Directors of Daiwa Securities Group Inc. has approved the Rules of Risk Management. The rules define basic policies related to risk management, the types of risks that need to be managed, and the responsible executive and department for each major risk.

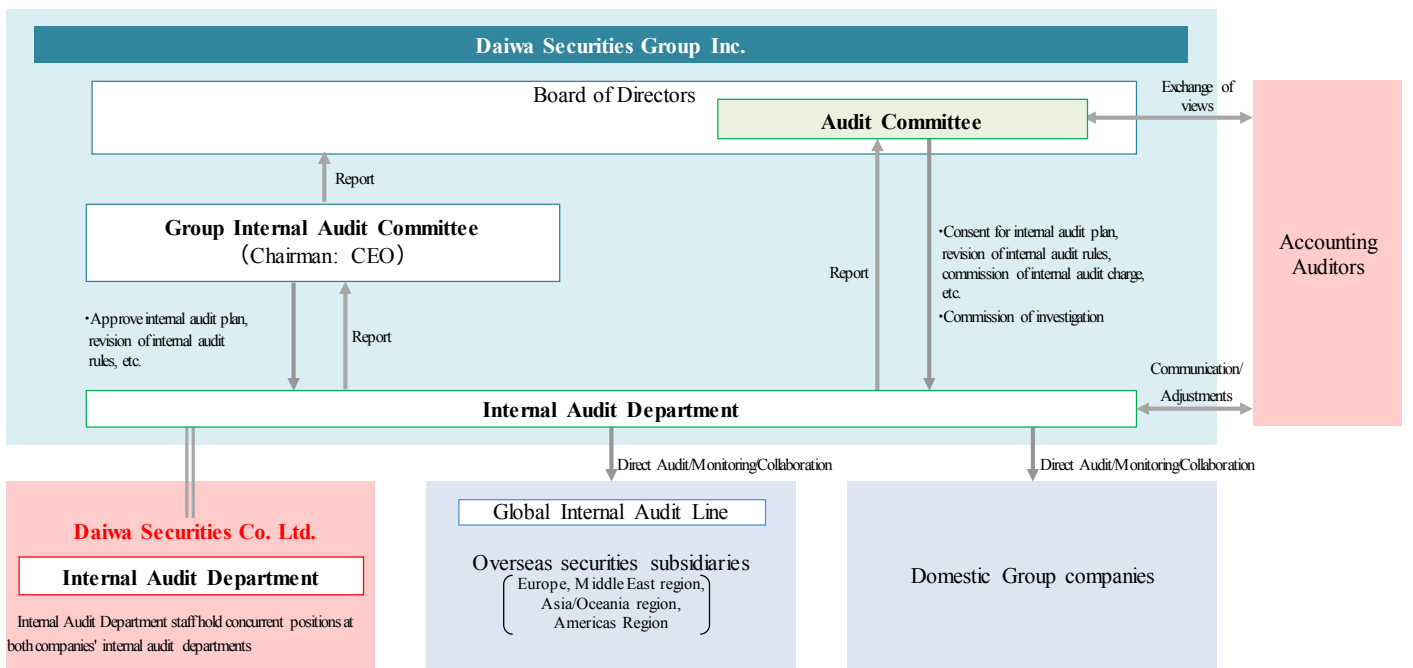
Risks to be managed are market risk, credit risk, liquidity risk, operational risk, etc.

In order to establish an effective risk governance system, the Company has created guidelines for "Three Lines of Defense" and a comprehensive structure for risk management.

