

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.

(Securities Code: 8601)

June 3, 2022

To Our Shareholders

Daiwa Securities Group Inc.
9-1, Marunouchi 1-chome,
Chiyoda-ku, Tokyo
President and CEO
Seiji Nakata

Notice of Convocation of the 85th Ordinary General Meeting of Shareholders

Daiwa Securities Group Inc. (the “Company”) would like to express its gratitude for your courtesies.

You are hereby notified that the 85th Ordinary General Meeting of Shareholders (the “Meeting”) will be held as stated below.

In view of the situation of the novel coronavirus (COVID-19), the Meeting will be held after implementing appropriate measures to prevent the spread of infection.

In order to prevent the spread of infection, we would appreciate it if shareholders could refrain from visiting the venue. The Meeting will also be streamed live via the Internet.

Please examine the “Reference Documents for the General Meeting of Shareholders” provided below, and exercise your voting rights by 17:00 (5:00 p.m.) Monday, June 27, 2022, following the instructions below.

Particulars

1. Date and time of the Meeting

10:00 a.m., Tuesday, June 28, 2022 (Doors open at 9:00 a.m.) (Tokyo time)

2. Place of the Meeting

Convention Hall, B2, The Prince Park Tower Tokyo

8-1, Shiba-koen 4-chome, Minato-ku, Tokyo

3. Matters to be dealt with at the Meeting

Matters to be reported:

1. Report on the contents of the Business Report, the Consolidated Statutory Report, and the outcome of the audit of the Consolidated Statutory Report conducted by Independent Auditors and the Audit Committee, with respect to the 85th fiscal year (from April 1, 2021 to March 31, 2022).
2. Report on the contents of the Non-Consolidated Statutory Report for the 85th fiscal year (from April 1, 2021 to March 31, 2022).

Matters to be resolved:

- Proposal 1: Partial Amendments to the Articles of Incorporation
Proposal 2: Election of fourteen (14) Directors (Members of the Board)

4. Matters regarding the Exercise of Voting Rights

- (1) You may exercise your voting rights in writing or via electronic device (via the Internet, etc.).
- (2) If you exercise your voting rights in writing and submit the “Voting Rights Exercise Form” without any indication in the space for approval or disapproval of the resolution, it shall be deemed as an intention of approval.
- (3) If you exercise your voting rights by proxy, you must delegate your voting rights to a proxy who is a shareholder of the Company entitled to vote. In such case, in addition to the letter of proxy to prove the proxy, the proxy’s own “Voting Rights Exercise Form” would be required. Furthermore, delegation of your voting rights is limited to only one proxy.
- (4) If you choose to exercise your voting rights in a non-uniform manner, please inform the Company, in writing, of your intention to exercise your voting rights in a non-uniform manner and the reason for it three days in advance of the Meeting.

5. Disclosure via the Internet

- (1) As permitted by applicable laws and regulations and Article 23 of the Company’s Articles of Incorporation, “Status of Stock Acquisition Rights, etc.,” “System to Ensure Appropriateness of Business and State of Operation of Such System,” “Consolidated Statement of Changes in Net Assets,” “Notes to the Consolidated Statutory Report,” “Balance Sheet,” “Statement of Income,” “Statement of Changes in Net Assets,” “Notes to the Non-Consolidated Statutory Report,” and “Independent Auditor’s Report Related to the Non-Consolidated Statutory Report” which are to be provided along with this Notice of Convocation, are posted on the website of the Company (<https://www.daiwa-grp.jp/ir/shareholders/meeting/>) and are not attached to this Notice of Convocation. The Business Report, the Consolidated Statutory Report and the Non-Consolidated Statutory Report attached to this Notice of Convocation or posted on the Company’s website as stated above are the documents audited by the Audit Committee or Independent Auditors when they create the audit report or accounting audit report.
- (2) If any modification to the contents of the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Statutory Report and/or the Non-Consolidated Statutory Report is needed before the date of the Meeting, the Company will post such modification on the Company’s website as stated above.
- (3) Depending on the situation of the spread of COVID-19, the venue or time of the Meeting may need to be changed. In that case, such change will be posted on the Company’s website as stated above.
- (4) For the purpose of providing early disclosure, the contents of the Notice have been posted on the website of the Company before dispatch of the Notice.

- Please note that any proxy or person accompanying a shareholder **who is not a shareholder of the Company may not attend the Meeting.**
- When you attend the Meeting, **please submit the enclosed “Voting Rights Exercise Form” to the receptionist at the venue of the Meeting.**
- If you are a nominee shareholder such as a custodian bank (including a standing proxy), and if you have applied in advance to use the web-based platform to exercise voting rights for institutional investors that is managed by Investor Communications Japan, Inc. (ICJ), you may use that platform as a method, instead of the Internet, of exercising your voting rights via an electronic device.

Reference Documents for the General Meeting of Shareholders

Proposals and reference materials

Proposal 1 Partial Amendments to the Articles of Incorporation

1. Reasons for the changes

- (1) The amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) will be enforced on September 1, 2022 and the system for electronic provision of reference documents, etc. for the general meeting of shareholder will be introduced. Accordingly, the necessary amendments of the Articles of Incorporation shall be made.
- (2) The amendment of Article 2 (Purposes) is to add a business purpose in order to clarify the business of the Daiwa Securities Group due to the increasing importance of social infrastructure-related businesses such as the energy business, the caregiving business, and the agricultural business which launched based on the Hybrid Strategy (Note) stipulated in the Medium-Term Management Plan and to correspond to future development and diversification of business of the Daiwa Securities Group.

(Note) “Hybrid Strategy” is the construction of a business model that combines securities business and new business, which is aiming to expand the revenue base and improve profit stability by expanding the business portfolio into new businesses that will give rise to synergies.

2. Amendments

The amendments are as follows.

(Changes are underlined.)

Current Articles of Incorporation		Proposed Amendments	
(Purposes)		(Purposes)	
Article 2.	[Text Omitted]	Article 2.	[Not amended]
(1) - (12)	[Text Omitted]	(1) - (12)	[Not amended]
	[New]	<u>(13) To do business relating to social infrastructure</u>	
<u>(13)</u>	[Text Omitted]	<u>(14)</u>	[Not amended]
2.	[Text Omitted]	2.	[Not amended]

Current Articles of Incorporation	Proposed Amendments
<p><u>(Disclosure of Reference Documents for General Meeting of Shareholders, etc., through the Internet and Deemed Provision thereof)</u></p> <p>Article 23. <u>Upon convening of a General Meeting of Shareholders, it may be deemed that the Company has provided shareholders with necessary information that should be described or indicated in reference documents for the General Meeting of Shareholders, business reports, non-consolidated financial statements, and consolidated financial statements, on condition that such information is disclosed through the Internet in accordance with the Ministry of Justice Ordinance.</u></p> <p style="text-align: right;">[New]</p> <p style="text-align: right;">[New]</p>	<p><u>(Measures for Electronic Provision, etc.)</u></p> <p>Article 23.</p> <p>1. <u>When convening a General Meeting of Shareholders, the Company shall provide information contained in reference documents, etc. for the General Meeting of Shareholders electronically.</u></p> <p>2. <u>Among the matters to be provided electronically, the Company may choose not to include all or part of the matters stipulated in the Ministry of Justice Ordinance in the paper copy to be sent to shareholders who have requested it by the record date for voting rights.</u></p> <p><u>Supplementary provisions</u></p> <p>Article 1.</p> <p>1. <u>The amendments to Article 23 of the Articles of Incorporation shall come into effect as of September 1, 2022</u></p> <p>2. <u>Notwithstanding the provisions of the preceding paragraph, Article 23 (Disclosure of Reference Documents for General Meeting of Shareholders, etc., through the Internet and Deemed Provision thereof) of the current Articles of Incorporation shall remain in force with respect to a General Meeting of Shareholders or a General Meetings of Class Shareholders to be held on a date within six (6) months from September 1, 2022.</u></p> <p>3. <u>The provisions of this Article shall be deleted after the lapse of six (6) months from September 1, 2022, or the lapse of three (3) months from the date of the General Meeting of Shareholders or the General Meetings of Class Shareholders set forth in the preceding paragraph, whichever is later.</u></p>

Proposal 2 Election of Fourteen (14) Directors (Members of the Board)

The terms of office of all fourteen (14) members of the Board of Directors are expiring as of the conclusion of this shareholder meeting. Accordingly, the Company requests shareholders' approval to elect, in total, fourteen (14) Directors pursuant to the decision of the Nominating Committee.

The candidates for Directors (Members of the Board) are as follows. Mr. Michiaki Ogasawara, Mr. Hirotaka Takeuchi, Mr. Ikuo Nishikawa, Ms. Eriko Kawai, Mr. Katsuyuki Nishikawa, Mr. Toshio Iwamoto and Ms. Yumiko Murakami are the candidates for Outside Directors as defined in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.

Candidate Number	Name	Title and charge in the Company (★ indicates a Chairman of the committee)	Years on Board (as of the conclusion of this shareholder meeting)	Attendance Rate (FY2021)
1	Takashi Hibino	Chairman of the Board and Corporate Executive Officer Member of the Nominating Committee Member of the Compensation Committee	18	10/10 (100%)
2	Seiji Nakata	Member of the Board, Representative Corporate Executive Officer, President and CEO Member of the Nominating Committee Member of the Compensation Committee	7	10/10 (100%)
3	Toshihiro Matsui	Member of the Board, Representative Corporate Executive Officer, Deputy President, COO and Head of Wholesale	6	10/10 (100%)
4	Keiko Tashiro	Member of the Board, Corporate Executive Officer and Deputy President, Executive Head of Overseas, Head of SDGs and Think Tank	8	10/10 (100%)
5	Akihiko Ogino	Member of the Board, Corporate Executive Officer and Deputy President, Executive Head of Corporate Planning and Human Resources	2	10/10 (100%)
6	Sachiko Hanaoka	Member of the Board Member of the Audit Committee	3	10/10 (100%)
7	Hiromasa Kawashima	Member of the Board Member of the Audit Committee	2	10/10 (100%)
8	Michiaki Ogasawara	Outside Director ★Member of the Nominating Committee Member of the Audit Committee	7	10/10 (100%)
9	Hirotaka Takeuchi	Outside Director Member of the Nominating Committee ★Member of the Compensation Committee	6	10/10 (100%)

10	Ikuo Nishikawa	Reappointment Outside Independent	Outside Director ★Member of the Audit Committee Member of the Compensation Committee	6	10/10 (100%)
11	Eriko Kawai	Reappointment Female Outside Independent	Outside Director Member of the Nominating Committee Member of the Audit Committee	4	10/10 (100%)
12	Katsuyuki Nishikawa	Reappointment Outside Independent	Outside Director Member of the Nominating Committee Member of the Audit Committee	3	10/10 (100%)
13	Toshio Iwamoto	Reappointment Outside Independent	Outside Director Member of the Nominating Committee Member of the Compensation Committee	2	10/10 (100%)
14	Yumiko Murakami	Reappointment Female Outside Independent	Outside Director Member of the Audit Committee Member of the Compensation Committee	1	8/8 (100%)

Expertise and experience of the candidates for Outside Director

Name	Corporate Management	Global Business	Finance/ Accounting	Legal/ Compliance	DX (Note)/ ICT
Michiaki Ogasawara				•	•
Hiroataka Takeuchi	•	•			
Ikuo Nishikawa			•		
Eriko Kawai		•			
Katsuyuki Nishikawa				•	
Toshio Iwamoto	•	•			•
Yumiko Murakami	•	•			

The table above does not represent all the expertise and experience of the candidates.

Candidate
Number

1

Takashi Hibino

Reappointment

Date of Birth	September 27, 1955
Title and charge in the Company	Chairman of the Board and Corporate Executive Officer
Number of shares of the Company held	common stock 368,790 shares
Years on Board	18
Attendance Rate	Board of Directors 10/10 (100%) Nominating Committee 6/6 (100%) Compensation Committee 4/4 (100%)

The reason for election

He joined the Company in 1979, served successively as the Head of Products, Overseas, Corporate Planning and Human Resources and thereby has broad experience related to the business of the whole Daiwa Securities Group. Also, he served as the Representative Corporate Executive Officer, President and CEO of the Company from 2011 to 2017 and has broad experience and insights as a manager. Therefore, he is considered to be qualified to serve as a Member of the Board.

Brief personal history, title, charge and significant concurrent positions

Apr. 1979	Joined the Company
Apr. 2002	Managing Director of Corporate Planning Dept. of the Company
June 2002	Senior Managing Director and Head of Equity of Daiwa Securities SMBC Co. Ltd.
May 2004	Executive Managing Director, Head of Corporate Planning, Human Resources, Legal and Secretariat and Managing Director of Human Resources Dept. of the Company
June 2004	Member of the Board, Executive Managing Director, Head of Planning, Human Resources and Legal, and Managing Director of Human Resources Dept. of the Company
July 2004	Head of Planning, Human Resources and Legal of the Company
Apr. 2005	Head of Planning and Human Resources of the Company
Apr. 2007	Member of the Board and Senior Executive Managing Director of the Company
July 2008	Head of Planning and Human Resources and Deputy Head of Wholesale of the Company; and Senior Executive Managing Director of Daiwa Securities SMBC Co. Ltd.
Apr. 2009	Member of the Board, Deputy President and Deputy Head of Wholesale of the Company; and Representative Director and Deputy President of Daiwa Securities SMBC Co. Ltd.
Apr. 2011	Member of the Board, Representative Corporate Executive Officer, President, CEO and Head of Retail and Wholesale of the Company; Representative Director and President of Daiwa Securities Co. Ltd.; and Representative Director and President of Daiwa Securities Capital Markets Co. Ltd.
Apr. 2013	CEO of the Company
Apr. 2017	Chairman of the Board and Corporate Executive Officer of the Company (current position); and Representative Director and Chairman of the Board of Daiwa Securities Co. Ltd.
Apr. 2020	Chairman of the Board of Daiwa Securities Co. Ltd. (current position)

(Significant concurrent positions)

Chairman of the Board of Daiwa Securities Co. Ltd.

