Translation

Note: This English translation of the original Japanese version of the notice has been prepared for the sole purpose of the convenience of non-Japanese shareholders and shall by no means constitute an official or binding version of the notice

June 3, 2022

Matters to be disclosed on the Internet Based on Ordinances and Articles of Incorporation On Notice of the 85th Ordinary General Meeting of Shareholders

Daiwa Securities Group Inc.

Based on Ordinances and Article 23 of Articles of Incorporation, the above materials are offered via the Internet; please access the website of the company. (https://www.daiwa-grp.jp/ir/shareholders/meeting/)

Business Report

Status of Stock Subscription Rights, etc.

1. Status of Stock Subscription Rights (Stock Option) at the end of the current fiscal year

(1) Stock Subscription Rights issued under Article 280-20 and Article 280-21 of the previous Commercial Code

Name (Issue Date)	Number (Class and Number of shares)	Amount to be paid in upon issuance	Amount to be paid in upon exercise	Period of exercise
Stock Subscription Rights issued in June 2005 (June 24, 2005)	84 (Common stock 84,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2005 to June 30, 2025

(2) Stock Subscription Rights issued under Article 236, Article 238, and Article 239 of the Companies Act

Name (Issue Date)	Number (Class and Number of Shares)	Amount to be paid in upon issuance	Amount to be paid in upon exercise	Period to exercise
Stock Subscription Rights issued in July 2006 (July 1, 2006)	61 (Common stock 61,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2006 to June 30, 2026
Stock Subscription Rights issued in July 2007 (July 1, 2007)	79 (Common stock 79,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2007 to June 30, 2027
Stock Subscription Rights issued in July 2008 (July 1, 2008)	105 (Common stock 105,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2008 to June 30, 2028
Stock Subscription Rights issued in July 2009 (July 1, 2009)	299 (Common stock 299,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2009 to June 30, 2029
Stock Subscription Rights issued in July 2010 (July 1, 2010)	589 (Common stock 589,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2010 to June 30, 2030
Stock Subscription Rights issued in July 2011 (July 1, 2011)	896 (Common stock 896,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2011 to June 30, 2031
Stock Subscription Rights issued in February 2013 (February 12, 2013)	677 (Common stock 677,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 12, 2013 to June 30, 2032
Stock Subscription Rights, Series 9 (February 12, 2013)	3,961 (Common stock 3,961,000 shares)	Gratuitous grant	598,000 yen (598 yen per share)	From July 1, 2017 to June 26, 2022
Stock Subscription Rights issued in February 2014 (February 10, 2014)	343 (Common stock 343,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 10, 2014 to June 30, 2033

Stock Subscription Rights, Series 10 (February 10, 2014)	3,963 (Common stock 3,963,000 shares)	Gratuitous grant	1,062,000 yen (1,062 yen per share)	From July 1, 2018 to June 25, 2023
Stock Subscription Rights issued in February 2015 (February 9, 2015)	422 (Common stock 422,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 9, 2015 to June 30, 2034
Stock Subscription Rights, Series 11 (February 9, 2015)	5,418 (Common stock 5,418,000 shares)	Gratuitous grant	931,000 yen (931 yen per share)	From July 1, 2019 to June 25, 2024
Stock Subscription Rights issued in February 2016 (February 16, 2016)	552 (Common stock 552,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 16, 2016 to June 30, 2035
Stock Subscription Rights, Series 12 (February 16, 2016)	4,479 (Common stock 4,479,000 shares)	Gratuitous grant	733,000 yen (733 yen per share)	From July 1, 2020 to June 24, 2025
Stock Subscription Rights issued in February 2017 (February 8, 2017)	556 (Common stock 556,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 8, 2017 to June 30, 2036
Stock Subscription Rights, Series 13 (February 8, 2017)	7,447 (Common stock 7,447,000 shares)	Gratuitous grant	767,000 yen (767 yen per share)	From July 1, 2021 to June 27, 2026
Stock Subscription Rights issued in February 2018 (February 8, 2018)	585 (Common stock 585,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 8, 2018 to June 30, 2037
Stock Subscription Rights, Series 14 (February 8, 2018)	7,462 (Common stock 7,462,000 shares)	Gratuitous grant	815,000 yen (815 yen per share)	From July 1, 2022 to June 27, 2027
Stock Subscription Rights, Series 15 (August 10, 2018)	74,695 (Common stock 7,469,500 shares)	Gratuitous grant	68,600 yen (686 yen per share)	From July 1, 2023 to June 26, 2028
Stock Subscription Rights, Series 16 (August 26, 2019)	84,625 (Common stock 8,462,500 shares)	Gratuitous grant	50,200 yen (502 yen per share)	From July 1, 2024 to July 30, 2029
Stock Subscription Rights, Series 17 (August 17, 2020)	79,200 (Common stock 7,920,000 shares)	Gratuitous grant	50,800 yen (508 yen per share)	From July 1, 2025 to July 30, 2030
Stock Subscription Rights, Series 18 (August 13, 2021)	79,465 (Common stock 7,946,500 shares)	Gratuitous grant	63,300 yen (633 yen per share)	From July 1, 2026 to July 28, 2031
Total	355,879 (Common stock 69,692,500 shares)			

(Note 1) Each stock subscription right may not be exercised in part.

(Note 2) As to the Stock Subscription Rights issued in June 2005, July 2006, July 2007, July 2008, July 2009, July 2010, July 2011, February 2013, February 2014, February 2015, February 2016, February 2017 and February 2018, it was stipulated in the applicable issue terms and grant agreement that each holder of these

stock subscription rights may exercise its rights from the next day after he/she loses all of the positions as Director or Corporate Executive Officer, or Senior Managing Directors of the Company, its subsidiaries and its affiliated companies which are determined by the Board of Directors of the Company or the Corporate Executive Officers to whom the determination has been delegated by a resolution of the Board of Directors of the Company; provided, however, that he/she can exercise his/her rights from the day 30 days before the end of his/her exercise period subject to other conditions for exercise of such rights.

(Note 3) Other conditions for exercise shall be set forth in the grant agreement.

(Note 4) The number of stock subscription rights above includes the stock subscription rights held by the Company.

(Note 5) As for Stock Subscription Rights, Series 15, 16, 17 and 18, the number of shares underlying one share option is 100 because the share unit of common stock has been changed to 100.

2. Status of Stock Subscription Rights (Stock Options) held by the Company's Officers at the end of the current fiscal year

Name of Stock Subscription Rights	Number of holders (Directors and Corporate Executive Officers)	Number of Rights
Stock Subscription Rights issued in June 2005	1	7
Stock Subscription Rights issued in July 2006	2	7
Stock Subscription Rights issued in July 2007	3	10
Stock Subscription Rights issued in July 2008	4	14
Stock Subscription Rights issued in July 2009	6	40
Stock Subscription Rights issued in July 2010	8	78
Stock Subscription Rights issued in July 2011	8	115
Stock Subscription Rights issued in February 2013	8	86
Stock Subscription Rights, Series 9	7	58
Stock Subscription Rights issued in February 2014	9	48
Stock Subscription Rights, Series 10	9	40
Stock Subscription Rights issued in February 2015	11	64
Stock Subscription Rights, Series 11	7	36
Stock Subscription Rights issued in February 2016	14	96
Stock Subscription Rights, Series 12	4	23
Stock Subscription Rights issued in February 2017	15	102
Stock Subscription Rights, Series 13	3	26
Stock Subscription Rights issued in February 2018	16	114
Stock Subscription Rights, Series 14	2	16
Stock Subscription Rights, Series 15	2	160
Stock Subscription Rights, Series 16	1	95

(Note 1) No stock subscription right as a stock option was allocated to any Outside Directors.

(Note 2) The officers at the end of the current fiscal year did not hold Stock Subscription Rights, Series 17 and 18.

3. Status of Stock Subscription Rights (Stock Options) allotted to Employees, etc., during the current fiscal year

Name of Stock Subscription Rights	Class of holders	Number of holders	Number of Rights
Stock Subscription Rights, Series 18	Directors of Subsidiaries	10	610
	Employees of Subsidiaries	4,016	78,855
	Total	4,026	79,465

(Note 1) The numbers above are those as of the issue date of each stock subscription right.

(Note 2) Senior Managing Directors of subsidiaries are classified as employees of subsidiaries.

(Note 3) No stock subscription right as a stock option was allocated to Audit & Supervisory Board Members of subsidiaries.

System to Ensure Appropriateness of Business and State of Operation of Such System

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

1. Outline of the matters necessary for execution of the Audit Committee’s duties

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

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

< Outline of the status of the operation>

The Company established the Audit Committee Office. The Audit Committee Office conducts planning and design of the audit policy and the audit plan and also gathers, arranges and analyzes the information and materials necessary for the audit in order to assist in the audit activities of the Audit Committee.

Also, the Audit Committee Office conducts additional investigations, etc. as necessary in order to assist in the activities of the Audit Committee.

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

- The Audit Committee Office sits directly under the Audit Committee.
- Corporate Executive Officers have to obtain the prior consent of the Audit Committee or its member designated by the Committee (hereinafter the “Selected Committee Member”), when deciding on personnel matters (personnel change, evaluation, etc.) or reorganizing the Audit Committee Office, taking the importance of the Audit Committee into consideration.
- The Audit Committee or the Selected Committee Member may request that Corporate Executive Officers secure an adequate number of staff with the knowledge and ability necessary to carry out the duties of the Audit Committee Office. Corporate Executive Officers shall respect the request.
- The Audit Committee Office may request that each department (including the internal audit department) provide support for investigations and information gathering by the Audit Committee. Each department shall respect the request.
- The Audit Committee Office may attend various meetings, etc. when necessary.

< Outline of the status of the operation>

The Company ensures independence of the Audit Committee Office from the Corporate Executive Officers by establishing the Audit Committee Office directly under the Audit Committee and obtaining prior consent of the Selected Committee Member as to the personnel matters of the Audit Committee Office and securing a satisfactory number of staff in accordance with the rules of the Audit Committee.

Based on the rules, the Audit Committee Office attends certain meetings to gather various information, enabling itself to ensure effectiveness of instructions from the Audit Committee.

(3) Reporting system to the Audit Committee

(i) System to ensure that Directors (excluding Audit Committee Members), Corporate Executive Officers and employees report to the Audit Committee

The following rule shall be included in the rules regarding reports to the Audit Committee, etc.

- Directors (excluding Audit Committee Members), Corporate Executive Officers and employees must report the following matters to the Audit Committee or the Selected Committee Member by adequate means, such as by using the whistleblowing system.

1) Any facts that have the potential to cause significant damage to the Company or the Group, immediately after they learn of such facts
2) Any activities of officers or employees of the Company or the Group that violate or may violate any laws and regulations or the Articles of Incorporation
3) Matters that the Audit Committee or the Selected Committee Member of the Company request be

reported and other matters that are deemed useful for the audit

(ii) System to ensure that Directors, Audit & Supervisory Board Members and employees of the Company's subsidiaries or the persons who receive reports from them shall report to Audit Committee of the Company

The following rule shall be included in the rules regarding reports to Audit & Supervisory Board Member, etc. of such subsidiaries.

- Directors, Audit & Supervisory Board Member and employees of the Company's subsidiaries or the persons who receive reports from them must report the following matters to the Audit Committee or the Selected Committee Member by adequate mean, such as by using the internal whistleblowing system.

1) Any facts that have the potential to cause significant damage to the Company's subsidiaries or the Group, immediately after they learn of such facts
2) Any activities of officers or employees of the Company's subsidiaries or the Group that violate or may violate any laws and regulations or the Articles of Incorporation
3) Matters that the Audit Committee or the Selected Committee Member of the Company requests be reported and other matters that are deemed useful for the audit

< Outline of the status of the operation>

The Company obliges its Directors (excluding Audit Committee Members), Corporate Executive Officers and employees in the rules on reporting to the Audit Committee, etc. and the Company's subsidiaries oblige their Directors, Audit & Supervisory Board Members and employees or the persons who receive reports from them in the rules on reporting to the Audit & Supervisory Board Members, etc. of such subsidiaries, to report, by adequate means such as by using the whistleblowing system, to the Audit Committee or the Selected Committee Member any facts that have a possibility to cause significant damage to the Company or the Group or any activities of officers or employees of the Company or the Group which violate or may violate any laws and regulations or the Articles of Incorporation. Thus, the Company provides an appropriate system to ensure reports will be adequately received.

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

The Company adopted 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, we established the rules on reporting to the Audit Committee, etc. and rules on reporting to Audit & Supervisory Board Member, etc. of the Company's subsidiaries.

< Outline of the status of the operation>

The Company has prepared rules on reporting to the Audit Committee, etc. and the Company's subsidiaries have prepared rules on reporting to Audit & Supervisory Board Members, etc. No disadvantage such as dismissal, demotion, salary cut, termination of secondment contract, change in working conditions, etc. has been given to persons who make reports in the preceding item due to the fact that they made such reports.

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

- When the Audit Committee or Audit Committee Members request the Company to do the following matters, the Company shall not refuse such requests unless the Company proves that the expenses and obligations concerning such requests are unnecessary for execution of the duties of the Audit Committee or Audit Committee Members.

  a. Prepayment of expenses

  b. Reimbursement of expenses paid and interest accrued after payment

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

< Outline of the status of the operation>

In accordance with rules of the Audit Committee, the Company adequately pays expenses, accrued interests and obligations, incurred in execution of duties of the Audit Committee and Audit Committee Members.

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

- Audit Committee Members may attend meetings of the Group Compliance Committee, the Group Risk Management Committee and Group Internal Audit Committee and also may ask for explanations and state their opinions. They may also attend other important meetings.
- Audit Committee Members periodically receive reports (i) on the risk management system and the risk status of the Group from the departments handling each risk and (ii) on the status of implementation of the internal audit of the Group from the internal audit department.
- Consent of the Audit Committee or the Selected Committee Member is necessary, in order to reorganize the audit policy, the audit plan and the rules for the internal audit or request the delegation of the internal audit.
- The Audit Committee or the Selected Committee Member may, if necessary, request that the internal audit department conduct an investigation on its behalf.
- The Audit Committee periodically receives reports from the independent auditor as to the audit status of each company of the Group.
- The Audit Committee or the Selected Committee Member may have external experts independent from the business execution department support audit activities.