# Corporate Governance System at Daiwa Securities Group



# Internal Auditing System Diagram of Daiwa Securities Group



## Appendix 1

**【Reasons for Election of Candidates to Directors】**

Name	Reasons for Election
Takashi Hibino	He joined the Company in 1979, served successively as the responsible for products, oversea, corporate planning and personnel and thereby has a plenty of experiences related to the whole business of the Group. Also, he served as the Representative Corporate Executive Officer (Shikkoyaku), President and CEO of the Company from 2011 to 2017 and has a broad experience and insights as a manager. Therefore, he is considered to be qualified as a Member of the Board.
Seiji Nakata	He joined the Company in 1983 and served successively as the Deputy Head of Planning and Personnel of the Company, Head of Corporate Institution and Head of Sales of Daiwa Securities Co. Ltd., and COO and Head of Retail of the Company. He serves as the Representative Corporate Executive Officer (Shikkoyaku) and President of the Company, takes charges of CEO from 2017. He has expertise and experience in presenting a management strategy based on wide visions and also to execute management and control of the Group adequately. Therefore, he is considered to be qualified as a Member of the Board.
Toshihiro Matsui	He joined the Company in 1985 and served as the Managing Director of Corporate Institution and Corporate Finance of Daiwa Securities SMBC Co. Ltd. and the Managing Director of Corporate Planning of the Company. Since his inauguration of Corporate Executive Officer (Shikkoyaku) of the Company in 2009, he served as the Head of Legal, Deputy Head of Planning, Head of Planning and Personnel, Head of Wholesale of the Company. He serves now as the Representative Corporate Executive Officer, Deputy President, COO of the Company. He has considerable experience and knowledge in broad areas such as retail, corporate institution, investment banking, planning and personnel. Therefore, he is considered to be qualified as a Member of the Board.
Keiko Tashiro	She joined the Company in 1986 and served successively as the Head of IR Office of the Company and Head of Daiwa Direct Planning Dept. of Daiwa Securities Co. Ltd. Since her inauguration of Senior Managing Director of Daiwa Securities Co. Ltd. in 2009, she served successively as Head of Daiwa Direct Business and Head of Fixed Income, Currency and Commodities of Daiwa Securities Co. Ltd, as the one responsible for American business and Deputy Head of Overseas (in charge of America) of the Company, and Chairperson of the Board of Daiwa Capital Markets America Holdings Inc. She serves now the Deputy President and the Head of Overseas and SDGs of the Company. She has a wealth of knowledge and experience in the overseas and corporate planning department. Therefore, she is considered to be qualified as a Member of the Board.
Akihiko Ogino	He joined the Company in 1989 and served as Managing Director of the Executive Office, the Corporate Planning Dept. and the Legal Dept. of the Company. Since his inauguration as the Senior Managing Director of the Company in 2014, he served successively as Head of Legal, Deputy Head of Planning and Overseas of the Company and now serves as Head of Planning and Legal, and Executive Head of Personnel of the Company. He has broad knowledge and experience in Planning and Personnel and also has experience in Investment Banking. Therefore, he is considered to be qualified to serve as a Member of the Board.
Sachiko Hanaoka	She joined the Company in 1990. After serving in the Research and Product Divisions, she served successively as the Managing Director of the Products Planning Dept., the Education and Training Dept., and the Investment Strategy Dept. of Daiwa Securities Co. Ltd. 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. Therefore, she is considered to be qualified as a Member of the Board.
Hiromasa Kawashima	He joined the Company in 1992. After serving in the Personnel and Investment Banking Divisions, he served successively as Managing Director of the Executive Office and Internal Audit Dept. of the Company. He has broad knowledge and experience in Personnel and Internal Audit. Therefore, he is considered to be qualified to serve as a Member of the Board.

Appendix 2

**【Situation regarding Directors' other Positions】**

Name	Other Positions
Takashi Hibino	Outside Director of Imperial Hotel, Co. Ltd.

## 【Remuneration for Directors and Corporate Executive Officers (Shikkoyaku)】

### 1. Policies for Determination of Remuneration of Directors and Corporate Executive Officers

As stipulated by the 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 based on the following fundamental policies.