Outside Director of Imperial Hotel, Ltd.

Candidate
Number

2

Seiji Nakata

Reappointment

Date of Birth	July 16, 1960
Title and charge in the Company	Member of the Board, Representative Corporate Executive Officer, President and CEO
Number of shares of the Company held	common stock 304,630 shares
Years on Board	7 (Note)
Attendance Rate	Board of Directors 10/10 (100%) Nominating Committee 6/6 (100%) Compensation Committee 4/4 (100%)

(Note) The total years served as Member of the Board.

The reason for election

He joined the Company in 1983 and served successively as the Deputy Head of Planning and Human Resources of the Company, Head of Corporate Institution and Head of Sales of Daiwa Securities Co. Ltd., and COO and Head of Retail of the Company. He serves as the Representative Corporate Executive Officer, President and CEO of the Company from 2017. He has expertise and experience to present a management strategy based on a wide vision and also to execute adequately the management and control of the Daiwa Securities Group. Therefore, he is considered to be qualified to serve as a Member of the Board.

Brief personal history, title, charge and significant concurrent positions

Apr. 1983	Joined the Company
Apr. 1999	Transferred to Daiwa Securities SB Capital Markets Co., Ltd.
Apr. 2005	Managing Director of Product Strategy Dept. of Daiwa Securities SMBC Co. Ltd.
Apr. 2006	Senior Managing Director and Head of Planning of the above company
Apr. 2007	Corporate Executive Officer, Deputy Head of Planning and Human Resources, and Managing Director of Corporate Planning Dept. of the Company
Oct. 2008	Deputy Head of Planning and Human Resources of the Company
Apr. 2009	Executive Managing Director of the Company
June 2009	Member of the Board and Executive Managing Director of the Company
Apr. 2010	Member of the Board of the Company; and Member of the Board and Executive Managing Director of Daiwa Securities Capital Markets Co. Ltd.
June 2010	Senior Head of Corporate Sales, Corporate Institution Sales and Head of Corporate Presiding of Daiwa Securities Capital Markets Co. Ltd.
Apr. 2011	Senior Head of Corporate Institution Sales and Head of Corporate Sales and Corporate Presiding of the above company
Apr. 2012	Member of the Board, Senior Executive Managing Director and Head of Corporate Institution of Daiwa Securities Co. Ltd.
Apr. 2015	Senior Executive Managing Director and Deputy Head of Retail of the Company
Apr. 2016	Representative Corporate Executive Officer, Deputy President, COO and Head of Retail of the Company; and Representative Director and Deputy President of Daiwa Securities Co. Ltd.
June 2016	Member of the Board, Representative Corporate Executive Officer and Deputy President of the Company
Apr. 2017	Member of the Board, Representative Corporate Executive Officer, President (current position), CEO and Head of Retail of the Company; and Representative Director and President of Daiwa Securities Co. Ltd. (current position)
Apr. 2020	CEO of the Company (current position)

(Significant concurrent positions)

Representative Director and President of Daiwa Securities Co. Ltd.

Candidate
Number

3

Toshihiro Matsui

Reappointment

Date of Birth	April 27, 1962
Title and charge in the Company	Member of the Board, Representative Corporate Executive Officer, Deputy President, COO and Head of Wholesale
Number of shares of the Company held	common stock 240,300 shares
Years on Board	6
Attendance Rate	Board of Directors 10/10 (100%)

The reason for election

He joined the Company in 1985 and served as the Managing Director of Corporate Institutions and Corporate Finance of Daiwa Securities SMBC Co. Ltd. and Corporate Planning Dept. of the Company. Since his inauguration as Corporate Executive Officer of the Company in 2009, he served as the Head of Legal, Deputy Head of Planning, Head of Planning and Human Resources and Head of Wholesale, etc., of the Company. He serves now as the Representative Corporate Executive Officer, Deputy President and COO and Head of Wholesale of the Company. He has broad experience and knowledge in broad areas such as Retail, Wholesale, Investment Banking, Planning and Human Resources. Therefore, he is considered to be qualified to serve as a member of the Board.

Brief personal history, title, charge and significant concurrent positions

Apr. 1985	Joined the Company
Apr. 1999	Transferred to Daiwa Securities SB Capital Markets Co., Ltd.
Sept. 2007	Transferred to the Company
Oct. 2008	Managing Director of Corporate Planning Dept. of the Company
Apr. 2009	Corporate Executive Officer, Head of Legal, Deputy Head of Planning and Managing Director of Corporate Planning Dept. of the Company
Apr. 2010	Deputy Head of Planning and Human Resources of the Company
Apr. 2011	Executive Managing Director, Head of Legal, Deputy Head of Planning and Human Resources of the Company; and Senior Managing Director of Daiwa Securities Co. Ltd.
Jan. 2012	Executive Managing Director of the Company; Senior Managing Director of Daiwa Securities Co. Ltd.; and Senior Managing Director of Daiwa Securities Capital Markets Co. Ltd.
Apr. 2012	Head of Planning and Legal and Deputy Head of Human Resources of the Company; and Executive Managing Director of the Daiwa Securities Co. Ltd.
Apr. 2014	Senior Executive Managing Director and Head of Planning and Human Resources of the Company; and Member of the Board, Senior Executive Managing Director of Daiwa Securities Co. Ltd.
Apr. 2016	Head of Planning and Deputy Head of Wholesale of the Company
June 2016	Member of the Board and Senior Executive Managing Director of the Company
Apr. 2018	Representative Corporate Executive Officer, Deputy President (current position), COO and Head of Planning and Wholesale of the Company; and Representative Director and Deputy President of Daiwa Securities Co. Ltd. (current position)
Apr. 2019	COO and Head of Wholesale of the Company
Apr. 2020	COO of the Company
Apr. 2022	COO and Head of Wholesale of the Company (current position)
(Significant concurrent positions)	
Representative Director and Deputy President of Daiwa Securities Co. Ltd.	

Candidate
Number

4

Keiko Tashiro

Reappointment

Female

Date of Birth	August 5, 1963
Title and charge in the Company	Member of the Board, Corporate Executive Officer and Deputy President, Executive Head of Overseas Operations, Head of SDGs and Think Tank
Number of shares of the Company held	common stock 133,000 shares
Years on Board	8
Attendance Rate	Board of Directors 10/10 (100%)

The reason for election

She joined the Company in 1986 and served successively as the Managing Director of the IR Office of the Company and Managing Director of the Daiwa Direct Planning Dept. of Daiwa Securities Co. Ltd. She became a Senior Managing Director of the Company in 2009, and since then she has served successively as its Head of Daiwa Direct Business, Head of Fixed Income, Currency and Commodities and as Head of the Americas business and Deputy Head of Overseas (in charge of the Americas) of the Company and Chairperson of the Board of Daiwa Capital Markets America Holdings Inc. She serves now as the Corporate Executive Officer, Deputy President, Executive Head of Overseas Operations, Head of SDGs and Think Tank of the Company. She has broad knowledge and experience in the Overseas and Corporate Planning. Therefore, she is considered to be qualified to serve as a Member of the Board.

Brief personal history, title, charge and significant concurrent positions

Apr. 1986	Joined the Company
Apr. 1999	Transferred to Daiwa Securities SB Capital Markets Co., Ltd.
July 1999	Transferred to the Company
Sept. 2005	Managing Director of Daiwa Direct Planning Dept. of Daiwa Securities Co. Ltd.
Apr. 2009	Senior Managing Director, Head of PTS and Daiwa Direct Business of the above company
June 2009	Head of Online Product and Daiwa Direct Business of the above company
Apr. 2011	Senior Managing Director, Head of Fixed Income, Currency and Commodities of Daiwa Securities Capital Markets Co. Ltd.
Apr. 2012	Senior Managing Director, Head of Fixed Income, Currency and Commodities of Daiwa Securities Co. Ltd.
Apr. 2013	Executive Managing Director (in charge of the Americas) of the Company; and Chairperson of the Board of Daiwa Capital Markets America Holdings Inc.
July 2013	Chairperson of the Board of Daiwa Capital Markets America Inc.
Apr. 2014	Executive Managing Director, Deputy Head of Overseas (in charge of the Americas) of the Company
June 2014	Member of the Board and Executive Managing Director of the Company
Apr. 2016	Member of the Board, Senior Executive Managing Director and Head of Overseas of the Company; and Member of the Board, Senior Executive Managing Director of Daiwa Securities Co. Ltd.
Apr. 2019	Member of the Board, Corporate Executive Officer, Deputy President (current position) of the Company; and Representative Director and Deputy President of Daiwa Securities Co. Ltd. (current position)
Apr. 2020	Head of Overseas and SDGs of the Company
Apr. 2022	Executive Head of Overseas, Head of SDGs and Think Tank of the Company (current position); and Member of the Board of Daiwa Institute of Research Ltd. (current position)

(Significant concurrent positions)

Representative Director and Deputy President of Daiwa Securities Co. Ltd.

Member of the Board of Daiwa Institute of Research Ltd.

Candidate
Number

5

Akihiko Ogino

Reappointment

Date of Birth	January 28, 1966
Title and charge in the Company	Member of the Board, Corporate Executive Officer and Deputy President Executive Head of Corporate Planning and Human Resources
Number of shares of the Company held	common stock 165,500 shares
Years on Board	2
Attendance Rate	Board of Directors 10/10 (100%)

The reason for election

He joined the Company in 1989 and served as Managing Director of the Executive Office, the Corporate Planning Dept. and the Legal Dept. of the Company. He became a Senior Managing Director of the Company in 2014, and since then he has served successively as Head of Legal, Deputy Head of Planning, Deputy Head of Overseas and Head of Planning of the Company and now serves as Corporate Executive Officer, Deputy President and Executive Head of Corporate Planning and Human Resources of the Company. He has broad knowledge and experience in Planning and Human Resources and also has experience in Investment Banking. Therefore, he is considered to be qualified to serve as a Member of the Board.

Brief personal history, title, charge and significant concurrent positions

Apr. 1989	Joined the Company
Oct. 2008	Managing Director of the Executive Office of the Company
Apr. 2014	Senior Managing Director, Head of Legal and Deputy Head of Planning of the Company; and Senior Managing Director of Daiwa Securities Co. Ltd.
Apr. 2015	Head of Legal and Deputy Head of Planning and Overseas of the Company
Apr. 2017	Executive Managing Director, Head of Legal and Deputy Head of Planning of the Company; and Executive Managing Director of the Daiwa Securities Co. Ltd.
Apr. 2019	Senior Executive Managing Director, and Head of Planning and Legal, and Executive Head of Human Resources of the Company; and Member of the Board, Senior Executive Managing Director of the Daiwa Securities Co. Ltd.
June 2020	Member of the Board, Senior Executive Managing Director of the Company
Apr. 2022	Member of the Board, Corporate Executive Officer, Deputy President, Executive Head of Corporate Planning and Human Resources of the Company (current position) Representative Director and Deputy President of Daiwa Securities Co. Ltd. (current position)

(Significant concurrent positions)

Representative Director and Deputy President of Daiwa Securities Co. Ltd.

Representative Director of DG Daiwa Ventures

Candidate
Number

6

Sachiko Hanaoka

Non-Executive

Reappointment

Female

Date of Birth	May 28, 1967
Title and charge in the Company	Member of the Board
Number of shares of the Company held	common stock 60,200 shares
Years on Board	3
Attendance Rate	Board of Directors 10/10 (100%) Audit Committee 16/16 (100%)

The reason for election

She joined the Company in 1990. After serving in the Research and Product Divisions, she served successively as the Managing Director of the Products Planning Dept., the Education and Training Dept., and the Investment Strategy Dept. of Daiwa Securities Co. Ltd. Throughout her broad accumulated experience in the Research Division, she has developed a strong analytical ability and broad knowledge in business accounting and broad accumulated experience in management. Therefore, she is considered to be qualified to serve as a Member of the Board.

Brief personal history, title, charge and significant concurrent positions

Apr. 1990	Joined the Company
Mar. 1995	Transferred to Daiwa Institute of Research Ltd.
Oct. 1999	Transferred to Daiwa Securities Co. Ltd.
Apr. 2012	Managing Director of Investment Strategy Dept. of the above company
Apr. 2019	Senior Managing Director of the Company; Audit & Supervisory Board Member of Daiwa Securities Co. Ltd. (current position); Audit & Supervisory Board Member of Daiwa Asset Management Co. Ltd. (current position); Audit & Supervisory Board Member of Daiwa Institute of Research Business Innovation Ltd.; and Audit & Supervisory Board Member of Daiwa Real Estate Asset Management Co. Ltd.
June 2019	Member of the Board of the Company (current position)
Apr. 2021	Audit & Supervisory Board Member of Daiwa Institute of Research Ltd. (current position)
(Significant concurrent positions)	
Audit & Supervisory Board Member of Daiwa Securities Co. Ltd.	
Audit & Supervisory Board Member of Daiwa Asset Management Co. Ltd.	
Audit & Supervisory Board Member of Daiwa Institute of Research Ltd.	