< Outline of the status of the operation>

In accordance with the Audit Committee Auditing Standard, the Selected Committee Member of the Company tries to gather information as to execution status of duties of Directors and Corporate Executive Officers by attending important meetings such as meetings of the Executive Management Committee, browsing corporate decision documents and other important documents and receiving reports of the internal audit, etc. from the internal audit department. The Selected Committee Member also obtains periodically the reports from the independent auditor on the state of the accounting audit. The Selected Committee Member shares such information and reports with other Audit Committee Members.

The Audit Committee and the Selected Committee Member, based on the Audit Committee Auditing Standard, strive to enhance the cooperation with the Internal Audit Department to secure effectiveness of auditing by the Audit Committee, by obtaining consent on important issues regarding the internal audit, such as the Audit Policy on Internal Audit, developing internal audit plans, etc.

2. **The outline of the system to ensure the compliance with laws and regulations and the Articles of Incorporation in execution of Corporate Executive Officers' duties 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 with laws and regulations and the Articles of Incorporation in execution of duties of the Company's Corporate Executive Officers and employees and also its subsidiaries' Directors, etc. and employees

(i) Compliance System

- Establish a whistleblowing system for the purpose of identifying and correcting any conduct violating laws and regulations or other rules in the 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 as to compliance for officers and employees in each company of the 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 Group, and establish a section to promote instilling and maintaining corporate ethics among officers and employees.
- Establish a section that gives advice regarding overall legal issues of the Group, and assist each company of the Group in activities relating to formation of systems for compliance with laws and regulations, etc.

(ii) Group Compliance Committee

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

(iii) Group Risk Management Committee

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

(iv) Group Internal Audit Committee

- The Group Internal Audit Committee, as a sectional committee directly under the CEO, discusses and determines the matters relating to development of a system to execute the internal audit and verification of the internal controls for the Group's business.

(v) Internal Audit Department

- For structuring sound and effective internal controls for the Group, the Group believes that the internal audit is an important function and has established internal audit departments in major companies of the Group as well as the Company.
- The internal audit department evaluates and examines the effectiveness of the Group's internal controls, and makes proposals for improvement and efficiency of the Group's business operations.
- The internal audit department makes proposals and reports to the Group Internal Audit Committee about the plans for and results of the internal audit.

(vi) Internal Controls on Financial Reporting

- For preparing the structure necessary to ensure appropriateness of financial statements and other financial information, the Company establishes basic rules relating to internal controls on financial reporting.
- The Disclosure Committee and the Group Internal Audit Committee discuss and determine important issues concerning internal controls on financial reporting.

< Outline of the status of the operation>

The Company has already implemented the rules, departments and systems, etc. on the matters listed above and operates them adequately. The Company also tries to ensure the spread of information as to the laws and regulations and internal rules, etc. and instill a focus on compliance and corporate ethics through compliance seminars for all officers and employees, compliance training and orientation activities for new employees and newly appointed managers, etc. In FY2021, the Company held meetings of the Group Compliance Committee five times to grasp matters related to the compliance with the laws and regulations, establishment of corporate ethics and internal control of the Group, the Group Risk Management Committee nine times to understand the risk status, etc. of the Group and the Group Internal Audit Committee five times to share the results of the internal audit conducted by the internal audit department. Further, the internal audit department evaluated and verified the internal controls as to financial reporting and reported the result to the CEO and CFO and also to the Group Internal Audit Committee properly.

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

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

< Outline of the status of the operation>

The Company has stipulated the retention period for each document based on the characteristic of each document in the rules to arrange and retain documents. The information concerning execution of Corporate Executive Officers' duties is maintained and managed properly as the responsibility of the relevant department in charge.

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

- Enact rules of risk management for the purpose of properly managing various risks involved in the business of the Group considering each characteristic of the Group and thereby of secure sound financial status and appropriate business operations. Further, clarify the risk management system by providing for policies of risk management, the category of risks to be managed, Corporate Executive Officers 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 report the preparation for risk management and the status of the risk, etc., to the Group Risk Management Committee, etc.

< Outline of the status of the operation>

The Company has designated market risk, credit risk, liquidity risk, operational risk, model risk, investment risk, reputational risk and accounting/taxation risk as the risks to be managed in the rules on risk management.

Further, it has obtained the information as to the status of the risk management system and risks themselves through the meetings of the Group Risk Management Committee, etc. In FY2021, such meetings were held nine times, where the departments in charge of each risk shared such information.

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

- Clarify Corporate Executive Officers' duties, the methods of execution thereof and the business operations in their charge in the rules for Corporate Executive Officers.
- As to matters which have a material effect on the Company or the Group, clarify the matters to be resolved and reported in the rules of the Executive Management Committee and Overseas Management Committee, etc.
- By having Corporate Executive Officers serve concurrently as representatives of main companies of the Group, etc., enact their business strategy quickly and efficiently based on the strategy of the Group in each company of the Group.
- Formulate the Group Medium-Term Management Plan, the term of which is three fiscal years, and, in order to pursue this Plan, determine management policy and budget allocations, etc. for the entire Group for each fiscal year.

< Outline of the status of the operation>

The Company realizes quick decision-making and efficient business execution through role assignment among

Corporate Executive Officers. Further, Corporate Executive Officers serve concurrently as the representatives of main companies of the Group and share information as to the situation of their business execution in the meetings of the Executive Management Committee consisting of all Corporate Executive Officers including such representatives.

In FY2021, the meetings of the Executive Management Committee were held eighteen times, where its members discussed and determined the important matters which affect the Company or the Group. Further, the Executive Management Committee properly reported the situation of execution of its duties to the Board of Directors. In this way, Board of Directors supervises the adequacy and efficiency of execution of the duties of the Company's Corporate Executive Officers and its subsidiaries' Directors.

(5) System for the report of matters concerning execution of duties by the 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 each company of the Group, by establishing the rules for management of companies of the Group and overseas offices, etc., for the purpose of proper management of business activities of each company of the Group, domestic and overseas.
- Establish the rules at each company of the Group to obtain important information regarding the management of each company of the Group and also to ensure the fair, timely and appropriate disclosure of such information in compliance with laws, regulations and rules.

< Outline of the status of the operation>

The Company receives reports from each company of the Group, domestic and overseas, and approves important matters as to such companies at the Company's governance meetings, in accordance with the rules for management of companies of the Group and overseas offices, etc. In FY2021 the Company held meetings of the Executive Management Committee eighteen times and the Overseas Management Committee five times for adequate discussions, decisions and reports.

Consolidated Statutory Report
Consolidated Statements of Changes in Net Assets

(Apr. 1, 2021 - Mar. 31, 2022)

(Millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Deposit for Subscriptions to treasury shares	Total shareholders' equity
Balance at beginning of current period	**247,397**	**230,651**	**911,742**	**(107,646)**	**9**	**1,282,154**
Cumulative effects of changes in accounting policies	-	-	(82)	-	-	(82)
Restated balance	247,397	230,651	911,659	(107,646)	9	1,282,072
Changes of items during period						
Dividends of surplus	-	-	(63,790)	-	-	(63,790)
Profit attributable to owners of parent	-	-	94,891	-	-	94,891
Purchase of treasury shares	-	-	-	(29,297)	-	(29,297)
Disposal of treasury shares	-	-	33	2,742	-	2,776
Other	-	(200)	-	-	16	(184)
Total changes of items during period	**-**	**(200)**	**31,134**	**(26,554)**	**16**	**4,395**
Balance at end of current period	**247,397**	**230,451**	**942,793**	**(134,201)**	**26**	**1,286,467**

(Millions of yen)

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment		
Balance at beginning of current period	**41,587**	**(3,058)**	**12,886**	**9,125**	**249,145**
Cumulative effects of changes in accounting policies	-	-	-	-	-
Restated balance	41,587	(3,058)	12,886	9,125	249,145
Changes of items during period					
Net changes of items other than shareholders' equity	(12,000)	12,998	34,402	(15)	8,351
Total changes of items during period	**(12,000)**	**12,998**	**34,402**	**(15)**	**8,351**
Balance at end of current period	**29,587**	**9,940**	**47,288**	**9,109**	**257,497**

[References]

Consolidated Statements of Changes in Net Assets

(Apr. 1, 2020 - Mar. 31, 2021)

(Millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Deposit for subscriptions to treasury shares	Total shareholders' equity
Balance at beginning of current period	**247,397**	**230,808**	**834,442**	**(110,351)**	**13**	**1,202,310**
Cumulative effects of changes in accounting policies	-	-	-	-	-	-
Restated balance	247,397	230,808	834,442	(110,351)	13	1,202,310
Changes of items during period						
Dividends of surplus	-	-	(30,429)	-	-	(30,429)
Profit attributable to owners of parent	-	-	108,396	-	-	108,396
Purchase of treasury shares	-	-	-	(9)	-	(9)
Disposal of treasury shares	-	-	(667)	2,714	-	2,047
Other	-	(157)	-	-	(3)	(160)
Total changes of items during period	-	**(157)**	**77,299**	**2,704**	**(3)**	**79,843**
Balance at end of current period	**247,397**	**230,651**	**911,742**	**(107,646)**	**9**	**1,282,154**

(Millions of yen)

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment		
Balance at beginning of current period	**26,853**	**(13,592)**	**(5,556)**	**8,901**	**38,849**
Cumulative effects of changes in accounting policies	-	-	-	-	-
Restated balance	26,853	(13,592)	(5,556)	8,901	38,849
Changes of items during period					
Net changes of items other than shareholders' equity	14,734	10,534	18,442	223	210,296
Total changes of items during period	**14,734**	**10,534**	**18,442**	**223**	**210,296**
Balance at end of current period	**41,587**	**(3,058)**	**12,886**	**9,125**	**249,145**

Notes to the Consolidated Statutory Report

The Consolidated Statutory Report of the Company is prepared in accordance with the Regulations on Corporate Accounting (Ministry of Justice Order No. 13, 2006), the Cabinet Office Ordinance on Financial Instruments Business, etc. (Cabinet Office Ordinance No. 52, 2007) and the Uniform Accounting Standards for Securities Companies (set by the board of directors of the Japan Securities Dealers Association, November 14, 1974), the two latter of which are applied to the balance sheets and the income statements of companies that engage in securities-related business, the main business of the Group, based on Article 118 of the Accounting Regulation Ordinance.
The figures in the Consolidated Statutory Report are expressed in millions of yen, with amounts of less than one million omitted.

Significant items associated with the preparation of Consolidated Statutory Report

1. Scope of consolidation

(1) Number of consolidated subsidiaries and the names of major consolidated subsidiaries

Number of consolidated subsidiaries: 136 companies

Names of major consolidated subsidiaries:

Daiwa Securities Co. Ltd.
Daiwa Asset Management Co. Ltd.
Daiwa Institute of Research Ltd.
Daiwa Securities Business Center Co., Ltd.
Daiwa Facilities Co., Ltd.
Daiwa Next Bank, Ltd.
Daiwa Corporate Investment Co., Ltd.
Daiwa PI Partners Co. Ltd.
Daiwa Energy & Infrastructure Co. Ltd.
Daiwa Real Estate Asset Management Co. Ltd.
Daiwa Securities Realty Co.Ltd.
Daiwa Office Investment Corporation
Samty Residential Investment Corporation
Daiwa Capital Markets Europe Limited
Daiwa Capital Markets Hong Kong Limited
Daiwa Capital Markets Singapore Limited
Daiwa Capital Markets America Holdings Inc.
Daiwa Capital Markets America Inc.

In the current consolidated fiscal year, we newly included in the scope of consolidation 1 company because of the new acquisition of shares, 23 companies because of establishment, and 1 company because of a rise in importance. Further, we excluded from the scope of consolidation 2 companies who became equity-applied affiliates from consolidated subsidiaries due to a decrease in equity ratio, 2 companies due to absorption-type mergers, and 3 companies due to the completion of liquidation.

(2) Names, etc. of major non-consolidated subsidiaries

Names of major non-consolidated subsidiaries

IDI Infrastructure #3 Limited Liability Partnership
Good Time Living Co. Ltd.
Daiwa Investor Relations Co. Ltd.

Rationale for exclusion from the scope of consolidation

IDI Infrastructure #3 Limited Liability Partnership and 4 other companies have been excluded from the scope of consolidation due to the significant risk of stakeholders making erroneous judgments.
The other non-consolidated subsidiaries had no material impact on the Consolidated Statutory Report in terms of total assets, operating revenues or sales, the share of net income or loss (as calculated by the equity method), and the retained earnings (as calculated by the equity method), and were immaterial as a whole; therefore they were excluded from the scope of consolidation.

(3) Companies not treated as subsidiaries regardless of the Company's ownership of the majority of the voting

rights

Number of companies not treated as subsidiaries: 11 companies

Names of major companies not treated as subsidiaries

SEKAIE INC.

Rationale for not being treated as subsidiaries:

Some subsidiaries have owned these companies' stocks as operational transactions for the purpose of acquiring capital gains by investments/developments and revitalizing businesses. These investment activities meet the requirements of the Accounting Standards Implementation Guidance No. 22 and thus it is clear that such subsidiaries do not control the decision-making organizations of these investee companies.