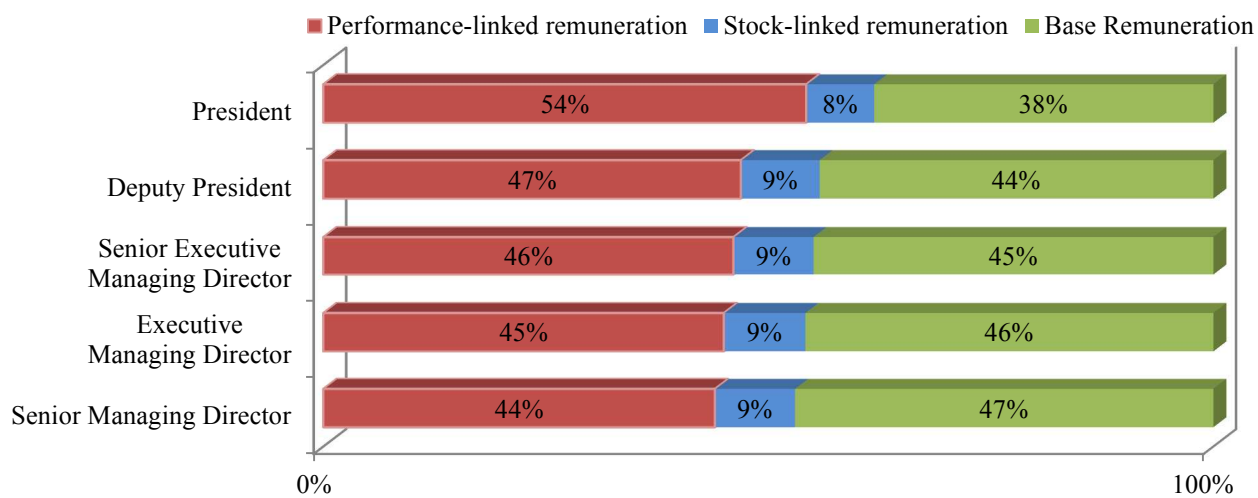
- To create effective incentives, which contribute to the increase of shareholders’ value through sound business development and also lead to the improvement of business performance in the short-term and in the medium/long-term.
- To maintain a remuneration level which is competitive enough to recruit 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 operate effectively as a company with a nominating committee, etc.

Remuneration of Directors and Corporate Executive Officers consists of base remuneration, Performance-linked remuneration and Stock-linked remuneration, and determined at the Compensation Committee which are specifically as below.

<b>Base remuneration</b>
<ul style="list-style-type: none"> <li>· A fixed amount calculated based on his/her position, duties and role, and paid monthly and in cash.</li> </ul>
<b>Performance-linked remuneration</b>
<ul style="list-style-type: none"> <li>· Determined depending on the level of individual contribution, mainly on the basis of consolidated ROE and consolidated ordinary income, which are set 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 the other relevant factors and provided at a certain time every year.</li> <li>· A certain limit is set on Performance-linked remuneration to be paid in cash based on business performance. If Performance-linked remuneration exceeds the limit, the exceeded amount will be paid in restricted stock instead of cash.</li> <li>· It does not apply to Directors who do not serve as Corporate Executive Officers.</li> </ul>
<b>Stock-linked remuneration</b>
<ul style="list-style-type: none"> <li>· To increase the link between remuneration and shareholders’ value, the Company grants, as Stock-linked remuneration, restricted stock, etc., the value of which corresponds to a certain percentage of base remuneration as non-monetary remuneration at a certain time every year.</li> <li>· It does not apply to Outside Directors.</li> </ul>

Regarding remuneration, etc. of Directors and Corporate Executive Officers (Shikkoyaku) for the current fiscal year, the Compensation Committee has determined that the remuneration, etc. conforms with “Policies for Determination of Remuneration of Directors and Corporate Executive Officers” because such remuneration, etc. was decided by the Compensation Committee only after confirming its consistency with such policies.

## 2. Ratio of Performance-linked remuneration and other



*(Note) Above figures are the ratio when Performance KPIs of the Medium-Term Management Plan is achieved.*



### 3. Indicators for Performance-linked remuneration, reasons for choosing the indicators, and how to determine Performance-linked remuneration

The Company refers to KPIs, which are set as the Group numerical goals in the Medium-Term Management Plan “Passion for the Best” 2023 to calculate Performance-linked remuneration.

