

Daiwa Securities Group to Acquire ORIX Bank as a Wholly Owned Subsidiary—No Immediate Impact on the Rating, Progress in Capital Recovery to Be Watched

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the decision made by Daiwa Securities Group Inc. (security code: 8601) to acquire ORIX Bank Corporation as a wholly owned subsidiary.

- (1) Daiwa Securities Group Inc. announced on April 27 that its wholly owned subsidiary Daiwa Next Bank, Ltd. ("Daiwa Next Bank") will acquire all issued shares of ORIX Bank Corporation ("ORIX Bank") (the "Share Acquisition"). The acquisition price is estimated at 370 billion yen, which is slated to be covered entirely by own funds. The share transfer will be executed by October 2026, and the two banks are expected to merge in the future. The Daiwa Securities Group (the "Group") pursues a strategy of utilizing unused capital for growth investments with an aim to expand the customer base, enhance functions, expand products and so forth under the medium-term management plan, and JCR assumes that the Share Acquisition will be executed as part of this.
- (2) ORIX Bank specializes in investment property loans and excels in lending and trust services. If banking functions are enhanced by combining this with the Group's ability to attract deposits, backed by the solid business and sales bases, the business base of the Wealth Management Division, which is positioned as a pillar of profit growth, is expected to become stronger. Moreover, ORIX Bank's earnings are highly recurring, centered on loans, and the Group believes that strengthening its stable earnings will help increase the resilience of its profits against changes in the external environment to a certain extent. Meanwhile, the Share Acquisition is expected to lower common equity Tier 1 ratio by around 5 points, which is a relatively sharp drop. As the Group is transforming into a structure capable of consistently generating higher profits than before through the expansion of profits derived from stock assets, JCR will keep an eye on the pace of recovery in capital adequacy.

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<Reference>

Issuer: Daiwa Securities Group Inc.

Long-term Issuer Rating: AA- Outlook: Stable

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