(4) Special Purpose Entities subject to disclosure

Summary, etc. of Special Purpose Entities subject to disclosure and the transactions which utilize Special Purpose Entities

The Group utilizes Special Purpose Entities in structuring and distributing structured notes and funds in order to deal with its customers' needs for investment. In structured note-related transactions, the Group transfers its acquired bonds to Special Purpose Entities in the Cayman Islands, and the Special Purpose Entities issue structured notes collateralized by those bonds. Although there are 6 Special Purpose Entities, neither the Company nor the consolidated subsidiaries hold any voting rights or shares in Special Purpose Entities, and have also not dispatched any officers or employees to those Special Purpose Entities. The outstanding issued amount of notes by those Special Purpose Entities is 731,417 million yen as of March 31, 2022. Further, in fund-related transactions, the Group transfers its renewable energy investment assets to those Special Purpose Entities through anonymous associations, and those Special Purpose Entities solicits investments backed by the acquired renewable energy investment assets. There is 1 special purpose company, and the Group does not have any investment, etc. with voting rights, and no officers or employees are dispatched. The amount of investment received by the special purpose company is 2,305 million yen, and the Group has invested 28 million yen in the special purpose company.

2. Application of equity method

(1) Number of non-consolidated subsidiaries and affiliates to which the equity method is applied, and names of major companies among them

Number of non-consolidated subsidiaries to which the equity method is applied: 5 companies

Number of affiliates to which the equity method is applied: 18 companies

Names of major non-consolidated subsidiaries to which the equity method is applied:

IDI Infrastructure #3 Limited Liability Partnership

Names of major affiliates to which the equity method is applied:

Sumitomo Mitsui DS Asset Management Company, Limited

Daiwa Securities Living Investment Corporation

In the current consolidated fiscal year, the equity method has been applied to 5 non-consolidated subsidiaries due to the acquisition of business execution rights, and 2 companies who became equity-applied affiliates from consolidated subsidiaries due to a decrease in equity ratio. Further, we stopped applying the equity method to 1 company due to the sale of shares.

Among the companies to which the equity method is applied and with fiscal year ending on a date other than March 31, 2022, we used the tentative financial statements as of March 31, 2022 or other record date as to 1 company and the financial statements for the fiscal year of said company as to the other companies.

(2) The names, etc. of non-consolidated subsidiaries and affiliates to which the equity method is not applied

The names of major companies

Good Time Living Co. Ltd.

Daiwa Investor Relations Co. Ltd.

Rationale for not applying the equity method

These non-consolidated subsidiaries and affiliates had no material impact on the Consolidated Statutory Report in terms of the share of net income or loss (as calculated by the equity method) and the retained earnings (as calculated by the equity method), and were immaterial as a whole, therefore, the Company did not apply the equity method to these non-consolidated subsidiaries and affiliates.

(3) The names, etc. of companies not treated as affiliates regardless of the ownership of not less than 20% and not

more than 50% of the voting rights

The number of the companies: 9 companies

The names of major companies not treated as affiliates

NJT Copper Tube Corporation

Rationale for not being treated as affiliates

Some subsidiaries have owned these companies' stocks as operational transactions for the purpose of acquiring capital gains by investments/development and revitalizing businesses. These investment activities meet the requirements of the Accounting Standards Implementation Guidance No. 22 and thus it is clear that the Company's subsidiaries cannot exercise significant influence on these investee companies.

3. Fiscal year, etc. of consolidated subsidiaries

Fiscal year ends of consolidated subsidiaries are as follows:

January 31	11	companies
February 28	3	companies
March 31	77	companies
November 30	1	company
December 31	42	companies
January 31 and July 31	1	company
May 31 and November 31	1	company

Among the consolidated subsidiaries with a fiscal year ended on a date other than March 31, 2022, we used the financial statements for the fiscal year end of such subsidiary as to 54 consolidated subsidiaries and the tentative financial statements as of March 31, 2022 as to the other 5 subsidiaries. We also made adjustments necessary for consolidation as to the important transactions that occurred between such dates and March 31, 2022.

4. Accounting policies

(1) Valuation standards and methods for major assets

(i) Valuation standards and methods for securities, etc. classified as trading products

Trading products, including securities and financial derivatives for trading purposes, held by consolidated subsidiaries are recorded at fair value.

Regard to the valuation of specific market risk and credit risk for financial derivatives, the fair value is calculated by unit group of each financial assets and financial liabilities based on net assets and liabilities after offsetting the financial assets and liabilities.

(ii) Valuation standards and methods for securities, etc. not classified as trading products

Securities, etc. which are not classified as trading products are as follows:

(a) Trading securities

Valued at fair value (cost is determined based on the moving average method).

(b) Held-to-maturity debt securities

Held-to-maturity debt securities are recorded using the amortized cost method.

(c) Other securities

Other securities are recorded at fair value, based on quoted market prices as of the end of the fiscal year (net unrealized gains (losses) are booked directly in net assets, and the costs of securities sold are generally calculated based on the moving average method). However, securities without market prices (unlisted stocks, etc.) and partnership investments, etc. are mainly recorded at cost using the moving average method.

Investments in investment limited partnerships, etc. are stated as "Operational investment securities" or "Investment securities" mainly at the investment shares of the net asset values of the partnerships based on the partnerships' financial statements (the share of net unrealized profits and losses on securities held by the partnerships are directly posted into net assets).

Further, some portion of securities and operational investment securities held by some consolidated subsidiaries is stated in current assets.

(d) Derivatives

Valued at fair value.

(iii) Valuation standards and methods for inventory assets

Work in process is mainly stated based on the cost method using the specific identification method (procedure method in which book value is written down based on decrease in profitability).

(2) Depreciation methods for major depreciable assets

(i) Property, plant and equipment

Property, plant and equipment are generally depreciated based on the straight-line method. The Company generally compute depreciation over estimated useful lives as stipulated in the Corporation Tax Act of Japan.

(ii) Intangible fixed assets, investments and other assets

Intangible fixed assets, investments and other assets are generally amortized based on the straight-line method. The Company generally compute amortization over estimated useful lives as stipulated in the Corporation Tax Act of Japan; provided, however, that software used in-house is amortized over internally estimated useful lives (5 years).

(3) Accounting policies for material allowances and provisions

(i) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on the estimated historical default rate for normal loans, and based on individual assessment of financial condition and estimated cash flow for claims with default possibility, claims in bankruptcy, claims in reorganization, and other.

(ii) Allowance for investment loss

The Company and some consolidated subsidiaries provide allowances based on estimated losses on operational investment securities and non-consolidated subsidiaries held at the balance sheet date, assessing the financial conditions of investee companies.

(iii) Provision for bonuses

We provide allowance for bonuses of directors, officers and employees based on the estimated payment amount corresponding to the current fiscal year in accordance with the calculation standards of each company.

(iv) Provision for loss on litigation

We provide allowance for future monetary damage as to the litigation, etc. regarding financial transactions based on the estimated amount of restitution, considering the status of litigation, etc.

(4) Accounting policies for retirement benefit liabilities

The Company and its domestic consolidated subsidiaries provide retirement benefit liabilities for employees' retirement benefits payments based on the amount required to be paid at the end of the fiscal year ended March 31, 2022 in accordance with each company's retirement benefit policy. This is because, in these companies, retirement benefits are not affected by future salary increases, etc. and the service costs are determined for each individual in accordance with their contributions, capabilities, achievements, etc. for each fiscal year. Some of the consolidated subsidiaries appropriate the amounts deemed to have been accrued in the fiscal year ended March 31, 2022 based on the estimated amount of retirement benefits obligations at the end of the fiscal year ended March 31, 2022.

(5) Accounting standard for revenue and cost recognition

The Company and its domestic consolidated subsidiaries apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and Implementation Guidance for Accounting Standard for Revenue Recognition (ASBJ Statement No. 30, March 26, 2021), and recognizes revenues at the amount expected to be received in exchange for promised goods or services at the time when control of the relevant goods or services is transferred to customers. Regarding the major businesses through which we generate revenue from contracts with customers, details on main performance obligations and normal point of time at which such performance obligations have been satisfied (the point at which revenue is recognized) are described in "Notes to the Consolidated Statutory Report (Notes to Revenue Recognition)".

(6) Accounting methods for material hedging

Marked-to-market profits and losses on hedging instruments are principally deferred as net assets until the profits or losses on the hedged items are realized. Certain eligible interest swaps for hedging purposes are based on cost basis without being marked-to-market under generally accepted accounting principles in Japan ("Tokurei-shori"). Further, the premium or discount on certain eligible forward foreign exchanges for hedging purposes is allocated to each fiscal term without being marked-to-market under generally accepted accounting principles in Japan ("Furiate-shori").

In order to avoid interest rate fluctuation risk and foreign exchange fluctuation risk associated with some of the securities, borrowings and bonds issued, etc., the Company and some consolidated subsidiaries apply hedge accounting using derivatives instruments such as interest rate swaps, currency swaps and similar transactions.

The effectiveness of hedging is evaluated based upon the correlation between the fair value or the accumulated cash flows of the hedging instrument and those of the hedged item. Also, in some consolidated subsidiaries, some hedges intended to cancel the market fluctuation and designed to make the material conditions of hedging instruments and hedged items almost identical are deemed to be highly effective without effectiveness tests. Hedges exempted from being marked-to-market under the two accounting treatments described in the first paragraph are judged to pass the effectiveness tests of hedging with their eligibility for applying those treatments.

Regarding a subsidiary offering banking business, hedge instruments used to hedge foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities are accounted for using the deferral method in accordance with "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 25, October 8, 2020). The effectiveness of hedging instruments, such as currency swaps and foreign exchange swap used for hedging the foreign exchange risks of loans and borrowings payable denominated in foreign currencies, is assessed by comparing the foreign currency position of hedged loans and borrowings payable with that of the hedging instrument.

(7) Amortization method and period of goodwill

Goodwill is amortized, when incurred, by using the straight-line method over the amortization period within 20 years estimated based on each condition of acquired subsidiaries and affiliates. Goodwill is amortized in a lump sum at the fiscal year when incurred in cases where the amount is immaterial.

(8) Other significant items associated with the preparation of the Consolidated Statutory Report

(i) Consolidated tax payments system

The consolidated tax payments system has been applied to the Company and Daiwa Capital Holdings Co., Ltd. as parent companies respectively to pay taxes on a consolidated basis.

(ii) Application of tax effect accounting for transition from the consolidated taxation system to the Group Tax Sharing System

From the following fiscal year, the Company and some domestic consolidated subsidiaries will transition from the consolidated taxation system to the Group Tax Sharing System. However, the Company and some domestic consolidated subsidiaries do not apply the provisions of Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) to the transition to the Group Tax Sharing System established in "Law to Partially Revise Income Tax Law" (Law No. 8 of 2020) and to the revision of the single tax payment system accompanying such transition, in accordance with Paragraph 3 of "Practical Solution on the Tax Effect Accounting for Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020). Therefore, the amount of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before the revision.

From the following fiscal year, the Company plans to apply the "Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System" (PITF No. 42, issued on August 12, 2021), which describes the treatment of accounting and disclosure for corporation tax, regional corporation tax, and tax effect accounting when applying the Group Tax Sharing System.

5. Notes on changes in accounting policy

The Company has decided to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the current consolidated fiscal year, under which revenues are recognized at the amount expected to be received in exchange for promised goods or services at the time when control of the relevant goods or services is transferred to customers.

The Accounting Standard for Revenue Recognition is applied according to the transitional treatment as stipulated in the proviso of Paragraph 84 of the standard. In the case where the new accounting policy was retroactively applied before the beginning of the current consolidated fiscal year, the amount of the cumulative effect was added to or deducted from retained earnings at the beginning of the current fiscal year, and the new accounting policy was applied from the relevant initial balance of retained earnings. In accordance with the method stipulated in Paragraph 86 of the Accounting Standard for Revenue Recognition, the new accounting policy was not retrospectively applied to contracts wherein almost all revenues were recognized before the beginning of the current consolidated fiscal year according to the former treatment. Applying the method as stipulated in the supplementary provision (1) of Paragraph 86 of the Accounting Standard for Revenue Recognition, the new accounting policy was applied retroactively to contracts based on the terms of the contracts after all modifications made up until the start of the current consolidated fiscal year had been reflected. The amount of the cumulative effect of the relevant changes was added to or deducted from retained earnings at the beginning of the current consolidated fiscal year.

As a result of applying the Accounting Standard for Revenue Recognition, from this consolidated fiscal year onwards, "Notes and accounts receivable-trade", which fell under "Current assets" on the consolidated balance sheets for the previous consolidated fiscal year, will be included in "Notes and accounts receivable-trade, and contractual assets". According to the transitional treatment as stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, displays from the previous consolidated fiscal year have not been reclassified using the new display methods.

As a result, as the amount of the cumulative effect has been reflected in the net assets at the beginning of the current consolidated fiscal year, the retained earnings balance at the beginning of the current fiscal year on the consolidated statements of changes in net assets fell 82 million yen.

6. Notes on accounting estimates

Among the items for which the amount has been recorded in the consolidated financial statements for the current consolidated fiscal year based on accounting estimates, those that may have a significant impact on the consolidated financial statements for the next consolidated fiscal year are as follows:

(1) Evaluation of Level 3 Derivative Transactions belonging to trading products

(i) Amount recorded in the consolidated financial statements for the current consolidated fiscal year

Of the derivative transactions that belong to trading products, assets classified as Level 3 amounted to 98.9 billion yen and liabilities amounted to 17.0 billion yen, which amounts are uncertain because the fair value is measured using inputs that cannot be observed in the market.

(ii) Information that contributes to understanding the contents of important accounting estimates related to the identified items

The fair value of derivative transactions belonging to trading products is measured using the expected cash flow discount model under a risk-neutral measure.

The main assumption in the accounting estimation of this fair value is the input used in the pricing model. The measurement of fair value by the pricing model uses a variety of inputs such as interest rates, exchange rates, stock prices, volatility, and correlation coefficients, and in particular, we use inputs unobservable in the market such as long-term swap rates, long-term currency basis, long-term stock price volatility, long-term credit spreads and correlation coefficients to measure the fair value of Level 3 derivative transactions.