Candidate
Number

7

Hiromasa Kawashima

Non-Executive

Reappointment

Date of Birth	July 18, 1968
Title and charge in the Company	Member of the Board
Number of shares of the Company held	common stock 71,800 shares
Years on Board	2
Attendance Rate	Board of Directors 10/10 (100%) Audit Committee 16/16 (100%)

The reason for election

He joined the Company in 1992. After serving in the Human Resources and Investment Banking divisions, he served successively as Managing Director of the Executive Office and Internal Audit Dept. of the Company. He has broad knowledge and experience in Human Resources and Internal Audit. Therefore, he is considered to be qualified to serve as a Member of the Board.

Brief personal history, title, charge and significant concurrent positions

Apr. 1992	Joined the Company
Apr. 2006	Transferred to Daiwa Securities SMBC Co. Ltd.
Apr. 2011	Transferred to the Company
Apr. 2016	Managing Director of Internal Audit Dept. of the Company; and Managing Director of Internal Audit Dept. of Daiwa Securities Co. Ltd.
Apr. 2020	Senior Managing Director of the Company; Audit & Supervisory Board Member of Daiwa Securities Co. Ltd. (current position); and Audit & Supervisory Board Member of Daiwa Real Estate Asset Management Co. Ltd. (current position) Audit & Supervisory Board Member of Daiwa Food & Agriculture Co. Ltd. (current position)
June 2020	Member of the Board of the Company (current position)

(Significant concurrent positions)
Audit & Supervisory Board Member of Daiwa Securities Co. Ltd.
Audit & Supervisory Board Member of Daiwa Real Estate Asset Management Co. Ltd.
Audit & Supervisory Board Member of Daiwa Food & Agriculture Co. Ltd.

Candidate
Number

8

Michiaki Ogasawara

Reappointment

Outside

Independent

Date of Birth	January 29, 1954
Title and charge in the Company	Outside Director
Number of shares of the Company held	common stock 20,100 shares
Years on Board	7
Attendance Rate	Board of Directors 10/10 (100%) Nominating Committee 6/6 (100%) Audit Committee 16/16 (100%)

The reason for election and overview of the expected roles

He held positions such as the Director-General of Global ICT Strategy Bureaus and the Vice-Minister of the Ministry of Internal Affairs and Communication. The Company requests that shareholders elect him as an Outside Director since the Company expects, based on his specialized experience and knowledge accumulated through his career, he will be able to advise on the management of the Company and supervise of the execution of duties by Corporate Executive Officers. Based on the above-mentioned reasons, the Company made the decision that he could adequately carry out his assignment as one of the Company's Outside Directors even though he had never been involved directly in corporate management.

Brief personal history, title, charge and significant concurrent positions

Apr. 1976	Entered Ministry of Posts and Telecommunications
Jan. 2003	Director-General of Tohoku Bureau of Telecommunication, Ministry of Internal Affairs and Communications
Jan. 2004	Director-General of Kanto Bureau of Telecommunication, the above Ministry
Feb. 2005	Deputy Director-General of the above Ministry
Aug. 2005	Director-General of Local Public Service Personnel Dept., Local Administration Bureau the above Ministry
July 2006	Director-General of Civil Protection and Disaster Management Dept., Fire and Disaster Management Agency, the above Ministry
July 2007	Director-General of the Information and Communications Policy, the above Ministry
July 2008	Director-General of the Global ICT Strategy Bureau, the above Ministry
Jan. 2010	Assistant Vice-Minister of the above Ministry
Sept. 2012	Vice-Minister of the above Ministry
Oct. 2013	Advisor of Daiwa Institute of Research Ltd.
June 2015	Resigned as Advisor of the above company
June 2015	Member of the Board of the Company (current position)

(Significant concurrent positions)

Advisor of Sumitomo Corporation

Outside Director of Tokyu Fudosan Holdings Corporation

Chairman of Foundation for MultiMedia Communications

Advisor of Fujitsu Future Studies Center Ltd.

Outside Director of Koei Tecmo Holdings Co., Ltd.

Candidate
Number

9

Hirotaka Takeuchi

Reappointment

Outside

Independent

Date of Birth	October 16, 1946
Title and charge in the Company	Outside Director
Number of shares of the Company held	common stock 22,000 shares
Years on Board	6
Attendance Rate	Board of Directors 10/10 (100%)
	Nominating Committee 6/6 (100%)
	Compensation Committee 4/4 (100%)

The reason for election and overview of the expected roles

He served positions such as a Professor of Hitotsubashi University, Faculty of Commerce and Management and Professor of Harvard Business School. The Company requests that shareholders elect him as an Outside Director since the Company expects, based on his specialized experience and knowledge accumulated through his career, he will be able to advise on the management of the Company and supervise of the execution of duties by Corporate Executive Officers. Based on the above-mentioned reasons, the Company made the decision that he could adequately carry out his assignment as one of the Company's Outside Directors even though he had never been involved directly in corporate management.

Brief personal history, title, charge and significant concurrent positions

Sept. 1976	Lecturer of Harvard Business School
Dec. 1977	Assistant Professor of Harvard Business School
Apr. 1983	Assistant Professor of Hitotsubashi University, Faculty of Commerce and Management
Apr. 1987	Professor of Hitotsubashi University, Faculty of Commerce and Management
Apr. 1998	Dean of Hitotsubashi University, the Graduate School of International Corporate Strategy
Apr. 2010	Professor Emeritus of Hitotsubashi University
July 2010	Professor of Harvard Business School (current position)
June 2016	Member of the Board of the Company (current position)

(Significant concurrent positions)

Professor of Harvard Business School

Outside Director of Integral Corporation

Senior Advisor of P&E Directions, Inc.

Outside Director of BrightPath Biotherapeutics Co., Ltd.

Member of the Board of T-Lab.

Principal of Global Academy K. K.

Chair of the Board of Trustees of International Christian University

Candidate
Number

10

Ikuo Nishikawa

Reappointment

Outside

Independent

Date of Birth	July 1, 1951
Title and charge in the Company	Outside Director
Number of shares of the Company held	common stock 12,600 shares
Years on Board	6
Attendance Rate	Board of Directors 10/10 (100%) Audit Committee 16/16 (100%) Compensation Committee 4/4 (100%)

The reason for election and overview of the expected roles

He held positions such as the Representative Partner of Century Audit Corporation and Chairman of Accounting Standards Board of Japan. The Company requests that shareholders elect him as an Outside Director since the Company expects, based on his specialized experience and knowledge accumulated through his career, he will be able to advise on the management of the Company and supervise of the execution of duties by Corporate Executive Officers. Based on the above-mentioned reasons, the Company made the decision that he could adequately carry out his assignment as one of the Company's Outside Directors, even though he had never been involved directly in corporate management.

Brief personal history, title, charge and significant concurrent positions

Sept. 1990	Representative Partner of Century Audit Corporation (currently known as Ernst & Young ShinNihon LLC)
Jan. 1993	Representative of JICPA in International Accounting Standards Committee
July 1995	Executive Director of the Japanese Institute of Certified Public Accountants
Aug. 2001	Deputy Chairman of Accounting Standards Board of Japan
Apr. 2007	Chairman of Accounting Standards Board of Japan
Apr. 2012	Professor of Keio University, Faculty of Business & Commerce
June 2016	Member of the Board of the Company (current position)
Apr. 2017	Guest Professor of Graduate School of Keio University, Faculty of Business & Commerce (current position)

(Significant concurrent positions).

Outside Director of MEGMILK SNOW BRAND Co., Ltd.

Guest Professor of Graduate School of Keio University, Faculty of Business & Commerce

Outside Audit & Supervisory Board Member of Tokio Marine & Nichido Fire Insurance Co., Ltd.



Candidate
Number
11

Eriko Kawai

Reappointment

Female

Outside

Independent

Date of Birth	April 28, 1958
Title and charge in the Company	Outside Director
Number of shares of the Company held	common stock 10,900 shares
Years on Board	4
Attendance Rate	Board of Directors 10/10 (100%) Nominating Committee 6/6 (100%) Audit Committee 16/16 (100%)

The reason for election and overview of the expected roles

She held positions such as the Pension Funds Administrator of BIS and the [Organization for Economic Cooperation and Development \(OECD\)](#), and she has extensive experience at global companies and international organizations, as well as experience and record as a manager. The Company requests that shareholders elect her as an Outside Director since the Company expects, based on her significant experience and knowledge about corporate management accumulated through her career, she will be able to advise on the management of the Company and supervise of the execution of duties by Corporate Executive Officers.

Brief personal history, title, charge and significant concurrent positions

Oct. 1981	Joined Nomura Research Institute, Ltd.
Sept. 1985	Management Consultant at McKinsey & Company, Inc.
Oct. 1986	Fund Manager of Mercury Asset Management / SG Warburg plc
Nov. 1995	CIO of Yamaichi Regent ABC Polska, Head of Investment
July 1998	Pension Funds Administrator of Bank for International Settlements (BIS)
Oct. 2004	Senior Pension Funds Administrator of Organization for Economic Cooperation and Development (OECD)
Mar. 2008	Representative of Kawai Global Intelligence
Apr. 2012	Professor of Institute for the Promotion of Excellence in Higher Education, Kyoto University
Apr. 2013	Professor of Institute for Liberal Arts and Sciences, Kyoto University
Apr. 2014	Professor of Graduate School of Advanced Integrated Studies in Human Survivability, Kyoto University
June 2018	Member of the Board of the Company (current position)
Apr. 2021	Emeritus Professor of Kyoto University (current position)

(Significant concurrent positions)

Outside Director of CMIC HOLDINGS Co., Ltd.

Outside Audit & Supervisory Board Member of Yamaha Motor Co., Ltd.

Specially Appointed Professor of Graduate School of Advanced Integrated Studies in Human Survivability, Social Innovation Center, Kyoto University

Outside Director of Mitsui Fudosan Co., Ltd.

Senior Advisor of International Management Forum Co., Ltd.

Candidate
Number

12

Katsuyuki Nishikawa

Reappointment

Outside

Independent

Date of Birth	February 20, 1954
Title and charge in the Company	Outside Director
Number of shares of the Company held	common stock 3,500 shares
Years on Board	3
Attendance Rate	Board of Directors 10/10 (100%) Nominating Committee 6/6 (100%) Audit Committee 16/16 (100%)

The reason for election and overview of the expected roles

He held positions such as the Vice-Minister of Justice, the Superintending Prosecutor of the Tokyo High Public Prosecutors Office and the Prosecutor General, and is currently an attorney at law. The Company requests that shareholders elect him as an Outside Director since the Company expects, based on his significant experience and professional knowledge about law and compliance accumulated through his career, he will be able to advise on the management of the Company and supervise of the execution of duties by Corporate Executive Officers even though he had never previously been involved directly in corporate management.

Brief personal history, title, charge and significant concurrent positions

Apr. 1979	Prosecutor of Osaka District Public Prosecutors Office
Jan. 2008	Director-General of the Rehabilitation Bureau of the Ministry of Justice
July 2008	Director-General of the Immigration Bureau of the Ministry of Justice
July 2009	Director-General of the Criminal Affairs Bureau of the Ministry of Justice
Aug. 2011	Vice-Minister of the Ministry of Justice
Jan. 2014	Superintending Prosecutor of the Sapporo High Public Prosecutors Office
Dec. 2015	Superintending Prosecutor of the Tokyo High Public Prosecutors Office
Sep. 2016	Prosecutor General
July 2018	Retired as Prosecutor General
Sept. 2018	Attorney at law (current position)
June 2019	Member of the Board of the Company (current position)

(Significant concurrent positions)

Attorney at Nishikawa Katsuyuki Law Office

Outside Audit & Supervisory Board Member of Aeon Hokkaido Corporation



Candidate
Number
13

Toshio Iwamoto

Reappointment

Outside

Independent

Date of Birth	January 5, 1953
Title and charge in the Company	Outside Director
Number of shares of the Company held	common stock 3,500 shares
Years on Board	2
Attendance Rate	Board of Directors 10/10 (100%) Nominating Committee 6/6 (100%) Compensation Committee 4/4 (100%)

The reason for election and overview of the expected roles

He held positions such as the President of NTT DATA Corporation and currently is the Advisor of NTT DATA Corporation. The Company requests that shareholders elect him as an Outside Director since the Company expects, based on his significant experience in management of global companies and experience and extensive knowledge about IT accumulated through his career, he will be able to advise on the management of the Company and supervise of the execution of duties by Corporate Executive Officers.

Brief personal history, title, charge and significant concurrent positions

Apr. 1976	Joined Nippon Telegraph and Telephone Public Corporation
June 2004	Member of the Board of NTT DATA Corporation
June 2005	Senior Managing Director of the above company
June 2007	Member of the Board and Executive Managing Director of the above company
June 2009	Representative Director and Deputy President of the above company
June 2012	Representative Director and President of the above company
June 2018	Advisor of the above company (current position)
June 2020	Member of the Board of the Company (current position)

(Significant concurrent positions)
Advisor of NTT DATA Corporation
Outside Audit & Supervisory Board Member of IHI Corporation



Candidate
Number
14

Yumiko Murakami

Reappointment

Female

Outside

Independent

Date of Birth	February 6, 1965
Title and charge in the Company	Outside Director
Number of shares of the Company held	common stock 1,200 shares
Years on Board	1
Attendance Rate	Board of Directors 8/8 (100%)
	Nominating Committee 12/12 (100%)
	Compensation Committee 3/3 (100%)

(Note) Attendance Rate at the Board of Directors' meetings, etc. since his appointment in June 2021.