The Performance Evaluation used for calculating Performance-linked remuneration reflects the Financial Performance Evaluation, which is based on Performance KPIs (a subset of Financial KPIs), and Quality Evaluation that comprehensively evaluates the KPIs of each strategic target. The Financial Performance Evaluation and the Quality Evaluation are determined by the Compensation Committee.

Performance-linked remuneration is calculated by multiplying the reference amount determined for each position and the Performance Evaluation and reflecting the degree of individual contribution. The same calculation formula is applied to all positions for Performance Evaluation.

		Financial Performance Evaluation (100)		±	Quality Evaluation (-10~+10)
Financial KPIs	Performance KPIs		Points		Reference Value
		Consolidated ROE	50		10%
		Consolidated Ordinary Income	50		JPY 200 billion or more
Non-Financial KPIs	Hybrid KPI			Hybrid-related ordinary income	JPY 50 billion or more
	Financial KPI			Hybrid-related ordinary income percentage	Approximately 25%
				Consolidated capital ratio	Maintain 18% or higher (Note)
				Retail Division asset based revenue ratio	50% or higher (FY2023 4Q)
	Quality No.1 (Customer-first) KPI			Daiwa Securities AUM	JPY 90 trillion or more
	Sustainability KPI			Number of Digital IT Master	200 personnel or more
				Number of CFP and CMA	3,000 personnel or more
				Balance of investment SDGs-related business	JPY 150 billion or more
				SDGs bond league table	In top 3
				“Ouen(Supporting)” term deposits balance	JPY 200 billion or more
				Ratio of women on the boards of directors	30% or higher(By 2030)
				Ratio of women in management positions	25% or higher (FY2025)
		Employee satisfaction	Maintain at 80% or higher		

(Note) Gradually lowered after application of regulation.

In the current fiscal year, the Company referred to the Performance KPIs, Customer-oriented KPIs and Financial KPIs set as the Group’s numerical targets in the Medium-Term Management Plan “Passion for the Best” 2020. Performance-linked remuneration is calculated by reflecting Quality Evaluation which comprehensively evaluates Customer-oriented KPIs and Financial KPIs to Financial Performance Evaluation based on the Performance KPIs.

**4. Reference Value and results of indicators for Performance-linked remuneration of this fiscal year**

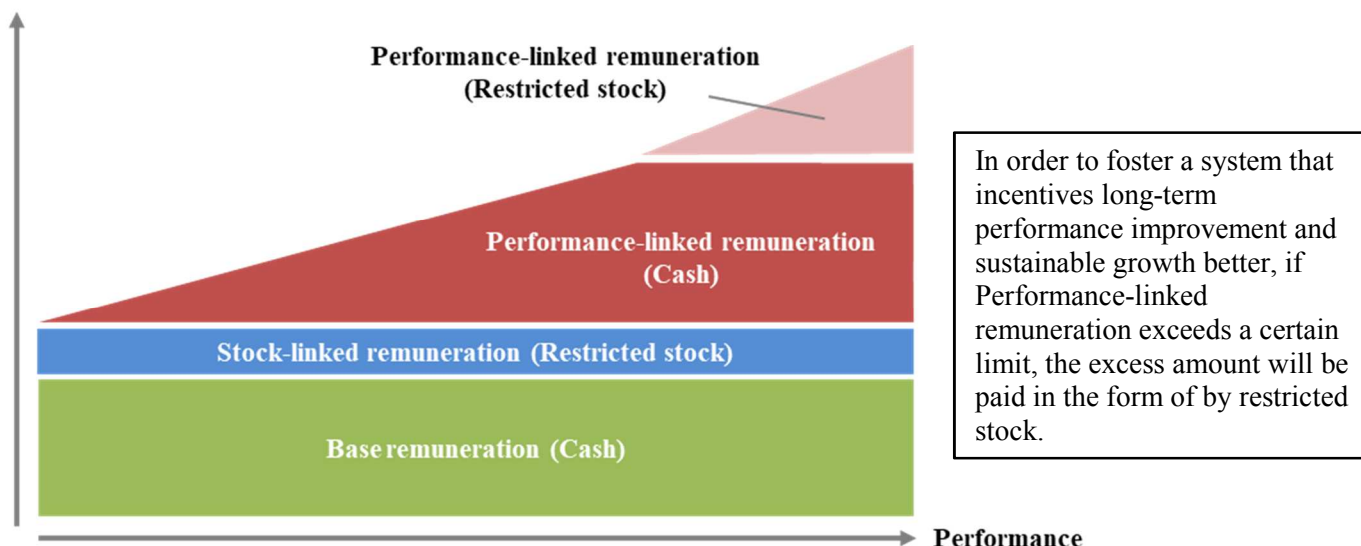
Financial Performance Evaluation for this fiscal year is as follows;