The details of these are described in "Notes to Financial Instruments (Note) 1 Explanation of Evaluation Techniques Used for Measurement of Fair Value and Inputs for Measurement of Fair Value". Changes in major assumptions due to changes in the market environment, etc. may have a significant impact on the value of trading products in the consolidated financial statements for the next consolidated fiscal year. The impact on fair value in the case of changes in important unobservable inputs is described in "Notes to Financial Instruments (Note) 2 Information on Level 3 Fair Value of Financial Instruments Recorded on the Consolidated Balance Sheet at Fair Value".

(2) Evaluation of operating investment securities and operating loans (investment division)

(i) Amount recorded in the consolidated financial statements for the current consolidated fiscal year

(Millions of yen)

Operating investment securities	123,839
Allowance for investment loss (current assets)	(151)
Operating loans (investment division)	76,798
Allowance for doubtful accounts (investment division)	(7,000)
Total	193,485

Daiwa PI Partners Co. Ltd. and Daiwa Energy Infrastructure Co. Ltd., which are consolidated subsidiaries belonging to the investment division of the Group, make investments and loans mainly through securities that do not belong to trade products such as private equity, real estate, energy, infrastructure and operating loans, etc. At the end of the current consolidated fiscal year, the investment division has recorded the balances listed in the above table.

(ii) Information that contributes to understanding the contents of important accounting estimates related to the identified items

There is uncertainty in the valuation of assets measured using the financial condition of the investee, the present value of future cash flows based on the latest business environment, the business plan that reflects it, etc., multiples observed from transaction cases of similar companies, etc. Impairment loss, allowance for investments loss and allowance for doubtful accounts are recorded based on the valuation amount.
In the current consolidated fiscal year, we recorded a loss of 3.2 billion yen mainly from aircraft-related investments and 1.1 billion yen from overseas lending and investments.

When using the estimated future cash flow in measuring the value of an asset, the estimates are made using assumptions that management thinks appropriate, considering the performance of the investee, the trends of the industry to which the investee belongs, the impact of the spread of the COVID-19 pandemic, etc. The main assumptions used as assumptions for future cash flow estimates in the valuation of some investments are as follows:

- Aircraft-related investments: Expected time for the aviation industry to recover from the effects of the spread of the COVID-19 pandemic
- Energy-related investments: Trends in imported fuel prices and prospects for promoting renewable energy in Japan

In making accounting estimates, we assume that the effects of the spread of the COVID-19 pandemic will continue until the end of FY2023, after which it will gradually come to an end.
For aircraft-related investments, which have been significantly impacted by the spread of the COVID-19 pandemic, due to the prolonged decline in aviation demand, we are reevaluating certain aircraft-related investments and making an additional allowance for doubtful accounts.

We assume that the impact of the sharp rise in resource prices due to the situation in Russia and Ukraine, etc. will be short-term and use forecasts by international organizations and other sources for medium- to long-term price projections that have a significant impact on the evaluation of investments.

Due to the uncertainty associated with the estimates and assumptions used in the valuation of these assets, if the accounting estimates for the valuation fluctuate due to unpredictable changes of assumptions in the future, etc., additional losses or reversals of allowances may be recognized in the next consolidated fiscal year.

Notes to consolidated balance sheet

1. Assets pledged as collateral and liabilities secured

(1) Assets pledged as collateral

Cash and deposits	3,080	million yen
Securities	64,308	
Trading products	536,322	
Operating loans	836,584	
Other current assets	57,275	
Investment securities	17,942	
Total	1,515,514	

(Note) The amounts above are based on the amounts in the consolidated balance sheet. In addition to the above pledged assets, borrowed securities of 140,717 million yen are also pledged as collateral.

(2) Liabilities secured

Borrowings on margin transactions	5,327	million yen
Short-term borrowings	610,809	
Corporate bonds	800	
Long-term borrowings	209,381	
Total	826,318	

(Note) The amounts above are based on the amounts in the consolidated balance sheet.

2. Fair value of securities transferred

Lending securities under loan agreements *(shohi-taishaku)*	6,093,554	million yen
Securities sold under repurchase agreement *(Gensaki)*	4,461,636	
Other	508,193	
Total	11,063,383	

(Note) We exclude those belonging to "Assets pledged as collateral" in 1(1) above.

3. Fair value of securities received as collateral

Borrowed securities under loan agreements *(shohi-taishaku)*	6,615,034	million yen
Securities purchased under resale agreement *(Gensaki)*	2,839,884	
Other	395,179	
Total	9,850,098	

4. Allowance for doubtful accounts deducted directly from assets

Investments and other assets, other 9,231 million yen

5. Accumulated depreciation of property, plant and equipment: 172,954 million yen

6. Liabilities on guarantees

Name of the guaranteed	Liabilities guaranteed	Amount of liabilities
Employee	Borrowing	6 million yen
Good Time Living Co. Ltd.	Lump-sum payment for occupancy refundable debt	10,996
Other	Standby letter of credit	2,302
Total		13,305

7. The clauses of the laws and regulations that prescribe recording of reserves under the special laws

Reserve for financial instruments transaction liabilities:

Paragraph 1, Article 46-5 of the Financial Instruments and Exchange Act of Japan

Notes to consolidated statement of changes in net assets

1. Type and total number of shares outstanding as of the end of the fiscal year ended March 31, 2022

Common shares 1,699,378,772

2. Dividends

(1) Amount of dividends

Resolution	Type of shares	Total amount of dividends (million yen)	Dividend per share (yen)	Record Date	Effective Date
Board of Directors on Apr. 28, 2021	Common shares	38,096	25	Mar. 31, 2021	Jun. 1, 2021
Board of Directors on Oct. 27, 2021	Common shares	25,693	17	Sep. 30, 2021	Dec. 1, 2021
Total		63,790			

(2) Among dividends with record dates during the fiscal year ended March 31, 2022, dividends to be distributed after the end of the fiscal year

It was resolved at the meeting of the Board of Directors on April 27, 2022 as to dividends on common shares as follows:

1. Total amount of dividends 23,732 million yen
2. Dividend per share 16 yen
3. Record date March 31, 2022
4. Effective date June 6, 2022

(Note) The dividends will be paid from retained earnings.

3. Class and number of shares subject to stock subscription rights upon exercise thereof as of March 31, 2022

	Item	Number of shares				Balance As of Mar. 31, 2022 (Millions of yen)
		As of Apr. 1, 2021	Increase	Decrease	As of Mar. 31, 2022	
The Company	Stock Subscription Rights issued in Jul. 2006	69,000	-	8,000	61,000	83
	Stock Subscription Rights issued in Jul. 2007	102,000	-	23,000	79,000	103
	Stock Subscription Rights issued in Jul. 2008	130,000	-	25,000	105,000	102
	Stock Subscription Rights issued in Jul. 2009	329,000	-	30,000	299,000	173
	Stock Subscription Rights issued in Jul. 2010	665,000	-	76,000	589,000	220
	Stock Subscription Rights issued in Jul. 2011	948,000	-	52,000	896,000	320
	Stock Subscription Rights, Series 8	1,395,000	-	1,395,000	-	-
	(treasury rights)	(472,000)	(-)	(472,000)	(-)	(-)
	Stock Subscription Rights issued in Feb. 2013	695,000	-	18,000	677,000	384
	Stock Subscription Rights, Series 9 stock	4,864,000	-	1,573,000	3,291,000	646
	(treasury rights)	(594,000)	(76,000)	(-)	(670,000)	(-)
	Stock Subscription Rights issued in Feb. 2014	351,000	-	8,000	343,000	327
	Stock Subscription Rights, Series 10	3,547,000	-	64,000	3,483,000	1,043
	(treasury rights)	(416,000)	(64,000)	(-)	(480,000)	(-)
	Stock Subscription Rights issued in Feb. 2015	429,000	-	7,000	422,000	358
	Stock Subscription Rights, Series 11	4,840,000	-	98,000	4,742,000	910
	(treasury rights)	(578,000)	(98,000)	(-)	(676,000)	(-)
	Stock Subscription Rights issued in Feb. 2016	552,000	-	-	552,000	366
	Stock Subscription Rights, Series 12	4,054,000	-	93,000	3,961,000	457
	(treasury rights)	(429,000)	(89,000)	(-)	(518,000)	(-)
	Stock Subscription Rights issued in Feb. 2017	556,000	-	-	556,000	393
	Stock Subscription Rights, Series 13	6,833,000	-	144,000	6,689,000	832
	(treasury rights)	(615,000)	(143,000)	(-)	(758,000)	(-)
	Stock Subscription Rights issued in Feb. 2018	591,000	-	6,000	585,000	425
	Stock Subscription Rights, Series 14	6,911,000	-	163,000	6,748,000	860
	(treasury rights)	(551,000)	(163,000)	(-)	(714,000)	(-)
	Stock Subscription Rights, Series 15	7,006,500	-	169,000	6,837,500	580
	(treasury rights)	(463,000)	(169,000)	(-)	(632,000)	(-)
	Stock Subscription Rights, Series 16	8,073,000	-	234,500	7,838,500	249
	(treasury rights)	(389,500)	(234,500)	(-)	(624,000)	(-)
	Stock Subscription Rights, Series 17	7,805,000	-	229,500	7,575,500	202
	(treasury rights)	(115,000)	(229,500)	(-)	(344,500)	(-)
	Stock Subscription Rights, Series 18	-	7,946,500	133,500	7,813,000	65
	(treasury rights)	(-)	(133,500)	(-)	(133,500)	(-)
					Total	9,109 (-)

(Note 1) All shares underlying stock subscription rights above are common shares.
(Note 2) Exercise periods of "Stock Subscription Rights, Series 14", "Stock subscription rights, Series 15", "Stock Subscription Rights, Series 16", "Stock Subscription Rights, Series 17" and "Stock Subscription Rights, Series 18" have not yet started.

Notes to Financial Instruments

1. Concerning the situation of financial instruments

(1) Policy for dealing with financial instruments

The Group is engaged in securities-related business or investment and loan businesses. Specifically, the Group is involved in trading and brokerage of securities and derivative products, underwriting and secondary offering of securities, dealing in public offering, secondary offering and private placement of securities and other security-related business, banking business and other financial businesses.

The Group holds financial assets and liabilities such as “trading securities and other”, “derivatives”, “operational investment securities”, “loans” and “investment securities”, etc., in its businesses and raises funds with corporate bonds, medium-term notes, borrowing from financial institutions, commercial paper, call money, deposit acceptance, Gensaki transactions, repurchase agreements, etc. In fundraising, under the basic policy for financing such that enough liquidity for continuing business should be effectively and stably secured, the Group tries to realize efficient and stable financing by diversifying financial measures and maturity dates and maintaining an appropriate balance between assets and liabilities. Also, the Group utilizes interest rate swaps and foreign currency swaps, etc., for the purpose of hedging fluctuations in interest rates and foreign currencies in terms of financial assets and liabilities.

The Group tries to secure financial soundness by managing entirely and efficiently the variety of risks incurred by holding financial assets and liabilities in accordance with the characteristics of such risks.

(2) Contents and risks of financial instruments

The Group holds financial instruments in the trading business as follows: (a) trading securities and other (stocks and warrants, bonds and beneficiary certificates, etc.), loans secured by securities and borrowings secured by securities, margin transaction assets and liabilities, etc.; (b) derivatives traded on exchanges, such as stock index futures, bond futures, interest rate futures and options for such derivatives; (c) derivatives (OTC derivatives) not traded on exchanges, such as interest rate swaps, foreign exchange swaps, foreign currency futures, bond options, currency options, FRA and OTC securities derivatives, etc. The Group also holds operational investment securities, etc., in the investments business, loans and securities, etc., in banking business and investment securities for business relationships.

Among the various risks associated with these financial instruments, the major risks are market risk and credit risk. Market risk means the risks of suffering losses from fluctuations in the value of holding financial instruments and transactions in accordance with changes of market prices or rate of stock prices, interest rates, foreign exchange rates and commodities prices, etc., and from the market environment in which no transaction can be executed because of an excessive decrease of liquidity or one in which market participants are forced to trade in extremely unfavorable conditions. Credit risk means the risk of suffering losses from defaults or creditworthiness changes, etc., of counterparts or issuers of financial instruments which the Group holds. In addition to these, there is the related risk of model risk. Model risk means the risk of suffering losses due to errors in model development or implementation, or due to misuse of the model.

In the trading business, the Group conducts derivative transactions as single transactions or as transactions embedded in structured notes, in order to meet customers’ needs. These include transactions which are highly volatile in comparison to the fluctuation of stock prices, interest rates, foreign exchange rates and commodities prices of reference assets and the correlation between them, or transactions which tend to move in a complicated manner. Therefore, these carry higher risk than the reference assets. These derivative transactions are categorized as trading products in the consolidated balance sheet and the realized and unrealized profit/loss by fluctuation of fair values are recorded as trading gains and losses.

The Group, holding the financial instruments as above, also raises funds utilizing corporate bonds, medium-term notes, borrowing from financial institutions, commercial paper, call money, deposits acceptance, Gensaki transactions, repurchase agreements, etc., and is exposed to liquidity risk. Liquidity risk means the risk of suffering losses such that cash management may be impossible or require remarkably higher financing costs than usual as a result of abrupt change of market environment or deterioration of financial conditions of the Group.

Securities subsidiaries engaged in the trading business utilize derivative transactions as brokers and end-users in the derivatives market. Derivative products have been necessary to deal with a variety of customers’ financial needs and subsidiaries provide customers with financial instruments to meet customers’ requests in many ways as brokers. For instance, they provide customers with foreign currency futures to hedge the exchange rate risk of foreign currency of foreign bonds held by customers and also with interest rate swaps to hedge interest rates when customers issue corporate bonds. As end-users, they utilize interest rate swaps to hedge interest rate risk regarding financial assets and liabilities of the Group and utilize many kinds of futures and options to hedge their trading positions.