The reason for election and overview of the expected roles

She worked for the United Nations, Goldman Sachs Japan Co., Ltd. and Credit Suisse Securities (Japan) Limited, and served as Head of Organization for Economic Cooperation and Development (OECD) Tokyo Centre. The Company requests that shareholders elect her as an Outside Director since the Company expects, based on her significant global experience, experience and track record of corporate management and understanding of the securities business accumulated through her experience, she will be able to advise on the management of the Company and supervise of the execution of duties by Corporate Executive Officers.

Brief personal history, title, charge and significant concurrent positions

Aug. 1989	United Nations Development Programme (Barbados)
Jan. 1991	United Nations Secretariat (New York)
Sept. 1991	United Nations Transitional Authority in Cambodia (Phnom Penh)
Aug. 1994	Vice President of Goldman Sachs International (London)
May 1997	Managing Director of Goldman Sachs and Co. (New York)
Apr. 2008	Managing Director of Goldman Sachs Japan Co., Ltd. (Tokyo)
Sept. 2009	Managing Director of Credit Suisse Securities (Japan) Limited (Tokyo)
Sept. 2013	Head of Organization for Economic Cooperation and Development (OECD) Tokyo Centre
June 2021	Member of the Board of the Company (current position)

(Significant concurrent positions)
General Partner of MPower KK
Outside Director of Raksul Inc.

(Notes)

1. *The independence of the candidates for Outside Director from the Company is as follows.*
 - *None of the candidates for Outside Director has executed business of or has become an executive of the Company or its subsidiaries by means other than being an Outside Director of the Company in the past.*
 - *None of the candidates for Outside Director executes business of or is an executive of, or has done or been so during the last ten (10) years, any entity that has a special relationship with the Company.*
 - *None of the candidates for Outside Director received a large sum of money or other financial benefits from the Company or any entity that has a special relationship with the Company in the past, and none of them anticipates receiving them in the future.*
 - *None of the candidates for Outside Director has a spouse, family member within the third degree of kinship or other similar person who executes business of or is an executive of the Company or any entity that has a special relationship with the Company.*
 - *All of the candidates for Outside Director fulfill the requirements for Independent Directors as defined by the Tokyo Stock Exchange, Inc. and the Nagoya Stock Exchange, Inc. The Company is scheduled to designate all of the candidates for Outside Director as Independent Directors and to report this designation to the exchanges mentioned above.*
2. *The current Outside Directors, Mr. Michiaki Ogasawara, Mr. Hiroataka Takeuchi, Mr. Ikuo Nishikawa, Ms. Eriko Kawai, Mr. Katsuyuki Nishikawa, Mr. Toshio Iwamoto and Ms. Yumiko Murakami have each executed an agreement to limit liability to the Company. Each agreement stipulates that the maximum amount of liability is 10 million yen or the minimum amount of liability provided in Paragraph 1 of Article 425 of the Companies Act, whichever is higher. In case the election of those candidates for Outside Director is duly approved, the Company will continue to be a party to such agreement with each Outside Director.*
3. *The Company has entered into a directors and officers liability insurance agreement as provided in Paragraph 1 of Article 430-3 of the Companies Act with an insurance company, and the insurance agreement is designed to cover damages that may be incurred by the insured Directors of the Company who are liable for the execution of their duties or receiving a claim for pursuing their liability. If each candidate is appointed and assumes office as Director, he/she will be insured under the insurance agreement. The Company also plans to renew the insurance agreement on the same terms at the time of the next renewal.*

[References]

The Company is scheduled to appoint the following directors as members and chairman of the Nominating Committee, the Audit Committee and the Compensation Committee respectively, through resolutions of the Board of Directors and each committee to be held after the conclusion of the Meeting. A majority and chairman of each committee will be Outside Directors as described below.

Name	Title	Nominating Committee	Audit Committee	Compensation Committee
Takashi Hibino	Chairman of the Board and Corporate Executive Officer	○		○
Seiji Nakata	Member of the Board, Representative Corporate Executive Officer and President	○		○
Sachiko Hanaoka	Member of the Board		○	
Hiromasa Kawashima	Member of the Board		○	
Michiaki Ogasawara	Member of the Board (Outside) Independent Officer	◎	○	
Hiroataka Takeuchi	Member of the Board (Outside) Independent Officer	○		◎
Ikuo Nishikawa	Member of the Board (Outside) Independent Officer		◎	○
Eriko Kawai	Member of the Board (Outside) Independent Officer	○	○	
Katsuyuki Nishikawa	Member of the Board (Outside) Independent Officer	○	○	
Toshio Iwamoto	Member of the Board (Outside) Independent Officer	○		○
Yumiko Murakami	Member of the Board (Outside) Independent Officer		○	○

(Note) ◎ indicates that the director is a Chairman of such committee and ○ indicates that the director is a member of such committee.

Business Report (From April 1, 2021 to March 31, 2022)

I. Status of the Group's Business Activities

The Group strives to improve the corporate value of the Group through its core business - the securities business. The outline of the Group's performance in the current fiscal year (FY2021) is as follows.

(Note) In this report, the "Group" means the corporate group consisting of Daiwa Securities Group Inc. (the "Company") and its subsidiaries and affiliates.

1. Economic and Market Environment

As was the case in FY2020, the Japanese economy continued to be affected by the COVID-19 pandemic in FY2021, intermittently interrupting economic activity. The government declared a state of emergency for a third time in April 2021, but in mid-May the number of people going out began to rise again, personal consumption picked up, and real GDP showed positive growth in the April-June quarter. The Tokyo Olympic and Paralympic Games, which were held in July, stimulated personal consumption, but the declaration of yet another state of emergency for Tokyo and other areas curbed economic activity from July to September. Japanese automakers were also forced to sharply curtail production due to a global semiconductor shortage and supply chain delays in auto parts due to the spread of COVID-19 in Southeast Asia. Partly due to a drop in automobile exports and domestic sales, real GDP growth fell into negative territory in the July-September quarter. The rate of infections subsequently slowed, partly due to vaccinations, and economic activity resumed. As spending on activities like travel and dining out surged and auto production rose, in the October-December quarter real GDP rebounded to roughly the pre-pandemic level two years ago. In November the government decided to implement an economic stimulus package on the order of about 79 trillion yen. This economic stimulus package had been expected to boost GDP in the January-March 2022 quarter, but infections surged again in January, and economic activity stalled again due to supply chain delays in auto parts and higher resources prices. In February, Russia invaded Ukraine, and prices for a wide range of resources soared as a result of economic sanctions imposed on Russia by Japan, the U.S., Europe, and other countries. In March, the yen continue to decline against the dollar—falling to 125 yen/dollar at one point—as a reflection of the different monetary policy directions being taken by Japan and the U.S.

The stock market ran into heavy upside resistance in FY2021 amid factors such as a pullback after FY2020 run up in share prices, intermittent measures to prevent the spread of COVID-19, and semiconductor shortages. The Nikkei Stock Average rebounded to the 30,000-yen level at one point, but fell back to 27,821.43 yen at the end of FY2021 amid growing uncertainty due to worries about the deteriorating situation in Ukraine. This represents a 4.7% decline from the end of FY2020.

In the bond market, in FY2021 the 10-year Japanese Government Bond yield remained in slightly positive territory against the backdrop of the tug-of-war between the upward pressure on interest rates arising from the global economic recovery and Japan's extremely accommodative monetary policy. Bond yields were trending higher towards the end of FY2021 as Europe and the U.S. moved to tighten monetary policy amid rising inflation, especially in the form of higher prices for resources.

As a result, the 10-year Japanese Government Bond yield at the end of FY2021 was 0.210%.

2. Outline of the Consolidated Performance

(1) Profits and Losses of the Group

(Billions of yen)

	Fiscal 2021 As of March 31, 2022	Change (%) from Previous Term
Operating Revenue	619.4	7.5%
Net Operating Revenue	502.0	7.6%
Ordinary Income	135.8	17.9%
Profit attributable to owners of parent	94.8	-12.5%

(Millions of yen)

	Net Operating Revenues			Ordinary Income		
	Fiscal 2020 (84th term)	Fiscal 2021 (85th term)	Change from Previous Term	Fiscal 2020 (84th term)	Fiscal 2021 (85th term)	Change from Previous Term
Retail	169,505	188,879	11.4%	20,070	41,807	108.3%
Wholesale	215,860	195,863	-9.3%	74,737	50,951	-31.8%
<i>Global Markets</i>	161,730	134,353	-16.9%	62,777	38,301	-39.0%
<i>Global Investment Banking</i>	54,129	61,510	13.6%	11,021	10,693	-3.0%
Asset Management	51,145	71,052	38.9%	32,775	45,253	38.1%
<i>Securities Asset Management</i>	39,373	45,351	15.2%	16,013	21,995	37.4%
<i>Real Estate Asset Management</i>	11,772	25,701	118.3%	16,761	23,258	38.8%
Investment	4,602	11,055	140.2%	1,123	7,192	540.0%
Others	25,546	35,242	—	-13,532	-9,382	—
Total	466,660	502,093	7.6%	115,175	135,821	17.9%

(2) Assets, Debts and Net Assets of the Group

(Billions of yen)

	Fiscal 2021 As of March 31, 2022	Change from Previous Term
Total Assets	27,531.0	1,431.7
Debts	25,891.2	1,383.7
Shareholders' equity (Net Assets)	1,639.8	48.0
Shareholders' equity (Net Assets) per share (Yen)	925.81	50.69

3. Outcome of the Group's Business Activities (Performance by Each Operating Division)

Retail Business

In order to achieve “Customer First” & “Quality No.1”, Daiwa Securities Co. Ltd. is pursuing the customer's best interests by shifting to a wealth management type business model, expanding its solutions-based business through a total assets approach, and expanding customer contacts by the best mix of digital and real approaches.

Daiwa Securities pursued a number of initiatives in FY2021, once again convening a Customer Satisfaction Council with the aim of improving its products and services with customer feedback as the starting point, expanding the array of foreign equities handled, and reducing the burden on customers by expediting estate procedures. As a result, Daiwa Securities Co. Ltd. ranked first place in an external NPS survey (Note) in the face-to-face securities section for the third consecutive year.

Daiwa Securities strives to offer appealing products and services that address its customers' every need, and in August 2021 it began offering a new “Anshin-Tsunagaru Wrap” wrap account service based on the concepts of asset succession support and asset preservation.

In September 2021 it added a small-lot real estate product created by the Group, focusing mainly on urban properties, to its product lineup.

Furthermore, it considered and promoted the collaboration with companies with a solid customer base, such as Japan Post Group, Shinkin Central Bank, and Credit Saison Co.,Ltd, in order to expand its customer base and provide services in the asset building area.

In March 2022, Daiwa Securities signed the final agreement for a comprehensive business alliance with the Shikoku Bank.

With respect to branch strategy, it increased the number of small, low-cost sales offices as part of the effort to build an efficient network of branches and sales offices and, as a result, there were 181 branches, including 71 sales offices, in Japan at the end of FY2021. In addition, it worked to expand the points of contact with customers by actively utilizing digital tools such as webinars and online interviews amid the spread of COVID-19.

(Note) The NPS survey is the NPS (a measure that quantifies customer loyalty) benchmark results of an industry specific survey conducted on users, announced in October 2021 by NTTCom Online Marketing Solutions Corporation.

Wholesale Business

The wholesale business of the Group is comprised of the Global Markets business and the Global Investment Banking business.

In the Global Markets business, Daiwa Securities Co. Ltd. conducts sales and trading of equities, bonds, forex and financial derivative products to and with institutional investors and corporate clients and also provides products and sales support to retail investors.

In FY2021, offering timely products that address diverse customer needs and trading equities and bonds in response to changing market conditions contributed to earnings.

As a result of our efforts to realize our “Quality No. 1” objective, Nikkei Veritas ranked Daiwa Securities Co. Ltd. in first place in the analyst rankings in the equity category for a fourth straight year and second place in the financial markets category.

In the Global Investment Banking business, Daiwa Securities Co. Ltd. is involved in underwriting, M&A advisory, etc.

In the underwriting business, Daiwa Securities Co. Ltd. served as the global coordinator (Note 1) for the sale of shares by JAPAN POST HOLDINGS Co., Ltd. and a public offering by Renesas Electronics Corporation, and as lead manager for the SDGs-IPO (Note 2) offered by TESS Holdings Co., Ltd. and for subordinated bonds issued by SoftBank Group Corp. and ENEOS Holdings, Inc., among many others.

In the M&A advisory business, Daiwa Securities Co. Ltd. was involved in a number of group reorganization and industry realignment deals in Japan, including the conversion of TOPPAN FORMS Co., Ltd. into a wholly owned subsidiary by Toppan Inc. and the merger of Fuji Co., Ltd. and MAXVALU NISHINIHON Co., Ltd. The framework for providing quality M&A advisory services around the world was strengthened thanks to the establishment of DC Advisory (Thailand) Co., Ltd., a joint venture with 9 Basil Co., Ltd., and the launch of M&A advisory services by Daiwa Securities (China) Co., Ltd.

(Note 1) Global coordinator is the lead manager securities company that oversees all activities when carrying out a public offering or sale of shares inside and outside of Japan.

(Note 2) SDGs-IPO (Initial Public Offering) is a type of public offering in which shares are sold to the public for the first time and the issuer and use of the funds are evaluated by a third-party evaluation organization for their contribution to the SDGs and compliance with Social Bond Principles.

Asset Management Business

Daiwa Asset Management Co. Ltd. has been working to expand assets under management by strengthening its fund management capabilities and increasing the number of distributors offering its private investment trusts.

The iFree Leverage NASDAQ 100 Fund and the Decarbonization Technology Equity Fund did well, with assets growing to 118.4 billion yen and 78.1 billion yen, respectively.