	Reference Value	Results
Consolidated ROE	10%	8.5%
Consolidated Ordinary Income	JPY 200 billion	JPY 115.1 billion

(Note) Reference Value is determined at Compensation Committee, based on Medium-Term Management Plan.

(Image of Remuneration)

Amount of Remuneration



(Restricted Stock Compensation Plan)

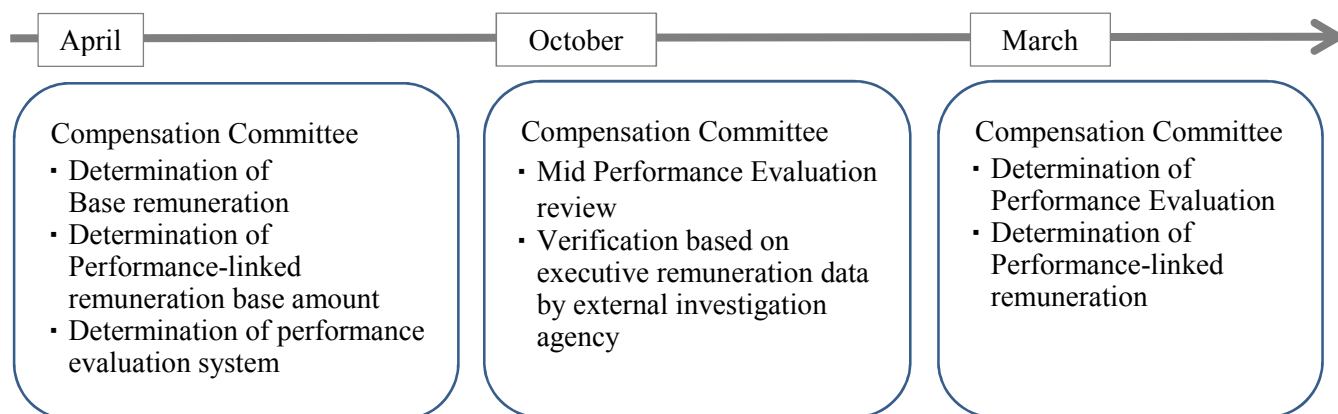
The Company introduced the Restricted Stock Compensation Plan to increase incentives for the Company and its subsidiaries' Directors, Corporate Executive Officers (Shikkoyaku), and Executive Officers (Shikkoyakuin), etc., to enhance performance in the medium and long term and strengthen values shared among the Eligible Officers, etc. and shareholders.

Stock Remuneration I (Stock-linked remuneration)	It is intended to provide restricted stock for amount which equals to 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, officers etc., of the Company and its subsidiaries and affiliates.
Stock Remuneration II (Performance-linked remuneration)	Fixed limit is set for Performance-linked remuneration, which is provided by cash based on the performance, and if the amount exceeds the limit, part of the remuneration will be replaced by restricted stock. Restriction period is 3 years, it will function as substantial fee defer when Performance-linked remuneration exceeds a certain limit.

## 5. Summary of procedure on decision of remuneration for Directors or its policy of calculation method

The Articles of Incorporation stipulate that the remuneration, etc., of the Directors and Corporate Executive Officers (Shikkoyaku) is determined by the resolution of Compensation Committee.

In determining the amount of remuneration, it is calculated based on the indicators determined by Compensation Committee, majority of which is held by Outside Director to secure the transparency.



※In addition to above, Compensation Committee is held from time to time.