(3) Risk management system concerning financial instruments

The Company adopted the "Risk Management Rule" at the meeting of the Board of Directors, which states the basic policy of risk management, types of risks that should be managed and responsible executive officers and departments for each major risk, and conducted risk management of the entire Group in accordance with Risk Appetite Framework. Furthermore, the Company also prepared a risk management framework through establishment of guidelines regarding "the Three Lines of Defense" in order to develop an effective risk governance system.

Each subsidiary conducts risk management suitable for its business profile and size in accordance with the basic policy of risk management. The Company also monitors the system and process of subsidiaries' risk management. Also, the Group Risk Management Committee as a sub-committee of the Executive Committee of the Company receives reports on and discusses matters such as risk exposure and issues concerning the risk management system of each subsidiary discovered by monitoring subsidiaries. Major subsidiaries regularly hold risk management committee meetings, etc., and strengthen their risk management.

(i) Management of risk of financial instruments held for trading purposes

(a) Management of market risk

The Group manages its trading business by establishing the limit for VaR, position and sensitivity, etc., considering the financial situation, the business plan and budget of each division. The risk management department of the Company monitors and reports the market risk to the management of the Company on a daily basis. In order to cover the capacity limit of VaR calculated by the statistical hypothesis based on the data obtained for a certain period, the Company applies the stress test with a scenario based on the impact of historical abrupt change in the market and assuming hypothetical stress events.

(Quantitative information concerning market risk)

Major subsidiaries engaged in securities business utilize the historical simulation method (holding period: 1 day, confidence interval: 99%, observation period: 520 business days) for calculating VaR of trading products.

The VaR of the trading business as of March 31, 2022 (fiscal year end) was 1.9 billion yen in total.

In the meantime, the Group verifies the model by executing back tests which compare calculated VaR and the actual profit/loss. Please note that as the VaR statistically estimates the risk based on historical market fluctuation, it may be unable to completely grasp the risk in an environment in which the market unexpectedly changes beyond the estimation.

(b) Management of credit risk

The credit risks generated in the trading business of the Group consist of counterparty risk and issuer risk. In regards to counterparty risk, the Group has established the upper limit on the credit-equivalent exposure that can be tolerated for each counterparty and periodically monitors such credit-equivalent exposure. In addition, the Group measures total counterparty risk. The Group monitors risk amount related to the issuer risk of financial instruments held for market-making.

Because the Group provides financial instruments, manages assets and invests, the Group is exposed to the risk that various instrument and transaction exposures collect on a specific counterparty. If the counterparty's credit situation worsens, the Group may incur significant losses. Therefore, the Group has established the upper limit on total exposure to any counterparty and periodically monitors such limit.

Because margin transactions generate credit to customers, we require customers to set deposits as collateral. In connection with securities loan transactions, the Group has tried to reduce credit risk by establishing credit limit for counterparties, charging necessary collateral, and daily mark-to-market.

(c) Management of model risk

The fair value evaluation model for trading products is used after the verification/approval process under the model risk management system. In addition, in line with changes in market conditions, we regularly conduct reviews to match market trends.

(ii) Management of risk as to financial instruments held for other than trading purpose

The Group holds financial instruments in the business for other than trading, such as operational investment securities in the investment business, loans, securities, etc., in banking business and investment securities for business relationships. These financial instruments carry market risk and credit risk as well. Because those financial instruments have a characteristic risk profile for each product, the Company has conducted risk management that suits each risk profile.

The subsidiaries in the investment business make an investment decision after investigating each investment thoroughly in an investment committee, etc. After investments, the subsidiaries regularly monitor and report the situation of invested companies to the risk management committee, etc.

The subsidiary offering banking business specifies risks which need management and establishes a management policy and management system for each risk. Furthermore, it establishes the ALM committee, a body under the Board of Directors, to discuss and decide the way to manage the risks (the ALM committee discusses the important matters relating to the management and control of credit risk, market risk and liquidity risk etc.). The subsidiary controls the risks by conducting its business within the various limit set by the Board of Directors, the ALM committee, etc.

In connection with investment securities for business relationships, etc., the Group decides to acquire or sell the securities in accordance with the policy defined by the relevant company's rules. Also, the Group regularly monitors and reports the situation of risk to the management of the Company.

(Quantitative information concerning market risk)

(a) Financial assets and liabilities (excluding those held by the subsidiary offering banking business)

The main financial assets that are influenced by market risk are "Operational investment securities" in the investment business and "Investment securities" for business relationships. As of March 31, 2022, if the index, such as TOPIX, were to change by 10%, market prices of the listed equities in "Operational investment securities" and "Investment securities" would fluctuate by 10.7 billion yen.

Also, the main financial liabilities in the Group that are influenced by market risk are "Bonds payable" and "Long-term borrowings." As of March 31, 2022, if all other risk variables were assumed to be unchanged and the interest rate supposed to change by 10 basis points (0.1%), the market prices of "Bonds payable" and "Long-term borrowings" would fluctuate by 1.5 billion yen and 0.1 billion yen, respectively.

(b) Financial assets and liabilities held by the subsidiary offering banking business

The subsidiary offering banking business utilizes VaR in managing market risk (i.e. the risk of loss caused by fluctuation of value of assets and liabilities (including off-balance liabilities) due to fluctuation of interest rates, exchange rates, stocks and other risk factors in the market and the risk of loss which caused by fluctuation of income from assets and liabilities).

When measuring VaR, we utilize the historical simulation method (holding period: 20 days, confidence interval: 99%, observation period: 750 business days) and convert the number calculated in 20 days of the holding period to the number in 125 days of the holding period. Such number as of March 31, 2022 is 7.16 billion yen.

The subsidiary, in order to verify the effectiveness of the model, periodically conducts the back-tests by comparing the VaR calculated in the risk measuring model with the virtual profits and losses. By the back-tests in fiscal year 2021, we estimate that our risk measurement model grasps the market risk. However, as the VaR statistically estimates the risk based on historical market fluctuation, it may be unable to completely grasp the risk in an environment in which the market unexpectedly changes beyond the estimation.

In order to complement the limitation of management utilizing VaR, we measure loss calculated by a wide variety of scenarios (stress test).

(iii) Management of liquidity

As the Group conducts the securities-related business and the investment and loan business by utilizing a variety of assets and liabilities, it has the basic policy of fundraising to efficiently and stably secure enough liquidity for continuing its business.

Methods of raising funds of the Group include unsecured fundraising such as corporate bonds, medium-term notes, borrowing from financial institutions, commercial paper, call money and deposits acceptance, and secured fundraising such as Gensaki transactions and repurchase agreements, the Group intends to realize effective and stable fundraising by combining these various methods.

In terms of financial stability, the Group, preparing for the case that the environment vastly changes, endeavors even in ordinary times to secure a stable reserve to prevent the business from suffering difficulties. Also, the Group tries to diversify the maturity and sources of funds in preparation for the event where it becomes difficult to raise new funds and to reschedule the existing funds due to a financial crisis.

The Company is required to comply with the minimum standard of consolidated liquidity coverage ratio (hereinafter "LCR") and Net Stable Funding Ratio (hereinafter "NSFR") based on 2014 Financial Services Agency Notification No.61. The Company has organized its liquidity management system other than LCR and NSFR based on the notification of such Financial Services Agency, which is based on original indices for liquidity management. Namely, concerning unsecured fundraising, the repayment date of which arrives within a year and the prospective outflows in the case where some stress events occur in such period, we verify every day that enough liquidity is secured for such repayment and outflows even in various stress scenarios. The Group undertakes to make it possible to continue business even if unsecured fundraising is not available for one year.

The Group collectively manages and monitors the liquidity of the entire Group under the basic policy of securing the appropriate liquidity of the Group as a whole. The Company always monitors whether the liquidity portfolio is sufficiently secured against short-term raised funds without collateral in preparation for the case where it becomes difficult to raise new funds and to reschedule the existing funds due to the occurrence of some stress, which is specific to the Company or influences the entire market. Also, the Group raises and manages funds efficiently as a group by establishing a system that enables the Company to flexibly distribute and supply funds to its group companies and also enables companies in the Group to finance each other.

The Group has also established a contingency funding plan as one of the measures of dealing with liquidity risk. This plan states the basic policy concerning the reporting lines and the method of fundraising, etc., depending upon the urgency of stress by internal factors such as decrease in creditworthiness and external factors such as abrupt change of market environment. The contingency funding plan enables the Group to prepare a system for securing liquidity through a swift response.

The Group has established the contingency funding plan of the Group considering the stress that the entire Group may face and also revised it periodically to quickly respond to changing financial environments.

Moreover, Daiwa Securities Co. Ltd., Daiwa Next Bank, Ltd. and foreign securities subsidiaries, which are sensitive to influence by financial markets and for which the importance of securing liquidity is significant, have established their own contingency funding plans and periodically revise their plans as well.

In addition, the Company periodically monitors the development status of its subsidiaries' contingency funding plans. The Company revises, if necessary, its subsidiaries' fundraising plans or contingency funding plans itself considering crises scenarios to be assumed and also tries to preliminarily execute countermeasures, both increasing liquidity and reducing assets at the same time.

(iv) Supplementary explanation for fair values, etc., of financial instruments

Fair value of financial instruments includes the price based on market price and the theoretical price reasonably calculated in the case of no market price. As such theoretical prices are calculated based on certain assumptions, etc. and may be changed under different assumptions, etc.

2. Concerning the fair value and the breakdown of each level for financial instruments

The amount booked on the consolidated balance sheet at the end of the consolidated fiscal year, its fair value, and the difference between them are as follows. Investment trusts to which transitional measures have been applied in accordance with Section 26 of "Implementation Guidance on Accounting Standards for Fair Value Measurement" (Corporate Accounting Standards Implementation Guidance No. 31, July 4, 2019, hereinafter referred to as "Fair Value Measurement Implementation Guidance"), stocks without market prices, etc. and partnership investment, etc. to which transitional measures have been applied in accordance with Section 27 of the Fair Value Measurement Implementation Guidance, are not included in the table (as described in (1) *3 and (Note) 3.).

The fair value of financial instruments is classified into the following three levels according to the observability and importance of the input used to measure the fair value.

Level 1 fair value:	Fair value measured by using the market price of the asset or liability formed in the active market, among the observable inputs related to the measurement of fair value.
Level 2 fair value:	Fair value measured by using the observable inputs related to the measurement of fair value, other than the level 1 input.
Level 3 fair value:	Fair value measured by using unobservable inputs related to the measurement of fair value.

When multiple inputs that importantly affect the fair value measurement are used, the fair value is classified into the level with the lowest priority in the measurement of the fair value among the levels to which those inputs belong.

(1) Financial instruments booked at fair value on the consolidated balance sheet

(Millions of yen)

	Fair Value			
	Level 1	Level 2	Level 3	Total
Assets				
(1) Trading products				
i) Trading securities and other				
Equities	115,391	140	73	115,605
Government bonds, local bonds, etc.	2,265,332	189,523	―	2,454,856
General business bonds	7,319	445,249	20	452,589
Foreign bonds	1,823,468	298,980	51,977	2,174,426
Other	10,854	595,072	995	606,922
ii) Derivatives				
Equity	64,191	168,739	82,179	315,110
Interest rate	1,636	1,176,144	5,008	1,182,790
Currency	2	542,976	3,568	546,547
Credit / Other	12	32,663	8,179	40,855
(2) Securities, operational investment securities and investment securities				
Other securities				
Equities	133,978	-	-	133,978
Government bonds, local bonds, etc.	189,599	30,749	-	220,349
General business bonds	-	199,301	18,332	217,634
Foreign bonds	117,859	270,930	17,341	406,131
Total assets	4,729,647	3,950,473	187,676	8,867,797
Liabilities				
(1) Trading products				
i) Trading securities and other				
Equities	178,321	-	-	178,321
Government bonds, local bonds, etc.	1,221,603	158	-	1,221,762
Foreign bonds	1,367,511	25,988	-	1,393,499
Other	-	147,628	-	147,628
ii) Derivatives				
Equity	139,035	184,876	5,842	329,755
Interest rate	440	1,134,415	4,677	1,139,533
Currency	8	481,936	444	482,389
Credit / Other	―	39,735	6,060	45,795
Total liabilities	2,906,921	2,014,740	17,024	4,938,686
Derivatives other than trading transactions *(Note1, 2)*				
Currency	-	7,171	-	7,171
Total Derivatives other than trading transactions	-	7,171	-	7,171

**1 Net receivables and payables arising from derivative other than trading transactions are shown in net amount, and total net payables are shown by in parentheses.*

**2 The amount booked on the consolidated balance sheet of the derivative transactions to which hedge accounting is applied is 4,213 million yen.*

**3 We do not include in the table above the investment trusts to which transitional measures have been applied in accordance with Article 5, Paragraph 6 of the Supplementary Provisions of "Cabinet Office Ordinance to Partially Amend Regulations on Terms, Forms and Preparation Methods of Financial Statements, etc." (Cabinet Office Ordinance No. 9 of March 6, 2020). The amount of the investment trust on the consolidated balance sheet is assets of 115,217 million yen and liabilities of 7,214 million yen in "Trading securities and other", and assets of 208,467 million yen in "Other securities".*

**4 The Company and some consolidated subsidiaries made hedge transactions using derivative transactions such as interest rate swaps and currency swaps in order to hedge interest rate fluctuation risk and exchange rate fluctuation* *risk related to some securities, borrowings and issued corporate bonds, etc., and mainly apply deferred hedge method to them. We also apply "Handling of hedge accounting for financial instruments that refer to LIBOR" (Practical Response Report No. 40, March 17, 2022) to these hedging relationships.*

(2) Financial instruments other than those booked on the consolidated balance sheet at fair value

(Millions of yen)

	Fair Value				Consolidated balance sheet amount	Difference total
	Level 1	Level 2	Level 3	Total		
Assets						
(1) Operating loans					1,933,758	
Allowance for doubtful accounts					(7,062)	
	-	-	1,923,021	1,923,021	1,926,696	(3,674)
(2) Securities, operating investment securities and investment securities						
i) Held-to-maturity bonds						
General business bonds	-	170,315	-	170,315	171,576	(1,260)
ii) Subsidiary and affiliated company stock	108,785	-	-	108,785	73,256	35,528
Total assets	108,785	170,315	1,923,021	2,202,122	2,171,529	30,593
Liabilities						
(1) Deposits from banking business	-	4,188,436	-	4,188,436	4,189,105	669
(2) Bonds payable	-	1,565,431	-	1,565,431	1,563,631	(1,799)
(3) Long-term borrowings	-	1,238,448	-	1,238,448	1,237,048	(1,399)
Total liabilities	-	6,992,315	-	6,992,315	6,989,785	(2,529)

"Cash and deposits", "Cash segregated as deposits", "Trade date accrual", "Loans secured by securities", "Borrowings secured by securities", "Deposits received", "Short-term borrowings", "Commercial papers", "Current portion of bods", etc. are omitted because they are cash or their fair value are close to their book value due to being settled in a short period of time. In addition, the following accounts are omitted because they are considered to be settled in a short period of time due to the nature of the account, and thus their fair values are close to the book value.