In addition, mainly due to capital inflow to the ETF, its net assets of Publicly Offered Stock Investment Trusts increased by 622.9 billion yen in FY2021 to 23.6 trillion yen at the end of FY2021.

Against the backdrop of cooperation between the Japanese and Chinese governments in the area of securities markets, two Chinese ETFs were listed in Japan and China as part of the Japan-China ETF Connectivity scheme, which allows ETFs to be listed for trading on each other's market.

Global X Japan Co. Ltd. provided twelve listed ETFs, such as a theme-based ETF and smart beta ETF (Note). Its assets under management were 68.3 billion yen at the end of FY2021.

In the real estate asset management business, it sought to improve the quality of its real estate portfolio by acquiring new properties and replacing assets and also to improve the value of existing properties. The scale of assets under management at the end of FY2021 was 1,279.0 billion yen.

In September 2021 Daiwa Real Estate Asset Management Co. Ltd. formed the DSREF Amaterasu Core Fund, Investment Limited Partnership, a private fund that will specialize in investing in solar power projects.

(Note) A smart beta ETF is an ETF that is linked to an index that aims to outperform the average returns for a market or industry by selecting stocks quantitatively focusing on factors such as financial indicators or dividends.

Investment Business

Daiwa Corporate Investment Co., Ltd. has invested in venture companies at various stages in Japan and overseas and has promoted the exit of existing investments through such means as listing of the investee. DAIWA-SSIAM Vietnam Growth Fund III L.P., with SSI Asset Management as an advisor, closed its fund in October 2021, and Daiwa Taiwan-Japan BioVenture Investment Limited Partnership II, a fund that invests in unlisted biotechnology ventures in Japan and Taiwan, closed its fund in December 2021.

Daiwa PI Partners Co. Ltd. invested in money claims, real estate loans and equity and loans to corporations at home and abroad.

In March 2022, Blue Topaz Inc. (Note 1), which is involved in venture debt (Note 2), became a subsidiary of Daiwa PI Partners Co. Ltd., as part of the Group's hybrid strategy for creating a new capital cycle.

Daiwa Energy & Infrastructure Co. Ltd. has made investments in renewable energy businesses such as solar power projects and in infrastructure businesses such as an investment in Ucles Holdco S.L., a company that provides optical fiber facilities in Spain.

(Note 1) Blue Topaz Inc. changed its name to Daiwa Blue Financial Inc. in March 2022.

(Note 2) Venture debt refers to providing financing to startup companies in the form of loans and is a way to raise capital for growth without diluting equity.

Others

Daiwa Institute of Research Ltd. contributed to the reduction of IT costs by improving the efficiency of system development for the Group. In addition, it conducted research and development of AI related to forecasting stock prices and exchange rate trends, and provided system solutions to companies outside the Group. Also, as a think tank, it actively disseminated information based on current economic and social trends, including ESG/SDGs.

It has been 10 years since Daiwa Next Bank, Ltd. was established, and the bank provides convenient services to a wide range of customers, such as yen-denominated deposits and foreign currency deposits with attractive interest rates, via the nationwide branch network of Daiwa Securities Co. Ltd. In July 2021 the amount held by the bank in its Ouen (Supporting) Term Deposits topped 150 billion yen.

CONNECT Co. Ltd. started a new partnership with MUFG Bank, Ltd. and Recruit Co., Ltd. in the asset formation business.

Daiwa Securities Realty Co. Ltd., established in April 2021, has begun forming and selling small-lot real estate products to customers of the Group.

4. Status of the Capital Investment of the Group

The Group makes capital investments so that we can build a customer-oriented sales organization, offer products and services that meet our customers' needs, develop infrastructure to ensure business efficiency and security, address legal and regulatory requirements, and strengthen risk management.

Pursuing the best mix of digital and real, in the IT area we are making investments aimed at combining human and data/digital technology advantages in order to expand profits and make our businesses more sophisticated and efficient. In FY2021 we pursued initiatives aimed at broadening customer touchpoints by building a new CRM system (Note 1) to support sales personnel consulting, upgrading Internet services with the intention of configuring screens and menus to be convenient for our customers, and adapting systems for our collaboration with Japan Post Group in the area of discretionary investment services. Along with building a platform for storing and analyzing data that allows all officers and employees of Daiwa Securities Co. Ltd. to make data-driven decisions, we worked to improve the efficiency of middle- and back-office operations, and to deploy a zero trust (Note 2) security platform.

As a result of these measures, the Group made 22.7 billion yen in IT-related capital investments.

Further, Daiwa Securities Co. Ltd. opened new sales offices in Tsurumi, Fujimino, Kameari and Shin-kamagaya.

(Note 1) A Customer Relationship Management (CRM) system is a system for centralizing customer information including contact history and transaction records.

(Note 2) Zero trust is a security concept under which the security of every access to data systems requiring protection, whether from inside or outside the company, is verified and not based on trust.

5. Status of Financing of the Group

The Company issued the bonds below amounting to 30 billion yen in total.

	Issue Amount	Payment Date
36th Series of Unsecured Bonds	15 billion yen	June 2, 2021
37th Series of Unsecured Bonds	15 billion yen	June 2, 2021

6. Five-Year Trend of Consolidated Performance and Assets

(Billions of yen)

Item \ Term	81 st	82 nd	83 rd	84 th	85 th
	(Apr. 1, 2017– Mar. 31, 2018)	(Apr. 1, 2018– Mar. 31, 2019)	(Apr. 1, 2019– Mar. 31, 2020)	(Apr. 1, 2020– Mar. 31, 2021)	(Apr. 1, 2021– Mar. 31, 2022)
Operating revenue	712.6	720.5	672.2	576.1	619.4
Net operating revenue	505.3	441.2	426.2	466.6	502.0
Ordinary income	155.6	83.1	70.2	115.1	135.8
Profit attributable to owners of parent	110.5	63.8	60.3	108.3	94.8
Shareholders' equity (Net Assets)	1,370.5	1,256.4	1,257.7	1,591.8	1,639.8
Total Assets	21,135.0	21,126.7	23,822.0	26,099.3	27,531.0
Shareholders' equity (Net Assets) per share (Yen)	786.56	794.54	796.33	875.12	925.81
Profit per share (Yen)	66.88	39.95	39.11	71.20	63.06
Return on Equity (ROE) (%)	8.8%	5.1%	4.9%	8.5%	7.0%
Number of consolidated Subsidiaries	59	60	66	118	136
Number of affiliates accounted for using the equity method	10	10	15	17	18

(Note 1) "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018) has been applied from the beginning of the 82nd term. The number of total assets in the 81st term is the number calculated by retroactively applying the Standard.

(Note 2) The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. are applied from the beginning of the current consolidated fiscal year. Each number for the current consolidated fiscal year is the number after the application of these accounting standards.

7. Issues to Be Addressed by the Group

In fiscal 2021, the stock market reached record levels with the Nikkei average coming to 30,670 yen for the first time in 31 years since August 1990 as the global economy returned to normal and expectations rose for the new administration. On the other hand, it was also a roller coaster year of adjustment due to such factors as the continued spread of COVID-19 and increased geopolitical risks. In the midst of these circumstances, the Group's Medium-Term Management Plan, "Passion for the Best" 2023, got off to a smooth start in its first year. The pillar of this Medium-Term Management Plan is the shift to a wealth management type business model, and steady progress is being made on that front. At the same time, by promoting a hybrid strategy, the Group was able to create high value-added products and services and diversify its profit structure. It was a year in which we moved steadily forward toward the goal of becoming the best partner for creating the future together ("Be with you") as set forth in the Medium-Term Management Plan.

In fiscal 2022, as the uncertainties in global affairs increase and uneasiness over the COVID-19 pandemic persists, the Group must make efforts to solve issues through the financial and capital markets. This year is the second year of the Medium-Term Management Plan. We will work on further advancing the total assets approach to propose wealth management for solving customer challenges and promote the provision of new management options, including alternative assets created through a hybrid strategy. In addition, by further promoting a hybrid strategy, we will establish a solid revenue model that is less susceptible to the impact of the market environment. At the same time, we aim to further support corporate ESG and SDGs, including support for growing companies contributing to the development of the Japanese economy and transition finance.

The Daiwa Securities Group celebrates its 120th anniversary this year. In addition to expressing our heartfelt gratitude to all of our stakeholders who have supported us since our founding, this provides us with a valuable opportunity to reaffirm the stance of the Daiwa Securities Group, which continues to change with the times.

The entire Daiwa Securities Group will continue to contribute to the development of society and the economy through the financial and capital markets and engage in the creation of a new cycle of funds for the realization of a sustainable and affluent society in order to be a necessary presence for all stakeholders.

The Action Plans for Each Business Division

Retail Division

- 1 Realization of wealth management type business model
- 2 Provision of products and services that meet customers' needs and expansion of solution business through a total assets approach
- 3 New business development and improvement of profitability through the use of business alliances with external channels
- 4 Efforts related to sustainability and making the digital shift in mass marketing and customer support

Wholesale Division

- 1 Provision of diverse products and advanced solutions that meet customers' needs
- 2 Expansion of the brokerage business foundation leveraging highly acclaimed research capabilities
- 3 Support for the sustainability of companies through the promotion of SDGs financing
- 4 Enhancement of digital human resources and promotion of a data-driven business

Asset Management Division

- 1 Expansion of existing business by strengthening management capability, discovery capability and product arrangement capability
- 2 Research and Develop, and commercialization of new businesses, including product development for investing in alternative assets
- 3 Strengthening of asset management capability and establishment of business foundation in the real estate asset management business
- 4 Promotion of real estate business such as the expansion of the real estate securitization business through coordination within the Group

Investment Division

- 1 Discovery of excellent investment opportunities, enhancement of value of investments and strengthening of monitoring systems
- 2 Promotion of capital recycling model in the energy sector
- 3 Establishment of ongoing VC fund management business
- 4 Development of socially meaningful investments conscious of SDGs

Other (Daiwa Institute of Research Group)

- 1 Establishment of IT service platforms and creation of new value through AI and data science
- 2 Contribution to the reduction of costs of the Daiwa Securities Group by providing high-quality, stable services at low cost
- 3 Sales systems based on customer characteristics, high value-added proposal activities by business analysts based on customer needs, expansion of customer base through system solutions including utilization of data science and new technologies, and new business development
- 4 Enhancement of research quality by creating a virtuous cycle of communication, information gathering and exchange of opinions

Other (Daiwa Next Bank)

- 1 Provision of competitive interest rates and provision of appealing new products and new services
- 2 Further strengthening of coordination within the Group and accumulation of projects in the financing business
- 3 Expansion of assets under management centered on securitized products and review of portfolio based on market trends
- 4 Expansion of balance of Ouen (Supporting) Term Deposits and efforts to promote ESG investment and lending

8. Status of the Group

(1) The Group's Primary Business

The Group's primary business is the investment/financial business, with securities-related business at its core. 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 business.

(2) Status of Major Subsidiaries and Affiliates

Company Name	Location	Capital (millions of yen)	Ratio of Voting Rights (Directly owned)	Main Business
Daiwa Securities Co. Ltd.	Chiyoda-ku, Tokyo	100,000	100.0% (100.0%)	Securities-related business Investment advisory and agency business
Daiwa Asset Management Co. Ltd.	Chiyoda-ku, Tokyo	15,174	100.0% (100.0%)	Investment management business Investment advisory and agency business
Daiwa Institute of Research Ltd.	Koto-ku, Tokyo	3,898	100.0% (100.0%)	Information service
Daiwa Securities Business Center Co., Ltd.	Koto-ku, Tokyo	100	100.0% (100.0%)	Back office operation
Daiwa Facilities Co., Ltd.	Chuo-ku, Tokyo	100	100.0% (100.0%)	Lending, borrowing and management of real estate
Daiwa Next Bank, Ltd.	Chiyoda-ku, Tokyo	50,000	100.0% (100.0%)	Banking business
Daiwa Corporate Investment Co., Ltd.	Chiyoda-ku, Tokyo	100	100.0% (—)	Investment business
Daiwa PI Partners Co. Ltd.	Chiyoda-ku, Tokyo	12,000	100.0% (—)	Investment business
Daiwa Energy & Infrastructure Co. Ltd.	Chiyoda-ku, Tokyo	500	100.0% (—)	Investment business
Daiwa Real Estate Asset Management Co. Ltd.	Chuo-ku, Tokyo	200	100.0% (100.0%)	Investment management business Investment advisory and agency business
Daiwa Securities Realty Co. Ltd.	Chuo-ku, Tokyo	500	100.0% (100.0%)	Real estate related business
Daiwa Office Investment Corporation	Chuo-ku, Tokyo	245,093	40.7% (14.0%)	Investment in specified assets
Samty Residential Investment Corporation	Chiyoda-ku, Tokyo	74,149	40.2% (38.8%)	Investment in specified assets
Daiwa Capital Markets Europe Limited	London, U.K.	GBP732 million	100.0% (—)	Securities-related business
Daiwa Capital Markets Hong Kong Limited	Hong Kong, China	HKD100 million USD276 million	100.0% (—)	Securities-related business
Daiwa Capital Markets Singapore Limited	Singapore, Singapore	SGD140 million	100.0% (—)	Securities-related business
Daiwa Capital Markets America Holdings Inc.	New York, U.S.A.	USD621 million	100.0% (—)	Integration and management of subsidiaries
Daiwa Capital Markets America Inc.	New York, U.S.A.	USD100 million	100.0% (—)	Securities-related business

(3) Situation of Specified Wholly-Owned Subsidiary at the End of FY2021

Not applicable.

(4) Status of the Group's Business Combinations, etc.