(a) Margin transaction assets, margin transaction liabilities

Margin transaction assets are loans to clients and collateral to securities finance companies associated with margin transaction. Since the former is settled by counter-trading, etc. at the will of the customer, and the latter is the collateral price-marked in the lending transaction business, they are considered to be settled in a short period of time.

Margin transaction liabilities are the borrowing from securities finance companies associated with customers' margin transaction and the amount equivalent to the selling price of securities related to the customer's margin trading. Since the former is price-marked and the latter is settled by counter transactions, etc. at the will of the customer, they are considered to be settled in a short period of time.

(b) Guarantee deposits received

It is mainly a deposit in derivative transactions, its book value is regarded as the fair value, assuming that it will be settled in a short period of time due to the characteristics of being price-marked according to the transaction. For deposits from other customers, the payment amount when settled at the end of the current consolidated fiscal year (book value) is regarded as the fair value.

(Note) 1 Explanation of Evaluation Techniques Used for Measurement of Fair Value and Inputs for Measurement of Fair Value

(1) Trading products

(i) Trading securities and other

For stocks, etc., the final price or final quote price of the main exchange is used as the fair value, and it is mainly classified into the level 1 fair value.

For Bonds, the fair value is the market price (OTC and broker screen, etc.) of the bonds including similar bonds or the price reasonably measured market price information (trading reference statistics, etc.) using the gap with the index interest rate, etc. Some government bonds are classified as level 1 fair value, and others are classified as level 2 fair value. However, if the price information necessary to classify it as a level 2 fair value cannot be obtained, it is classified as a level 3 fair value. In addition, the fair value of some bonds is measured using a price calculation model in the same way as derivative transactions. If the price is measured using only observable inputs, or if the price is measured using unobservable inputs but its effect is not important, it is classified as a level 2 fair value. When the price is measured using important unobservable inputs, it is classified as level 3 fair value.

For investment trusts, the fair value is the final price, final quote price, or base price of the exchange. However, investment trusts have no classification of levels, because transitional measures are applied in accordance with Section 26 of the Fair Value Measurement Implementation Guidance.

(ii) Derivatives

Fair value of listed derivative transactions is mainly the clearing price of the exchange or the margin calculation standard price, and is classified into level 1 fair value. However, if the above price cannot be obtained or if transactions are not executed frequently, it is classified as a level 2 fair value.

Regarding over-the-counter derivative transactions, there are transactions such as interest rate swaps, currency swap, equity derivatives, and credit derivatives. In the measurement of fair value, the present value of expected cash flows under the assumption of risk-neutral measure commonly used in the market is calculated mainly by the price calculation model using the numerical integration method, the finite difference method and the Monte Carlo method. The pricing model has various inputs such as interest rates, exchange rates, stock prices, volatility, and correlation coefficients. If the fair value is measured using only observable inputs, or if the fair value is measured using unobservable inputs but its effect is not important, it is classified as a level 2 fair value. When the fair value is measured using important unobservable inputs, it is classified as level 3 fair value. Inputs that cannot be observed in the market include long-term swap rates, long-term currency basis, long-term volatility of stock price, long-term credit spreads and correlation coefficients.

For over-the-counter derivative transactions, their fair value is adjusted with the credit risk and liquidity risk of the counterparty and the Company as necessary.

(2) Securities, operating investment securities and investment securities

For stocks, etc., the final price or final quote price of the main exchange is used as the fair value, and it is mainly classified into the level 1 fair value.

For Bonds, the fair value is the market price (OTC and broker screen, etc.) of those including similar bonds, or the price reasonably calculated from the fair value information (trading reference statistics, etc.) using the gap with the index interest rate, etc. Some government bonds are classified as level 1 fair value, and others are classified as level 2 fair value. However, if the price information necessary to classify it as a level 2 fair value cannot be obtained, it is classified as a level 3 fair value. In addition, the fair value of some bonds is measured using a price calculation model in the same way as derivative transactions. If the price is calculated using only observable inputs, or if the price is calculated using unobservable inputs but its effect is not important, it is classified as a level 2 fair value. When the price is calculated using important unobservable inputs, it is classified as level 3 fair value.

For investment trusts, the fair value is the final price, final quote price, or base price of the exchange. However, investment trusts have no classification of levels, because transitional measures are applied in accordance with Section 26 of the Fair Value Measurement Implementation Guidance.

(3) Derivatives other than trading transactions

It is same as “(1) Trading products (ii) Derivatives.”

(4) Operating loans

They are mainly loans in the banking business and securities-backed loan that are secured by customer’s securities in our safe keeping.

For loans in the banking business, the fair value is measured by discounting the total amount of principal and interest at the interest rate expected when a similar new loan is made, based on the type and period of the loan. In addition, regarding the loans with floating interest rate, their book value is used as the fair value since the floating interest rate reflects the fair interest rate in a short period of time and thus the fair value is close to the book value unless the credit status of the borrower changes significantly after execution. However, for some asset securitization loans, we use the fair value obtained from a third party.

For securities-backed loans, the book value is used as the fair value because the fair value is assumed to be close to the book value based on the expected repayment period and interest rate conditions.

The fair value of the loans in the investment business whose book value is a certain amount or more, and which is supposed to be repaid mainly from business revenue, are individually evaluated based on their financial condition, etc. For receivables whose payback period has passed a certain number of years, since the allowance for doubtful accounts is calculated based on the estimated disposable amount of collateral, the expected recovery amount by guarantee, or the present value of the estimated future cash flow, the fair value is close to the amount booked on the consolidated balance sheet net with the allowance for doubtful accounts, and thus we use such netted amount as the fair value.

These are classified into level 3 fair value.

(5) Deposits from banking business

For demand deposits, the payment amount when requested on the settlement date (book value) is regarded as the fair value. In addition, the fair value of time deposits is measured by estimating future cash flows and discounting them at a certain discount rate. These are classified as level 2 fair values.

The discount rate is calculated from the yield curve with our credit spread taken into account.

(6) Bonds payable

Regarding the bonds payable with more than one year to redeem, if the market price (reference statistics for trading, etc.) is available, the fair value is measured from such market price and classified as level 2 fair value. Even if the market price is not available, the fair value is measured by adjusting the book value with the fluctuation of interest rate and our own credit spread from the time of issuance. Since our own credit spread refers to the latest funding rate and market price level of similar bonds issued by us, etc., this fair value is classified as level 2 fair value.

(7) Long-term borrowings

The fair value is measured by adjusting the book value with the interest rate fluctuations and credit spread fluctuations from the beginning of the borrowing. Since our own credit spread refers to the latest funding rate and the market price of similar bonds issued by us, etc., this fair value is classified as a level 2 fair value.

(Note) 2 Information on Level 3 Fair Value of Financial Instruments Recorded on the Consolidated Balance Sheet at Fair Value

(1) Quantitative information on important unobservable inputs

Classification	Evaluation methodology	Important unobservable input	Input range
Derivatives	Expected cash flow discount model under risk-neutral measure		
Interest rates / exchanges		Swap rate	0.08 - 2.8%
		Currency basis	(0.8) - 0.3%
Equity		Stock price volatility	18.4 - 20.6%
		Credit spread	0.03 - 4.2%
Credit / Other		Correlation coefficient	(0.08) - 0.95
Other securities		Credit spread	0.4 - 1.2%
		Stock price volatility	22.8 - 55.8%

(2) Adjustment table from the beginning balance to the ending balance, unrealized gain and loss recognized in the fiscal year

The breakdown of assets and liabilities, the level 3 fair value of which is booked on the consolidated balance sheet, and their changes during the period are as follows.

(Millions of yen)

	Trading securities and other (Assets)	Derivatives (Net)	Operating investment Securities	Other Securities	Total
Beginning balance	8,802	27,116	232	30,843	66,994
Gain / loss for the current consolidated fiscal year					
Recorded in gain and loss (*2)	1,143	30,024	-	-	31,168
Purchase, sale, issuance and settlement					
Purchase	127,421	4,775	3,871	12,000	148,068
Sale	(93,951)	(15)	-	-	(93,966)
Issuance	-	-	-	-	-
Settlement	-	22,428	-	-	22,428
Transfer to Level 3 fair value (*1, *4)	13,541	27	-	-	13,568
Transfer from Level 3 fair value (*1, *5)	(3,892)	(2,446)	(232)	(10,000)	(16,570)
Change in valuation difference	-	-	259	(1,298)	(1,039)
Balance at the end of the period	53,066	81,910	4,130	31,544	170,651
Unrealized gain / loss on financial instruments held on the consolidated balance sheet which is booked in gain / loss for this fiscal year (*3)	(61)	52,452	-	-	52,391

*1 Transfers between levels will be recognized at the beginning of the term.

*2 Gain and loss related to "Trading securities and other (Assets)", and "Derivatives (Net)" are included in "Net trading income".

*3 Unrealized gain / loss on Level 3 financial instruments are not only due to unobservable inputs, but also due to fluctuations in observable inputs. In addition, many Level 3 financial instruments are economically hedged by financial instruments classified into other levels (Levels 1 and 2), but the gain and loss of such financial instruments are not included in the above table.

*4 The reason for the transfer from Level 1 or Level 2 to Level 3 is that the market price of some securities has become unavailable, or the input for the valuation method has become unobservable.

*5 The reason for the transfer from Level 3 to Level 1 or Level 2 is that the market price of some securities has become available, or the input for the valuation method has become observable.

(3) Explanation of the fair value valuation process

The Group measures and verifies the fair value of financial instruments held by the trading departments of each company in accordance with the basic policy established by the Company. The results of measurement, including the inputs used in the measurement, are verified by a department independent from the trading department. The results of these processes for fair value measurement are reported to the Company from each company, and are controlled.

The Group has established guidelines for the process of approving the price calculation model used to measure the fair value, and in accordance with this, a department independent from the department which develops the price calculation model verifies the assumptions and techniques in the model. In addition, we have built a system to adjust the price calculation model according to market trends by observable market information and comparative analysis with alternative models.

(4) Explanation of the effect on fair value when changing important unobservable inputs

Important unobservable inputs are long-term swap rates, long-term currency basis, long-term stock price volatility, long-term credit spreads and correlation coefficients. In measuring the fair value, fluctuations in interest rates affect expected cash flows and discount rates, and fluctuations in credit spreads affect the probability of bankruptcy. With regard to volatility, the option value increases (decreases) as the volatility increases (decreases). There are a wide range of combinations of correlation coefficients among multiple assets, and the level and direction of fluctuations can vary greatly depending on the combination.

The fair value of bonds (including convertible bonds) is measured from inputs such as credit spreads and stock price volatility, and if the market fluctuates, the fair value will increase or decrease as the sum of the effects of the inputs.

The fair value of over-the-counter derivative transactions is measured from multiple inputs given for each maturity or currency, and if the market fluctuates, the fair value will increase or decrease as the sum of the effects of all inputs. In addition, the impact of each input fluctuation on the fair value is determined by the product features of each transaction. The unobservable inputs used to measure the fair value of Level 3 financial instruments are not necessarily independent from and may correlate with other inputs. Many of these relationships are captured through correlation coefficients, and the effects of a wide range of correlation coefficients between multiple assets increase or decrease the fair value of financial instruments.

The impact on the fair value of Level 3 financial instruments when using alternative assumptions that can reasonably occur for each product category is as follows. It is calculated based on the ranges of important unobservable input in (1) above.

(Millions of yen)

	Fair value	Plus Fair value fluctuation	Minus Fair value fluctuation
Derivatives	81,910	2,097	2,097
Other securities	31,544	442	274

(Note) 3 Stocks, etc., without fair prices (unlisted stocks, etc.) and partnership investment, etc. in the current consolidated fiscal year are as follows, and are not included in assets (2) “Other securities”.

(Millions of yen)

Classification	Consolidated balance sheet recorded amount
Subsidiary stock and affiliated company stock	
Unlisted stock *1	118,868
Other securities	
Unlisted stock *1	36,888
Partnership investment, etc. *2	144,485

*1 Regarding unlisted stocks, since there is no market price, it is not the target of fair value disclosure based on Section 5 of "Implementation Guidance on Disclosure about Fair Value of Financial Instruments" (Corporate Accounting Standards Application Guideline No. 19, March 31, 2020).

*2 Partnership investment, etc., is not subject to fair value disclosure based on Section 27 of the Fair Value Measurement Implementation Guidance.

Notes to rental properties

1. Situation of rental properties

The Group owns rental housings and real estates for a redevelopment project, etc., in Tokyo and other areas.

2. Fair values of rental properties

The amounts stated in the consolidated balance sheet as of March 31, 2022, the changes during the fiscal year and the fair value are as below.

(Millions of yen)

		FY 2021
Amounts in consolidated balance sheet	As of Apr. 1, 2021	692,743
	change in amount	78,162
	As of Mar. 31, 2022	770,905
	Fair value	906,988

**1 The amount stated on the balance sheet is the number after deducting depreciation from acquisition cost.*

**2 The fair value as of March 31. 2022 is appraised value or surveyed value by the outside real estate appraiser.*

**3 The fair value of the asset for the redevelopment project is not included in the above table, because such asset is part of a large scale complex development project, and it is very difficult to measure its fair value. The amount in the consolidated balance sheet of such asset is 1,455 million yen as of March 31, 2022.*

Notes to Revenue Recognition

1. Analysis of Revenue from Customer Contracts

(Millions of yen)

	Reported segments					Other	Total
	Retail Division	Wholesale Division	Asset Management Division	Investment Division	Total		
Revenue from customer contracts	123,501	108,565	116,794	20,906	369,769	64,673	434,442
Commission received	123,501	108,565	79,826	1,380	313,274	776	314,051
Other operating revenue (external customers)	-	-	36,968	19,526	56,494	63,897	120,391

2. Basic Information for Understanding Revenue

The Group provides a wide range of services and recognizes its main sources of revenue as follows. Contracts including significant financing components are not included below.

<u>Retail Division and Wholesale Division</u>

The Retail Division provides a wide range of financial instruments and services to mainly individuals and unlisted companies. The Wholesale Division comprises the Global Markets and Global Investment Banking segments. The Global Markets segment offers sales and trading services for equities, bonds, foreign exchange, and derivative products mainly to institutional investors, business corporations, financial corporations, public corporations, and others both inside and outside Japan. The Global Investment Banking segment provides a diverse range of investment banking services both inside and outside Japan, including the underwriting of securities and M&A advisory services.

In the Retail Division and Wholesale Division, mainly via the securities subsidiaries of the Group inside and outside Japan, brokerage commission; commission for underwriting, secondary distribution and solicitation for selling and others for professional investors; fees for offering, secondary distribution and solicitation for selling and others for professional investors; and other fees received are mainly recognized as revenue from customer contracts.

With regards to brokerage commission, we have an obligation to provide trade execution services, etc., based on the stipulations and provisions of the transactions agreements concluded with customers. As these performance obligations are satisfied when the Group executes an order, revenues are recognized at the point of execution (at a point in time). Regarding the normal payment term, payment is received within several days of the execution date, which is the date the performance obligations have been satisfied.

With regards to commission for underwriting, secondary distribution and solicitation for selling and others for professional investors, we have an obligation to provide underwriting and secondary distribution services, etc., based on contracts with securities issuing companies. As these performance obligations are satisfied when underwriting conditions for underwriting contracts have been determined and when requirements for the measurement of market risk by underwriters have been set, revenues are recognized when the relevant business is complete (at a point in time), such as the date the conditions are determined. Regarding the normal payment term, payment is received between the point each performance obligation has been satisfied and the date of payment or delivery to the issuing company.

With regards to fees for offering, secondary distribution and solicitation for selling and others for professional investors, we have an obligation to provide offering and secondary distribution services, etc. based on contracts with securities underwriting companies. As these performance obligations are satisfied when registration of offerings, etc., is completed, revenues are recognized when the relevant business is complete (at a point in time), such as the date of registration of offering, etc. Regarding the normal payment term, payment is received between the date of registration of offering, etc., which is the date the performance obligations have been satisfied, and the date of payment or delivery.

While other fees received includes commission received from a range of services, the main sources of revenue are from agency fees, M&A-related fees, and investment advisory and trade management fees.

With regards to agency fees, we have an obligation to provide agency services for the handling of offering and sale, etc., based mainly contracts concluded with investment trust companies. Trade prices are calculated based on the net assets, etc., of the investment trust. As these performance obligations are satisfied when the benefit is expended by customers in conjunction with the Group's provision of daily services, revenues are recognized over time. Regarding the normal payment term, in many cases, payment is received within several days of the balance sheet date of the investment trust, etc.

With regards to M&A-related fees, we have an obligation to provide advisory services including proposals, advice, price calculations, and document creation support. For trade prices, the amount of consideration may be variable when setting both fixed and contingency fees. Regarding the amount of consideration when setting contingency fees, normally, as the amount is highly influenced by various factors beyond the influence of the Group, and as we cannot be certain that it is highly possible that a significant decline in revenue will not occur, the fees finally confirmed at the end of the current consolidated fiscal year are recognized as the trade price. Here, revenues are recognized upon completion of the service (at a point in time). Regarding the normal payment term, payment is received by the end of the month after the month in which the service is completed. In these contracts, when non-repayable prepaid payments for future services have been received, revenues are recognized when the Company provides the service.

With regards to investment advisory and trade management fees, we have an obligation to provide asset management services based on discretionary investment contracts. Trade prices are calculated based on the fair value of contractual asset balances, the net assets of funds, and excessive performance, etc. As these performance obligations are satisfied when the benefit is expended by customers in conjunction with the Group's provision of daily services, revenues are recognized over time. Regarding the normal payment term, payment is received between the record date of fee calculation and the end of the following month.

<u>Asset Management Division</u>

The Asset Management Division is in charge of setting up and running investment trusts that invest in a range of assets, as well as offering investment advice and management services for pensions assets for institutional investors both inside and outside Japan.

In the Asset Management Division, mainly via Daiwa Asset Management Co. Ltd., commission received from management fees, etc., is mainly recognized as revenue from customer contracts.

With regards to management fees, we have an obligation to provide management services for assets under management based on mainly trust agreements. Management fees are recognized as a certain percentage of net assets, and so a fee is determined and received accordingly. As these performance obligations are satisfied when the benefit is expended by customers in conjunction with the Group's provision of daily services, revenues are recognized over time during the investment trust management period. Regarding the normal payment term, payment is received within several days of the balance sheet date of the investment trust, etc.

<u>Investment Division</u>

The Investment Division invests in assets such as monetary claims, private equity, real estate, energy, and infrastructure, and also carries out business centered on maximizing investment returns from existing projects and creating new investment funds.

In the Investment Division, investment partnership management fees are mainly recognized as revenue from customer contracts.

With regards to investment partnership management fees, we have an obligation to provide asset management services based on partnership contracts, which comprise mainly management fees and contingency fees. As these performance obligations are satisfied when the benefit is expended by customers in conjunction with the Group's provision of daily services, revenues from management fees are recognized over time, calculated every quarter based on the amount of partnership assets and the total commitment amount. Contingency fees are variable considerations recognized at a point in time. When it becomes highly possible that a significant decline in revenue will not occur, revenues are recognized through calculations based on the excess revenue generated when selling partnership assets.

Regarding the normal payment term, payment is received for management fees every quarter and for contingency fees when partnership assets are distributed.

Other

The Group's other businesses include system consulting and system integration services, mainly through the Daiwa Institute of Research Ltd. Revenue from customer contracts is recognized mainly as other operating revenue

For the sale of devices within our system development services, revenues are recognized at a point in time when the device is sold. In system development services other than the sale of devices, performance obligations are satisfied when accomplishments are transferred to customers in conjunction with the provision of system integration and software development services, etc., and so revenues are recognized over time. For information processing services, investigation services, and consulting services, performance obligations are satisfied when the benefit is expended by customers in conjunction with the provision of said services, and so revenues are recognized over time.

3. Information on Amount of Revenue from the Current Consolidated Fiscal Year and After the Current Consolidated Fiscal Year End Date

(1) Balance, etc., of contractual assets and liabilities

On consolidated balance sheets, contractual assets and liabilities are recorded under notes and accounts receivable-trade, and contract assets and other current liabilities. There are no important revenue amounts recognized from the satisfaction (or partial satisfaction) of performance obligations from previous periods in each consolidated fiscal year.

The breakdown of contractual balance is as follows:

(Millions of yen)

	Previous consolidated fiscal year	Current consolidated fiscal year
Contractual assets	3,589	2,328
Contractual liabilities	4,598	5,601
Liabilities from customer contracts	34,428	34,488

(2) Trade price allocated to the remaining performance obligations

As of the end of the current consolidated fiscal year, the total trade price allocated to the remaining performance obligations is 7,360 million yen. The Group expects to recognize the remaining performance obligations as revenue as per the following schedule.

(Millions of yen)

	Trade price allocated to the remaining performance obligations
Not later than one year	1,488
Later than one year and not later than two years	1,290
Later than two years and not later than three years	1,188
Later than three years and not later than four years	1,117
Later than four years and not later than five years	534
More than five years	1,742
Total	7,360

Notes to per share information

Net assets per share	925.81 yen
Net income per share	63.06 yen

Other notes

1. Notes to impairment loss

The Group recognized the impairment losses in this fiscal year for the following asset group.

(Millions of yen)

	Condition	Location	Impairment loss
Assets to be held and used	Low profit-earning assets	Europe	488
Total			488

Assets are grouped in accordance with classifications used for internal management accounting.

As a result of the significant decline in profitability, the book values of certain assets were reduced to recoverable amounts and the amounts of reduction were recorded as an impairment loss under extraordinary loss.

All of the total is goodwill.

The recoverable amount of goodwill is measured by re-evaluated corporate value.

Subsequent events

(Share repurchase and cancellation)

The Company adopted the resolution at the Board of Directors meeting on April 27, 2022 regarding the share repurchase under the provisions of the Articles of Incorporation pursuant to Article 459, Paragraph 1 of the Companies Act of Japan. At a meeting of the Executive Board held on the same day, the Company resolved to cancel treasury stock in accordance with the provisions of Article 178 of the Companies Act of Japan.

(1) Purpose of the share repurchase

Taking into account the current stock market environment, this is to enhance shareholder returns through the improvement of capital efficiency.

(2) Details of the share repurchase

(i) Type of shares	Common Stock
(ii) Total number of shares to be repurchased	Up to 33 million shares (2.22% of total shares outstanding, excluding treasury stock)
(iii) Total amount to be paid for repurchase	Up to JPY 25 billion
(iv) Period of share repurchase	From May 18, 2022 to March 24, 2023 (The last 5 business days of each quarter and the 10 business days following an announcement of quarterly financial results will be excluded)
(v) Method of repurchase	Purchase on the stock market via trust bank

(3) Details of cancellation

(i) Type of shares	Common Stock
(ii) Total number of shares to be cancelled	130 million shares (7.64% of total shares outstanding before cancellation)
(iii) Total shares outstanding after cancellation	1,569,378,772 shares
(iv) Date of cancellation	May 10, 2022

Non-Consolidated Statutory Report

Balance Sheet

(Millions of yen)

	Fiscal 2021 As of Mar. 31, 2022
Assets	
Current assets:	**236,637**
Cash and deposits	31,176
Short-term loans receivable	159,067
Accounts receivable	38,263
Accrued income	5,321
Other	2,808
Non-current assets:	**2,213,307**
Property, plant and equipment:	92,540
Buildings	32,709
Machinery and equipment	3
Equipment	2,409
Land	55,297
Construction in progress	2,121
Intangible assets:	6,936
Software	5,036
Other	1,900
Investments and other assets:	2,113,829
Investment securities	191,998
Stock of subsidiaries and affiliates	615,130
Investments in other securities of subsidiaries and affiliates	162,849
Long-term loan receivable	1,139,852
Guarantee deposits	4,954
Other	4,251
Allowance for doubtful accounts	(1,107)
Allowance for investment loss	(4,100)
Total assets	**2,449,944**

(Millions of yen)

	Fiscal 2021 As of Mar. 31, 2022
Liabilities	
Current liabilities:	**380,863**
Short-term borrowings	83,623
Current portion of bonds	240,390
Accrued expenses	5,118
Borrowings secured by securities	47,747
Income taxes payable	765
Provision for bonuses	1,074
Other	2,143
Non-current liabilities:	**1,196,584**
Bonds payable	684,597
Long-term borrowings	494,201
Deferred tax liabilities	9,426
Other	8,358
Total liabilities	**1,577,447**
Net assets	
Shareholders' equity:	**834,205**
Capital stock	247,397
Capital surplus:	226,751
Legal capital surplus	226,751
Retained earnings:	494,230
Legal retained earnings	45,335
Other retained earnings	448,895
Reserve for advanced depreciation	1,860
Retained earnings brought forward	447,035
Treasury shares	(134,201)
Deposit for subscriptions to treasury shares	26
Valuation and translation adjustments:	**29,182**
Valuation difference on available-for-sale securities	30,373
Deferred gains or losses on hedges	(1,190)
Subscription rights to shares	**9,109**
Total net assets	**872,497**
Total liabilities and net assets	**2,449,944**

Statement of Income

(Millions of yen)

	Fiscal 2021 Apr. 1, 2021 - Mar. 31, 2022
Operating revenue:	**77,659**
Dividends from subsidiaries and affiliates	64,293
Interest on loans receivable from subsidiaries and affiliates	8,995
Other operating revenue	4,370
Operating expenses:	**34,144**
Selling, general and administrative expenses:	**21,536**
Trading related expenses	1,909
Personnel expenses	6,332
Real estate expenses	1,923
Office cost	4,174
Depreciation	2,536
Taxes and dues	1,755
Other	2,904
Financial expenses	**10,507**
Other operating expenses	**2,100**
Operating income	**43,514**
Non-operating income:	**9,164**
Dividend income	4,028
Compensation income	232
Gain on investments in investment partnerships	3,922
Other	980
Non-operating expenses:	**194**
Bond issuance cost	152
Other	41
Ordinary income	**52,484**
Extraordinary income:	**7,594**
Gain on receipt of donated non-current assets	318
Gain on sale of investment securities	3,854
Gain on sale of shares of subsidiaries and associates	3,421
Extraordinary loss:	**1,321**
Loss on sale and retirement of non-current assets	357
Loss on valuation of investment securities	399
Business restructuring expenses	382
Other	181
Income before income taxes	**58,758**
Income taxes-current	**3,516**
Income taxes-deferred	**(2,794)**
Profit	**58,035**

Statement of Changes in Net Assets

(Apr. 1, 2021 - Mar. 31, 2022)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus	Retained earnings			Treasury shares	Deposit for subscriptions to treasury shares	Total shareholders' equity
		Legal capital surplus	Legal retained earnings	Other retained earnings				
				Reserve for advanced depreciati-on	Retained earnings brought forward			
Balance at beginning of current period	**247,397**	**226,751**	**45,335**	**1,860**	**452,756**	**(107,646)**	**9**	**866,465**
Changes of items during period								
Dividends of surplus	-	-	-	-	(63,790)	-	-	(63,790)
Profit	-	-	-	-	58,035	-	-	58,035
Purchase of treasury shares	-	-	-	-	-	(29,297)	-	(29,297)
Disposal of treasury shares	-	-	-	-	33	2,742	-	2,776
Others	-	-	-	-	-	-	16	16
Total changes of items during period	**-**	**-**	**-**	**-**	**(5,721)**	**(26,554)**	**16**	**(32,260)**
Balance at end of current period	**247,397**	**226,751**	**45,335**	**1,860**	**447,035**	**(134,201)**	**26**	**834,205**

(Millions of yen)

	Valuation and translation adjustments		Subscription rights to shares
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	
Balance at beginning of current period	**31,565**	**(161)**	**9,125**
Changes of items during period			
Net changes of items other than shareholders' equity	(1,192)	(1,028)	(15)
Total changes of items during period	**(1,192)**	**(1,028)**	**(15)**
Balance at end of current period	**30,373**	**(1,190)**	**9,109**

Notes to the Non-Consolidated Statutory Report

The Non-Consolidated Statutory Report of the Company is prepared in accordance with the Regulations on Corporate Accounting (Ministry of Justice Order No. 13, 2006).