Daiwa Institute of Research Holdings Ltd., Daiwa Institute of Research Ltd., and Daiwa Institute of Research Business Innovation Ltd. have merged on April 1, 2021, with Daiwa Institute of Research Holdings Ltd. as the surviving company and Daiwa Institute of Research Ltd. and Daiwa Institute of Research Business Innovation Ltd. as the absorbed companies, and changed its name to Daiwa Institute of Research Ltd.

(5) Status of Major Business Alliances

Not applicable.

(6) The Group's Primary Business Locations

(i) The Company's Head Office: 9-1, Marunouchi 1-Chome, Chiyoda-ku, Tokyo

(ii) Main Subsidiary's Business Locations: Daiwa Securities Co. Ltd.

Hokkaido / Tohoku	Sapporo Branch, Sendai Branch, and 8 other branches
Kanto (excluding Tokyo)	Yokohama Branch, Chiba Branch, Omiya Branch, and 41 other branches
Tokyo	Head Office, Ginza Branch, Shinjuku Branch, Shibuya Branch, Ikebukuro Branch, and 35 other branches
Chubu / Hokuriku	Nagoya Branch, Shizuoka Branch, and 27 other branches
Kinki	Kyoto Branch, Osaka Branch, Umeda Branch, Namba Branch, Kobe Branch, and 28 other branches
Chugoku / Shikoku	Hiroshima Branch, and 12 other branches
Kyushu / Okinawa	Fukuoka Branch, and 11 other branches

(7) Status of Employees**(i) The Group's Employees**

Number of employees	Change from previous fiscal year
14,889	-207

(Note 1) The number of employees reflects the number of the people who actually work in the Group.

(Note 2) The annual average number of part-time workers is 262.

(ii) The Company's Employees

Number of employees	Average age	Average years of service
569	42.0	14.8

(Note 1) The number of employees reflects the number of the people who actually work in the Company. 565 employees work for both the Company and Daiwa Securities Co. Ltd.

(Note 2) Average age and average years of service above show the average age and years of the employees including those who work concurrently for the Company and Daiwa Securities Co. Ltd.

(Note 3) In calculating the average years of service above, we include the years of service in other companies in the Group.

(8) Major Lenders

Name of Lender	Type of Loan	Balance (Millions of yen)
Sumitomo Mitsui Banking Corporation	Short-Term Borrowings	10,000
	Long-Term Borrowings	164,478
Mizuho Bank Ltd.	Short-Term Borrowings	30,000
	Long-Term Borrowings	72,000
MUFG Bank, Ltd.	Long-Term Borrowings	61,000
Resona Bank Ltd.	Short-Term Borrowings	10,000
	Long-Term Borrowings	23,000

(Note) We state above the main borrowings from outside of the Group (excluding call money, etc.).

(9) Other Significant Matters relating to the Group's Current Status

Not applicable.

(Note) This business report is prepared in accordance with the provisions of the Companies Act (Act No. 86 of 2005), the Ordinance for Enforcement of the Companies Act (Ministry of Justice Ordinance No. 12 of 2006) and the Accounting Regulation Ordinance (Ministry of Justice Ordinance No. 13 of 2006). We stated the status of the Group instead of the status of the Company alone, where possible.

II. Summary of the Company (as of March 31, 2022)

1. Status of Shares

(1) **Total number of authorized shares:** 4,000,000,000 shares

Total number of authorized shares in a class of each type of shares is as follows:

Type of Shares	Total Number of Authorized Class Shares
Common Stock	4,000,000,000
Class 1 Preferred Stock	100,000,000
Class 2 Preferred Stock	100,000,000
Class 3 Preferred Stock	100,000,000

(2) **Total number of issued and outstanding shares:** 1,699,378,772 shares of Common Stock (including treasury stock)

(3) **Total number of Shareholders:** 148,268

(4) **Major Shareholders (top ten)**

Name	Number of Shares of Common Stocks held (% of total outstanding shares)
The Master Trust Bank of Japan, Ltd. (Trust Account)	238,102 thousand shares (16.05%)
Custody Bank of Japan, Ltd. (Trust Account)	74,814 thousand shares (5.04%)
Taiyo Life Insurance Company	41,140 thousand shares (2.77%)
Barclays Securities Japan Limited	34,391 thousand shares (2.31%)
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	31,662 thousand shares (2.13%)
Nippon Life Insurance Company	31,164 thousand shares (2.10%)
JAPAN POST HOLDINGS Co., Ltd.	30,000 thousand shares (2.02%)
STATESTREET BANK WEST CLIENT - TREATY 505234	24,262 thousand shares (1.63%)
Daiwa's Employee Stock Ownership Association	22,083 thousand shares (1.48%)
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	20,297 thousand shares (1.36%)

(Note 1) The Company holds 216,066,485 of its own shares as treasury stock as of March 31, 2022 and the Company is excluded from the above list of major shareholders.

(Note 2) Treasury stock shares are excluded for calculating the percentages in the list of major shareholders above.

(5) Status of shares allotted to officers as consideration for execution of duties during the current fiscal year

The Company has introduced the Restricted Stock Compensation Plan for the purpose of further enhancing incentives to improve medium- and long-term business performance and promoting further value sharing between the Company, its subsidiaries' Directors, Corporate Executive Officers, etc. and shareholders. The Restricted Stock allotted to Directors and Corporate Executive Officers during FY2021 is as follows.

	Numbers allotted (person)	Allotted Shares
Directors	2	20,200
Corporate Executive Officers	16	320,300
Outside Directors	-	-

(Note) Number of shares allotted to five (5) persons, who concurrently take on the post of Directors and Corporate Executive Officers is listed in the column of the Corporate Executive Officers.

2. The Corporate Governance System of the Group

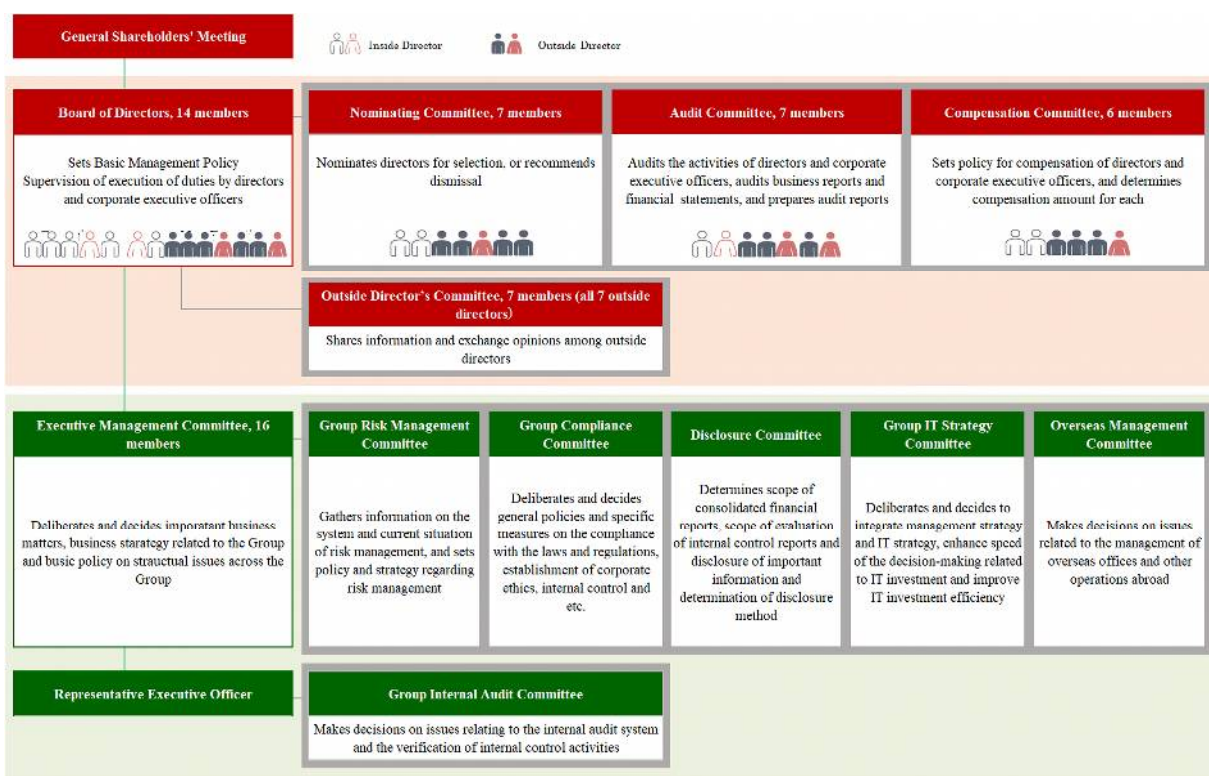
Basic Stance on Corporate Governance

The Company practices group management based on a holding company structure, establishes a highly transparent and objective governance structure that conforms to international standards, and builds a unified group management system that elicits synergies among group companies with highly efficient oversight of group companies.

The Company has adopted a company with Three Committees System (a company with nominating committee, etc.) as an institutional design with the objective of supervising management through the following (1) and (2). The chairperson of each committee is appointed from among the Outside Directors who are members of each committee.

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

Corporate Governance System (as of March 31, 2022)



(Note) In principle, it is the policy of the Company that the majority of the Directors do not concurrently serve as the Corporate Executive Officers.

Main Roles and Activity Status of the Three Committees in FY2021

To create a highly transparent and objective corporate governance system, all of the chairpersons of the three committees (Nominating Committee, Audit Committee and Compensation Committee) are Outside Directors.

Nominating Committee	
Main Roles	Determining the agenda for the election and dismissal of Directors which will be submitted to the Shareholders' Meeting.
Activity Status in FY2021	In FY2021, the Nominating Committee met six (6) times to discuss matters, including the composition of the Board of Directors with consideration of corporate governance, the basic policy for nominating candidates for Director, the selection of Director candidates, the succession plan for CEO and the tenure of Outside Directors. The Nominating Committee selects candidates for Director in light of the Group's selection standards for Directors. These standards include criteria to ensure the independence of Outside Directors.
Members	Michiaki Ogasawara (Chairman, Outside Director) Takashi Hibino Seiji Nakata Hirotaka Takeuchi (Outside Director) Eriko Kawai (Outside Director) Katsuyuki Nishikawa (Outside Director) Toshio Iwamoto (Outside Director)
Audit Committee	
Main Roles	Auditing the legalities and appropriateness of the activities of Directors and Corporate Executive Officers.
Activity Status in FY2021	In FY2021, the Audit Committee met sixteen (16) times. The committee evaluated the execution of duties of Directors and Corporate Executive Officers, audited documentation, including financial statements and business reports, and prepared an audit report for the period under review.
Members	Ikuo Nishikawa (Chairman, Outside Director) Sachiko Hanaoka Hiromasa Kawashima Michiaki Ogasawara (Outside Director) Eriko Kawai (Outside Director) Katsuyuki Nishikawa (Outside Director) Yumiko Murakami (Outside Director)
Compensation Committee	
Main Roles	Setting policy for compensation of Directors and Corporate Executive Officers and determining the compensation amount for each.
Activity Status in FY2021	In FY2021, the Compensation Committee met four (4) times to discuss the compensation policy and to determine the compensation of each Director and Corporate Executive Officer. It also studied a Group-wide incentive plan aimed at improving consolidated earnings results.
Members	Hirotaka Takeuchi (Chairman, Outside Director) Takashi Hibino Seiji Nakata Ikuo Nishikawa (Outside Director) Toshio Iwamoto (Outside Director) Yumiko Murakami (Outside Director)

3. Status of the Company's Officers

(1) Status of Directors

Title	Name	Area of Responsibility and Significant Concurrent Positions
Chairman of the Board	Takashi Hibino	See “(2) Corporate Executive Officers”
Member of the Board	Seiji Nakata	See “(2) Corporate Executive Officers”
Member of the Board	Toshihiro Matsui	See “(2) Corporate Executive Officers”
Member of the Board	Keiko Tashiro	See “(2) Corporate Executive Officers”
Member of the Board	Akihiko Ogino	See “(2) Corporate Executive Officers”
Member of the Board	Sachiko Hanaoka	Audit & Supervisory Board Member of Daiwa Securities Co. Ltd. Audit & Supervisory Board Member of Daiwa Asset Management Co. Ltd. Audit & Supervisory Board Member of Daiwa Institute of Research Ltd.
Member of the Board	Hiromasa Kawashima	Audit & Supervisory Board Member of Daiwa Securities Co. Ltd. Audit & Supervisory Board Member of Daiwa Real Estate Asset Management Co. Ltd. Audit & Supervisory Board Member of Daiwa Food & Agriculture Co. Ltd.
Member of the Board	Michiaki Ogasawara	See “(3) Outside Officers”
Member of the Board	Hiroataka Takeuchi	See “(3) Outside Officers”
Member of the Board	Ikuo Nishikawa	See “(3) Outside Officers”
Member of the Board	Eriko Kawai	See “(3) Outside Officers”
Member of the Board	Katsuyuki Nishikawa	See “(3) Outside Officers”
Member of the Board	Toshio Iwamoto	See “(3) Outside Officers”
Member of the Board	Yumiko Murakami	See “(3) Outside Officers”

(Note 1) Members of the Board, Michiaki Ogasawara, Hiroataka Takeuchi, Ikuo Nishikawa, Eriko Kawai, Katsuyuki Nishikawa, Toshio Iwamoto and Yumiko Murakami are Outside Directors as defined under Article 2, Item 15 of the Companies Act. The Company reports to the Tokyo Stock Exchange, Inc. and the Nagoya Stock Exchange, Inc. that those Directors are Independent Directors.

(Note 2) Ikuo Nishikawa is a certified public accountant and has considerable knowledge of finance and accounting.