The figures in the statutory reports are expressed in millions of yen, with amounts of less than one million omitted.

Notes to significant accounting policies

1. Valuation standards and methods for major assets

(1) Trading securities

Valued at fair value (cost is determined based on the moving average method).

(2) Shares of subsidiaries and affiliates

Valued at cost based on the moving average method.

(3) Other securities

Other securities are recorded at fair value, based on quoted market prices, etc., as of the end of the fiscal year (net unrealized gains (losses) are booked directly in net assets, and the costs of securities sold are calculated based on the moving average method). However, securities without market prices (unlisted stocks, etc.) and partnership investment, etc. are mainly recorded at cost using the moving average method.

Investments in investment limited partnerships, etc. are stated as "Investment securities" mainly at the investment shares of the net asset values of the partnerships based on the partnerships' financial statements (shares of net unrealized profits and losses on securities held by the partnerships are directly posted into net assets).

(4) Derivatives

Valued at fair value.

2. Depreciation methods for depreciable assets

(1) Property, plant and equipment

The Company computes depreciation of property, plant and equipment based on the straight-line method. The Company computes depreciation over estimated useful lives as stipulated in accordance with the Corporation Tax Act of Japan.

(2) Intangible fixed assets, investments and other assets

The Company computes amortization of intangible fixed assets, investments and other assets based on the straight-line method. The Company computes amortization over estimated useful lives as stipulated in the Corporation Tax Act of Japan; provided, however, that software used in-house is amortized over internally estimated useful lives (5 years).

3. Accounting policies for provisions

(1) Allowance for doubtful accounts

To prepare for losses arising from bad-debts, we provide allowance based on estimated historical default rate for normal loans, and based on individually assessed amounts for claims with default possibility, bankruptcy reorganization claims, etc.

(2) Allowance for investment loss

To prepare for losses arising from the shares of subsidiaries held at the end of the fiscal year ended March 31, 2022, we provide allowance based on estimated losses in consideration of the actual situation of the investee company.

(3) Provision for bonuses

To prepare for payment of bonuses to officers and employees, we provide allowance based on the estimated payment amount corresponding to the fiscal year ended March 31, 2022 in accordance with the calculation standards of the Company.

4. Other significant items associated with the preparation of Non-Consolidated Statutory Report

(1) Accounting methods for deferred assets

Expenses for the issuance of bonds and notes are all accounted for as expenses when they are incurred.

(2) Accounting methods for hedging

Marked-to-market profits and losses on hedging instruments are principally deferred as net assets until the profits or losses on the hedged items are realized. Certain eligible interest swaps for hedging purposes are based on cost basis without being marked-to-market under generally accepted accounting principles in Japan (“Tokurei-shori”). Further, the premium or discount on certain eligible forward foreign exchanges for hedging purposes is allocated to each fiscal term without being marked-to-market under generally accepted accounting principles in Japan (“Furiate-shori”).

In order to avoid interest rate fluctuation risk and foreign exchange fluctuation risk associated with some of the borrowings and bonds issued, etc., the Company applies hedge accounting using derivatives instruments such as interest rate swaps, currency swaps and similar transactions.

The effectiveness of hedging is evaluated based upon the correlation between the fair value or the accumulated cash flows of the hedging instrument and those of the hedged item. Hedges exempted from being marked-to-market under the two accounting treatments described in the first paragraph are judged to pass the effectiveness tests of hedging with their eligibility of applying those treatments.

(3) Tax consolidation

The Company and its wholly-owned subsidiaries file a consolidated tax return.

(4) Application of tax effect accounting for transition from the consolidated taxation system to the Group Tax Sharing System

From the following fiscal year, the Company will transition from the consolidated taxation system to the Group Tax Sharing System. However, the Company does not apply the provisions of Paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) to the transition to the Group Tax Sharing System established in “Law to Partially Revise Income Tax Law” (Law No. 8 of 2020) and to the revision of the single tax payment system accompanying such transition, in accordance with Paragraph 3 of “Practical Solution on the Tax Effect Accounting for Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, March 31, 2020). Therefore, the amount of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before the revision.

From the following fiscal year, the Company plans to apply the “Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System” (PITF No. 42, issued on August 12, 2021), which describes the treatment of accounting and disclosure for corporation tax, regional corporation tax, and tax effect accounting when applying the Group Tax Sharing System.

5. Notes on changes in accounting policy

The Company has decided to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, revised on March 31, 2020) from the beginning of the current fiscal year, under which revenues are recognized at the amount expected to be received in exchange for promised goods or services at the time when control of the relevant goods or services is transferred to customers.

There was no significant impact on the current fiscal year.

Notes to balance sheet

1. Securities transferred
   Investment securities of 78,323 million yen were loaned.

2. Allowance for doubtful accounts deducted directly from assets

Investments and other assets, others	3,195	million yen

3. Accumulated depreciation of property, plant and equipment: 2,074 million yen

4. Guarantee

Name of the guaranteed	Liabilities guaranteed	Amount of liabilities
Employee	Borrowing	5 million yen
Related companies	Derivative liabilities	3,427
Good Time Living Co. Ltd.	Lump-sum payment for occupancy refundable debt	10,996
Total		14,429

5. Monetary claims and obligations with related companies

Short-term monetary claims	188,456	million yen
Long-term monetary claims	1,144,255	million yen
Short-term monetary liabilities	75,042	million yen
Long-term monetary liabilities	31,291	million yen

Notes to statement of income

Transactions with related companies

Operating transactions	83,402	million yen
Non-operating transactions	1,374	million yen

Notes to statement of changes in net assets

Class and Balance of Treasury Shares as of March 31, 2022

Common Shares 216,066,485

Notes to tax effect accounting

Breakdown of main cause for deferred tax assets and liabilities

(Deferred tax assets)

Loss on valuation of investment securities	7,650	million yen
Allowance for doubtful accounts	6,660	
Net operating losses carry-forward	3,155	
Excess Depreciation	1,614	
Loss on valuation of shares of subsidiaries and associates	1,035	
Other	5,416	
Subtotal of deferred tax assets	25,532	
Valuation allowance	(21,406)	
Total deferred tax assets:	4,126	

(Deferred tax liabilities)

Valuation difference on available-for-sale securities	12,207	million yen
Other	1,345	
Total deferred tax liabilities	13,552	

Net deferred tax liabilities	9,426	million yen

Notes to transactions with related parties

Subsidiaries and affiliates, etc.

(Millions of yen)

Class	Name of company	Ratio of voting rights	Relationship with related parties	Transaction	Amount	Account Title	Ending Balance
Subsidiary	Daiwa Securities Co. Ltd.	Direct 100.0%	Lending funds	Lending funds (Note 1)	350,000	Long-term loans receivable	524,445
			Debt financing	Receipt of interest (Note 1)	5,918	Short-term loans receivable	148,613
			Receipt of cash collateral	Debt financing (Note 3)	30,000	Accrued income	2,128
			Lending shares	Receipt of cash Collateral (Note 2)	47,982	Long-term borrowings	30,000
			Directors hold concurrent positions	Payment of interest (Note 2)	24	Borrowings secured by securities	47,747
			Counter-party of derivative transactions	Lending shares (Note 2)	78,323	Accrued income	0
				Receipt of premium charges (Note 2)	4	Accrued expenses	1
				Derivative transactions (Note 4,5)	-	Investments and other assets Other (derivative assets)	25
						Other current liabilities (derivative liabilities)	2
						Other non-current liabilities (derivative liabilities)	362
						Accrued income	3
						Accrued expenses	28
Subsidiary	Daiwa PI Partners Co. Ltd.	Indirect 100.0%	Lending funds	Lending funds (Note 1)	20,000	Long-term loans receivable	122,600
				Receipt of interest (Note 1)	1,100		-
Subsidiary	Daiwa Investment Management Inc.	Direct 100.0%	Lending funds	Lending funds (Note 1)	-	Long-term loans receivable	63,600
			Directors hold concurrent positions	Receipt of interest (Note 1)	635		
Subsidiary	Daiwa International Holdings Inc.	Direct 100.0%	Lending funds	Lending funds (Note 1)	15,750	Long-term loans receivable	280,690
			Directors hold concurrent positions				
Subsidiary	Daiwa Energy & Infrastructure Co. Ltd.	Indirect 100.0%	Lending funds	Lending funds (Note 1)	75,500	Long-term loans receivable	109,700
				Receipt of interest (Note 1)	1,171	Short-term loans receivable	6,853
						Accrued income	17
Subsidiary	Daiwa Asset Management Co. Ltd.	Direct 100.0%	Debt financing	Debt financing (Note 3)	19,108	Short-term borrowings	24,900
			Directors hold concurrent positions	Payment of interest (Note 3)	0		
Subsidiary	Daiwa Securities Realty Co. Ltd.	Direct 100.0%	Lending funds	Lending funds (Note 1)	31,252	Long-term loans receivable	30,087
				Receipt of interest (Note 1)	75		

Terms and conditions of transactions and the related policies for determining them

(Note 1) For the amount of loans, we use the average of month-end balances for short-term loans receivable and the loan amount for long-term loans receivable, respectively.

Interest rates on loans receivable are determined in consideration of market interest rates. No collateral is obtained.

(Note 2) For the amount, we use the fair value as of the end of the fiscal year ended March 31, 2022 for lending shares and the average of month-end balances of cash collateral.

The premium charges rate for lending shares and interest rates on cash collateral are determined based on the market rate.

(Note 3) For the amount of loans, we use the average of month-end balances for short-term borrowings and the borrowing amount for long-term borrowings, respectively.

Interest rates on borrowings are determined in consideration of market interest rates. No collateral is pledged.

(Note 4) We omit the description of the transaction amount because these are repeated transactions.

(Note 5) Terms and conditions of these transactions are determined in consideration of market rates.

Notes to Revenue Recognition

Notes are omitted because the revenue subject to the Accounting Standard for Revenue Recognition is immaterial.

Notes to per share information

Net assets per share	582.05	yen
Net income per share	38.57	yen

Subsequent events

(Share repurchase and cancellation)

The Company adopted the resolution at the Board of Directors meeting on April 27, 2022 regarding the share repurchase under the provisions of the Articles of Incorporation pursuant to Article 459, Paragraph 1 of the Companies Act of Japan. At a meeting of the Executive Board held on the same day, the Company resolved to cancel treasury stock in accordance with the provisions of Article 178 of the Companies Act of Japan.

(1) Purpose of the share repurchase

Taking into account the current stock market environment, this is to enhance shareholder returns through the improvement of capital efficiency.

(2) Details of the share repurchase

(i) Type of shares	Common Stock
(ii) Total number of shares to be repurchased	Up to 33 million shares (2.22% of total shares outstanding, excluding treasury stock)
(iii) Total amount to be paid for repurchase	Up to JPY 25 billion
(iv) Period of share repurchase	From May 18, 2022 to March 24, 2023 (The last 5 business days of each quarter and the 10 business days following an announcement of quarterly financial results will be excluded)
(v) Method of repurchase	Purchase on the stock market via trust bank

(3) Details of cancellation

(i) Type of shares	Common Stock
(ii) Total number of shares to be cancelled	130 million shares (7.64% of total shares outstanding before cancellation)
(iii) Total shares outstanding after cancellation	1,569,378,772 shares
(iv) Date of cancellation	May 10, 2022

Independent Auditor’s Report

May 12, 2022

To the Board of Directors of Daiwa Securities Group Inc.:

KPMG AZSA LLC
Tokyo Office, Japan

Kanako Ogura
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Tomomi Mase
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Koji Fukai
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, a summary of significant accounting policies and other explanatory information, and the accompanying supplementary schedules (“the financial statements and the accompanying supplementary schedules”) of Daiwa Securities Group Inc. (“the Company”) as at March 31, 2022 and for the year from April 1, 2021 to March 31, 2022 in accordance with Article 436-2-1 of the Companies Act.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and the accompanying supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements and the Accompanying Supplementary Schedules* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. The audit committee is responsible for overseeing the directors’ performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements and the accompanying supplementary schedules does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements and the accompanying supplementary schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the accompanying supplementary schedules or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the audit committee for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our objectives are to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the accompanying supplementary schedules.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the accompanying supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depends on the auditor's judgment.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the accompanying supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and the accompanying supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the accompanying supplementary schedules, including the disclosures, and whether the financial statements and the accompanying supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:
This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.