(Note 3) As a “company with a nominating committee, etc.,” the Company formed the following three committees, composed of the following Directors.

Nominating Committee	Michiaki Ogasawara (Chairman), Takashi Hibino, Seiji Nakata, Hiroataka Takeuchi, Eriko Kawai, Katsuyuki Nishikawa, Toshio Iwamoto
Audit Committee	Ikuo Nishikawa (Chairman), Sachiko Hanaoka, Hiromasa Kawashima, Michiaki Ogasawara, Eriko Kawai, Katsuyuki Nishikawa, Yumiko Murakami
Compensation Committee	Hiroataka Takeuchi (Chairman), Takashi Hibino, Seiji Nakata, Ikuo Nishikawa, Toshio Iwamoto, Yumiko Murakami

(Note 4) The Company selected Sachiko Hanaoka and Hiromasa Kawashima as a full-time Audit Committee Member to hear from the Corporate Executive Officers, receive reports from the Internal Audit Department, gather information through the audit of subsidiaries, and attend the meetings continuously and effectively.

(2) Status of Corporate Executive Officers

Title	Name	Area of Responsibility and Significant Concurrent Positions
President/ Representative Corporate Executive Officer	Seiji Nakata	Chief Executive Officer (CEO) and Representative Director/ President of Daiwa Securities Co. Ltd.
Deputy President/ Representative Corporate Executive Officer	Toshihiro Matsui	Chief Operating Officer (COO) and Representative Director/Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Keiko Tashiro	Head of Overseas and SDGs of the Company and Representative Director/Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Kazuo Takahashi	Head of Wholesale of the Company and Representative Director/Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Mikita Komatsu	Deputy Head of Wholesale of the Company and Representative Director/Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Koichi Matsushita	Head of Asset Management of the Company and Representative Director/President of Daiwa Asset Management Co. Ltd.
Deputy President	Masahisa Nakagawa	Head of Think Tank Representative Director/President of Daiwa Institute of Research Ltd.,
Senior Executive Managing Director	Akihiko Ogino	Head of Planning and Legal, and Executive Head of Human Resources of the Company, Member of the Board, Senior Executive Managing Director of Daiwa Securities Co. Ltd., Member of the Board of Daiwa Asset Management Co. Ltd., Member of the Board of Daiwa Next Bank, Ltd. and Representative Director of DG Daiwa Ventures Inc.
Senior Executive Managing Director	Shinsuke Niizuma	Head of Retail of the Company and Member of the Board, Senior Executive Managing Director of Daiwa Securities Co. Ltd.
Senior Executive Managing Director	Atsushi Mochizuki	Head of Compliance of the Company and Representative Director/Senior Executive Managing Director of Daiwa Securities Co. Ltd.
Executive Managing Director	Junichi Arihara	Chief Risk Management Officer (CRO) and Chief Data Officer (CDO) of the Company and Member of the Board, Executive Managing Director of Daiwa Securities Co. Ltd.
Executive Managing Director	Yoshifumi Otsuka	Head of Internal Audit of the Company and Member of the Board, Executive Managing Director of Daiwa Securities Co. Ltd.

Executive Managing Director	Kana Shirakawa	Head of Human Resources and Chief Health Officer (CHO) of the Company and Member of the Board, Executive Managing Director of Daiwa Securities Co. Ltd.
Executive Managing Director	Tomoyuki Murase	Chief Information Officer (CIO) of the Company and Member of the Board, Executive Managing Director of Daiwa Securities Co. Ltd.
Executive Managing Director	Eiji Sato	Chief Financial Officer (CFO) and Deputy Head of Planning and Overseas of the Company and Executive Managing Director of Daiwa Securities Co. Ltd.
Corporate Executive Officer	Takashi Hibino	Representative Director/Chairman of the Board of Daiwa Securities Co. Ltd. and Outside Director of Imperial Hotel, Ltd.

(Note 1) Corporate Executive Officers Seiji Nakata, Toshihiro Matsui, Keiko Tashiro, Akihiko Ogino and Takashi Hibino also serve as Directors.

(Note 2) Five of the Corporate Executive Officers, Kazuo Takahashi, Mikita Komatsu, Koichi Matsushita, Masahisa Nakagawa, and Yoshifumi Otsuka resigned as of March 31, 2022. Effective on the same date, Kazuo Takahashi and Mikita Komatsu resigned their positions as Representative Director and Deputy President of Daiwa Securities Co. Ltd., while Yoshifumi Otsuka resigned his position as Member of the Board, Executive Managing Director of Daiwa Securities Co. Ltd.. Koichi Matsushita resigned as Representative Director and President of Daiwa Asset Management Co., Ltd. effective April 1, 2022.

(Note 3) Effective April 1, 2022, Shiko Yanagisawa was appointed as a Corporate Executive Officer, and on the same date Corporate Executive Officer's positions and responsibilities were changed as follows:

Representative Corporate Executive Officer and Deputy President Toshihiro Matsui, COO and Head of Wholesale

Deputy President Keiko Tashiro, Executive Head of Overseas Operations, Head of SDGs and Think Tank

Deputy President Akihiko Ogino, Executive Head of Corporate Planning and Human Resources

Deputy President Shinsuke Niizuma, Head of Retail

Senior Executive Managing Director Junichi Arihara, Chief Risk Officer (CRO) and Chief Data Officer (CDO)

Senior Executive Managing Director Tomoyuki Murase, Chief Information Officer (CIO)

Executive Managing Director Shiko Yanagisawa, Head of Internal Audit

Executive Managing Director Eiji Sato, CFO, Head of Planning, and Deputy Head of Overseas Operations

Akihiko Ogino resigned as Director of Daiwa Asset Management Co. Ltd. and Daiwa Next Bank, Ltd. as of March 31, 2022. Effective April 1, 2022, Keiko Tashiro have been appointed as the Board of Directors of Daiwa Institute of Research Ltd., and Akihiko Ogino and Shinsuke Niizuma have been appointed as Representative Director and Deputy President of Daiwa Securities Co. Ltd., Junichi Arihara and Tomoyuki Murase have been appointed as Senior Executive Managing Director of Daiwa Securities Co. Ltd., and Eiji Sato has been appointed as Executive Managing Director of Daiwa Securities Co. Ltd.

(3) Outside Officers

(i) Significant concurrent positions held by outside officers in other companies and the relationships between these companies and the Company

Name	Significant Concurrent Positions
Michiaki Ogasawara	Advisor of Sumitomo Corporation
	Outside Director of Tokyu Fudosan Holdings Corporation
	Chairman of Foundation for MultiMedia Communications
	Advisor of Fujitsu Future Studies Center Ltd.
	Outside Director of Koei Tecmo Holdings Co., Ltd.
Hirotaka Takeuchi	Professor of the Harvard Business School
	Outside Director of Integral Corporation
	Senior Advisor of P&E Directions, Inc.
	Outside Director of BrightPath Biotherapeutics Co., Ltd.
	Director of T-Lab.
	Principal of Global Academy K. K.
Ikuo Nishikawa	Chair of International Christian University
	Outside Director of Megmilk Snow Brand Co., Ltd.
	Guest Professor of Graduate School of Keio University, Faculty of Business & Commerce
Eriko Kawai	Outside Audit & Supervisory Board Member of Tokio Marine & Nichido Fire Insurance Co., Ltd.
	Outside Director of CMIC HOLDINGS Co., Ltd.
	Outside Audit & Supervisory Board Member of Yamaha Motor Co., Ltd.
	Specially Appointed Professor of Graduate School of Advanced Integrated Studies in Human Survivability, Social Innovation Center, Kyoto University; and
	Outside Director of Mitsui Fudosan Co., Ltd.
Katsuyuki Nishikawa	Senior Advisor of International Management Forum Co., Ltd.
	Attorney at Nishikawa Katsuyuki Law Office
Toshio Iwamoto	Outside Audit & Supervisory Board Member of AEON Hokkaido Co., Ltd.
	Advisor of NTT DATA Corporation
Yumiko Murakami	Outside Audit & Supervisory Board Member of IHI Corporation
	General Partner of MPower KK

(Note) The Company has no special relationships with the companies listed above in which outside officers hold concurrent positions.

(ii) Major activities during the current fiscal year

Name	Status of attendance and remarks and overview of the performed duties regarding expected roles
Michiaki Ogasawara	Attended all 10 Board of Directors' meetings and, as chairman of the Nominating Committee and member of the Audit Committee, attended all 6 meetings of the Nominating Committee and 16 meetings of the Audit Committee held in FY2021. Made remarks on the resolutions, contributed to discussion in such meetings and played a role related to advice for and supervision over management based mainly on knowledge and experience acquired in his career as a government officer.
Hirotaka Takeuchi	Attended all 10 Board of Directors' meetings and, as chairman of the Compensation Committee and member of the Nominating Committee, attended all 4 meetings of Compensation Committee and 6 meetings of the Nominating Committee held in FY2021. Made remarks on the resolutions, contributed to discussion in such meetings and played a role related to advice for and supervision over management based mainly on his knowledge and experience relating to management strategies.
Ikuo Nishikawa	Attended all 10 Board of Directors' meetings and, as chairman of the Audit Committee and member of the Compensation Committee, attended all 16 meetings of the Audit Committee and 4 meetings of the Compensation Committee held in FY2021. Made remarks on the resolutions, contributed to discussion in such meetings and plays a role related to advice for and supervision over management from his professional perspectives as a certified public accountant.
Eriko Kawai	Attended all 10 Board of Directors' meetings and, as member of the Nominating Committee and Audit Committee, attended all 6 meetings of the Nominating Committee and 16 meetings of the Audit Committee held in FY2021. Made remarks on the resolutions, contributed to discussion in such meetings and plays a role related to advice for and supervision over management based mainly on knowledge and experience relating to the financial business.
Katsuyuki Nishikawa	Attended all 10 Board of Directors' meetings and, as member of the Nominating Committee and Audit Committee, attended all 6 meetings of the Nominating Committee and 16 meetings of the Audit Committee held in FY2021. Made remarks on the resolutions, contributed to discussion in such meetings and played a role related to advice for and supervision over management from his professional perspectives as a lawyer.
Toshio Iwamoto	Attended all 10 Board of Directors' meetings and, as member of the Nominating Committee and Compensation Committee, attended all 6 meetings of the Nominating Committee and 4 meetings of the Compensation Committee in FY2021. Made remarks on the resolutions, contributed to discussion in such meetings, and played a role related to advice for and supervision over management based mainly on his abundant experience as a manager and knowledge of IT.
Yumiko Murakami	Attended all 8 Board of Directors' meeting held after her appointment in FY2021, and as a member of the Audit Committee and Compensation Committee, attended all 12 meetings of the Audit Committee and all 3 meetings

	<p>of the Compensation Committee held after her appointment in FY2021. Made remarks on the resolutions, contributed to discussion in such meetings, and played a role related to advice for and supervision over management based mainly on her abundant international experience and her experience and achievements in business, as well as her knowledge about the securities business.</p>
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(iii) Outline of the Agreement to limit liability

Each outside director executed an agreement with the Company to limit liability as provided for in Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount provided for in Article 425, paragraph 1 of the Companies Act, whichever is higher.

(4) Outline of Directors and Officers liability insurance agreement

(i) Scope of insured

Member of the board and senior managing directors of the Company and important Group companies

(ii) Outline of insurance agreement

The agreement shall indemnify the insured against damages such as compensation and dispute expenses that the insured may have to bear as a result of claims for damages arising from acts (including omissions) committed by the insured in connection with his/her duties in the position described in (i) above. However, measures are taken to ensure that the proper execution of duties by officers, etc. is not compromised by excluding from coverage damages resulting from criminal or intentionally illegal acts by the insured.

(5) Remuneration of Directors and Corporate Executive Officers

(i) Policies for Determination of Remuneration of Directors and Corporate Executive Officers

a) Decision of the policy

As stipulated by the Companies Act, the Compensation Committee has determined “Policies for Determination of Remuneration of Directors and Corporate Executive Officers.”

b) Outline of the contents of the policy

Policies for Determination of Remuneration of Directors and Corporate Executive Officers

Compensation for Directors and Corporate Executive Officers is based on the following fundamental policies.

- To create effective incentives, which contribute to the increase of shareholders’ value through sound business development and also lead to the improvement of business performance in the short-term and in the medium/long-term.
- To maintain a remuneration level which is competitive enough to recruit and retain people not only in Japan but also in the world as a global securities company group.
- To ensure the execution and supervision functions operate effectively as a company with a nominating committee, etc.

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

Base remuneration
- A fixed amount calculated based on his/her position, duties and role, and paid monthly and in cash.
Performance-linked remuneration
- Determined depending on the level of individual contribution, mainly on the basis of consolidated ROE and consolidated ordinary income, which are set as Performance KPIs of the Medium-Term Management Plan, while also comprehensively taking into account achievement status of the managerial goals set in the Medium-Term Management Plan and the other relevant factors and provided at a certain time every year.
- A certain limit is set for the cash payment regarding performance-linked remuneration based on business performance. If performance-linked remuneration exceeds the limit, the part exceeding the limit will be replaced from cash to restricted stock.
- It does not apply to Directors who do not serve as Corporate Executive Officers.
Stock-linked remuneration
- To increase the link between remuneration and shareholders’ value, the Company grants, as stock-linked remuneration, restricted stock, etc., the value of which corresponds to a certain percentage of base remuneration as non-monetary remuneration at a certain time every year.
- It does not apply to Outside Directors.

c) Reasons for determining the remuneration is in line with the policy

Regarding remuneration of Directors and Corporate Executive Officers for the current fiscal year the Compensation Committee decided its content after confirming the consistency with “Policies for Determination of Remuneration of Directors and Corporate Executive Officers.” Therefore we determined that it is in line with the policy.

(ii) Matters regarding the performance-linked remuneration

a) Indicators related to performance-linked remuneration and reasons for choosing the indicators

The Company sets the KPIs that are set as the Group numerical goal in the Medium-Term Management Plan “Passion for the Best” 2023 as indicators to calculate performance-linked remuneration.

b) How to determine performance-linked remuneration and c) Performance of indicators related to the performance-linked remuneration for FY2021

The performance assessments used in calculating performance-linked remuneration reflect the financial performance evaluation, which is based on the Performance KPIs using the financial information and the quality evaluation, which is a comprehensive assessment of the KPIs other than the Performance KPI. Financial Performance Evaluation and Quality Evaluation are determined in the Compensation Committee.

Performance-linked remuneration is calculated by multiplying the base amount for each position by the performance assessment, and reflects the individual’s level of contribution.

		Financial Performance Evaluation (100)		±	Quality Evaluation (-10 - +10)			
Performance KPIs		Points	Reference Value					
		Consolidated ROE	50	10%				7.0%
		Consolidated Ordinary Income	50	JPY 200 billion				135.8 billion yen
Financial KPIs	Hybrid KPI				Hybrid-related ordinary income	JPY 50 billion or more	32.0 billion yen	
					Hybrid-related ordinary income percentage	Approximately 25%	23 %	
	Financial KPI				Consolidated capital ratio	Maintain 18% or higher (lower gradually since regulations applied)	19.7 % (Note)	
	Quality No.1 (Customer-first) KPI				Retail Division asset based revenue ratio	50% or higher (FY2023 4Q)	46.1 %	
	Digital KPI				Daiwa Securities AUM	JPY 90 trillion or more	75.1 trillion yen	
Non-Financial KPIs					Number of Digital IT Master	200 personnel or more	—	
					Number of CFP and CMA	3,000 personnel or more	2,830 person	
					Balance of investment SDGs-related business	JPY 150 billion or more	116.2 billion yen	
					SDGs bond league table	In top 3	4	
					“Ouen (Supporting)” term deposits balance	JPY 200 billion or more	152.5 billion yen	
					Ratio of women on the board of directors	30% or higher (By 2030)	28.6 %	
					Ratio of women in management positions	25% or higher (FY2025)	18.3 %	
					Employee satisfaction	Maintain at 80% or higher	95 %	

(Note) The figure of consolidated total capital adequacy ratio is as of the end of December 2021.

(iii) Matters regarding the non-monetary remuneration

The Company introduced the Restricted Stock Compensation Plan as non-monetary remuneration.

Stock Remuneration I (remuneration linked to stock price)	It is intended to provide restricted stock for amount which equals to fixed ratio of the base remuneration. To function effectively as an incentive for long-term performance improvement, restriction will be released when he/she resigns his/her position as Director, officers etc., of the Company and its subsidiaries and affiliates.
Stock Remuneration II (remuneration linked to performance)	A certain limit is set for the cash payment regarding performance-linked remuneration based on business performance, and if performance-linked remuneration exceeds the limit, the part exceeding the limit will be replaced from cash to restricted stock. Restriction period is 3 years, it will function as substantial fee defer when performance-linked remuneration exceeds a certain limit.

(iv) Remuneration paid to Directors and Corporate Executive Officers

	Total amount of remuneration (millions of yen)	Total amount by type of remuneration, etc. (millions of yen)				Number paid (person)
		Base remuneration	Restricted stocks	Performance-linked remuneration	Retirement benefits	
Directors	76	63	12	-	-	2
Corporate Executive Officers	1,284	549	202	532	-	16
Outside Directors	141	141	-	-	-	7

(Note 1) The remuneration to the five (5) Directors who also serve as the Corporate Executive Officers are stated in the column of amount paid to the Corporate Executive Officers.

(Note 2) The amount of performance-linked remuneration is the amount to be paid for the current fiscal year.

(Note 3) Performance-linked remuneration does not include restricted stocks.

4. Status of Independent Auditors

(1) **Name: KPMG AZSA LLC**

(2) **Amount of Fees, etc.**

(i) **The amount of fees, etc. to be paid by the Company to the independent auditor:**

88 million yen

(ii) **The total amount of benefits to be paid by the Company and its subsidiaries to the independent auditor:**

564 million yen

(Note 1) We did not distinguish clearly, in the audit engagement contract between the Company and the independent auditor, and also cannot distinguish practically, the amounts of audit fees for audit services under the Companies Act and for audit service under the Financial Instruments and Exchange Act of Japan. Therefore, the fees, etc. above are the aggregated amount of both.

(Note 2) The Audit Committee consented to the audit fees after reviewing the adequacy of the fees in FY2021, by examining the appropriateness of the audit plan explained by the independent auditor and also by confirming the calculation basis of the fee estimate such as working hours and hourly rate through the procedure of analysis and evaluation of actual records in previous fiscal years, comparison to other companies, etc.

(Note 3) The Company and its subsidiaries pay fees to the independent auditor for its services such as the assessment of control risk as to business commissioned to third parties and also the compliance concerning segregation of customers' assets, in addition to the service stipulated in Article 2, Paragraph 1 of the Certified Public Accountant Law (audit and attestation service).

(3) Policies for Determination of Discharge or Refusal of Reappointment

(i) **Discharge in the cases stipulated in law**

The Audit Committee shall discharge an independent auditor with the consent of all members of the committee, in the case where the independent auditor falls under any of the items of Paragraph 1 of Article 340 of the Companies Act.

(ii) **Discharge or refusal of reappointment in other cases**

The Audit Committee evaluates the independent auditor's general competency, independence, quality control system, etc. every year. In the case where the Audit Committee, after such evaluation, deems that the adequacy of the independent auditor is questionable or deems it reasonable to retain another independent auditor from the viewpoint of efficacy, etc., the Audit Committee will determine content of a resolution to be voted upon at a shareholders' meeting as to discharge or refuse reappointment of an independent auditor.

(4) Other

Among major subsidiaries of the Company, Daiwa Capital Markets Europe Limited, Daiwa Capital Markets America Holdings Inc. and other foreign subsidiaries are audited by certified public accountants or audit corporations (including those who have comparable qualifications in foreign countries) other than the independent auditor of the Company in relation to the audits stipulated in the Companies Act or the Financial Instruments and Exchange Act (including foreign laws equivalent to those).

(Note) The Company has not executed an agreement to limit liability and indemnity agreement with the independent auditor KPMG AZSA LLC.

5. Policies for Determination of Distribution of Surpluses

The Company aims to continuously raise shareholder value, including profit-sharing.

The Company will generally pay dividends semiannually as the mid-term dividend and the year-

end dividend at a pay-out ratio of at least 50% based on the consolidated financial performance. The Company will also, taking account of stability, consider increasing returns to its shareholders in various ways including share buybacks when it has sufficient accumulated capital to pursue further growth.

Based on the basic policies above, we have decided that the distributions of surplus for FY2021 are 17 yen per share as the mid-term dividend (resolved at the Board of Directors' meeting held on October 27, 2021) and 16 yen per share as the year-end dividend. Accordingly, the annual dividend will be 33 yen per share.

[References] SDGs of the Group

The Group recognizes SDGs as overarching goals to lead the world. Through the Group’s business, we will work actively toward the realization of a prosperous society by simultaneously pursuing both the Company’s economic value and solutions to social challenges.

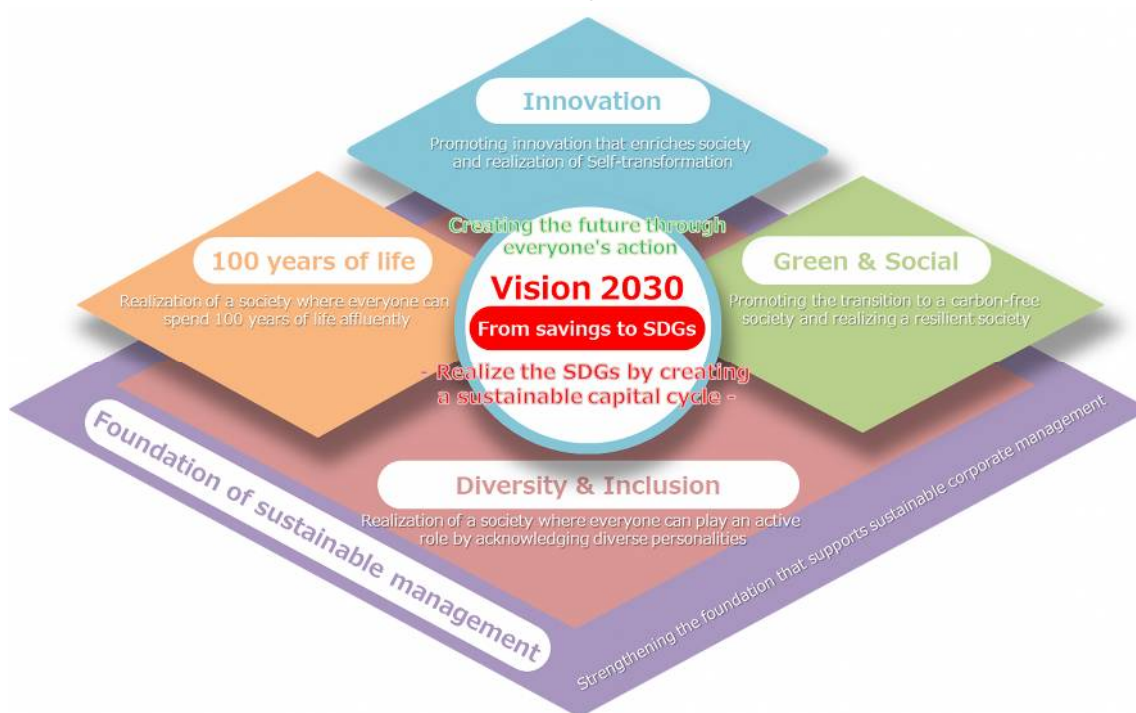
In May 2021 the Group established the management vision “Vision 2030” toward 2030, the deadline for achieving SDGs.

Vision 2030

The core concept of “Vision 2030” is “From savings to SDGs – Creating the future through everyone’s action,” in which we aim to realize the SDGs by creating sustainable capital cycle. In order to achieve “Vision 2030,” we have identified priority areas and issues which we should focus on as “materiality.”

These priority areas are: “100 years of life”, “Innovation”, “Green & Social”, “Diversity & Inclusion” and “Foundation of sustainable management”. The three years of the current Medium-Term Management Plan represent the first three years on the path towards “Vision 2030” and we have set KPIs linked to specific actions in each priority area in order to manage progress.

The image of “Vision 2030”



The Group Net Zero Carbon Declaration

The Group has established “Green & Social” as one of the priority areas in our “Vision 2030” and we are pursuing initiatives to drive the transition to a carbon-free society and to bring about a resilient society.

As part of this, we drafted the Daiwa Securities Group Net Zero Carbon Declaration, under which we aim to achieve net zero greenhouse gas emissions within our own operations (Note) by 2030 (Scope 1 and Scope 2) and achieve net zero greenhouse gas emissions within our investment and loan portfolios, etc. by 2050 (Scope 3). We have established specific actions as priorities in order to achieve the goals of this declaration.

The Group will continue to focus on promoting transition financing and other mechanisms that will aid in realizing a carbon-free society.

The Daiwa Securities Group Net Zero Carbon Declaration

- (1) Achieve net zero greenhouse gas emissions within our own operations (Note) by 2030 (Scope 1 and Scope 2)
- (2) Achieve net zero greenhouse gas emissions within our investment and loan portfolios, etc. by 2050 (Scope 3)
- (3) Support the smooth transition to a carbon-neutral society through our business activities

The Daiwa Securities Group's main priority areas

<p><u>Sustainable finance for the delivery of a carbon-neutral society</u></p> <ul style="list-style-type: none"> ✓ Promote green finance / transition finance ✓ Expand business investment in the renewable energy sector ✓ Strengthen engagement with investee firms 	<p><u>Support for new technologies and promote business solutions that contribute to the delivery of a carbon-neutral society</u></p> <ul style="list-style-type: none"> ✓ Promote innovation (hydrogen, CCUS, etc.) and provide support for new technologies ✓ Expand our advisory business within the renewable energy sector 	<p><u>Provide Investment opportunities that contribute to the delivery of a carbon-neutral society</u></p> <ul style="list-style-type: none"> ✓ Expand our lineup of related products and services - Expand investment trusts with an environmental theme - Arrange SDGs bonds including green bonds - Promote SDGs IPO in the environmental sector
<p><u>Reduce the environmental footprint of the company</u></p> <ul style="list-style-type: none"> ✓ Shift to 100% renewable energy ✓ Continue efficient use of energy ✓ Consider carbon offsetting 	<p><u>Set targets to align with the Paris Agreement goals and expand transparent information disclosure</u></p> <ul style="list-style-type: none"> ✓ Analyze greenhouse gas emissions management methods for investment and loan portfolios ✓ Set intermediate targets for Scope 3 to align with the Paris Agreement goals by utilizing SBT, etc. (in FY2023) ✓ Ensure appropriate disclosures related to our climate change response (TCFD, etc.) 	<p><u>Strengthen our management system to achieve net zero carbon</u></p> <ul style="list-style-type: none"> ✓ Revise and embed the Daiwa Securities Group "Environmental and Social Policy Framework" ✓ Embed sustainability elements into compensation of Directors and Corporate Executive Officers

(Note) We intend to calculate company scope based on a consolidated basis.

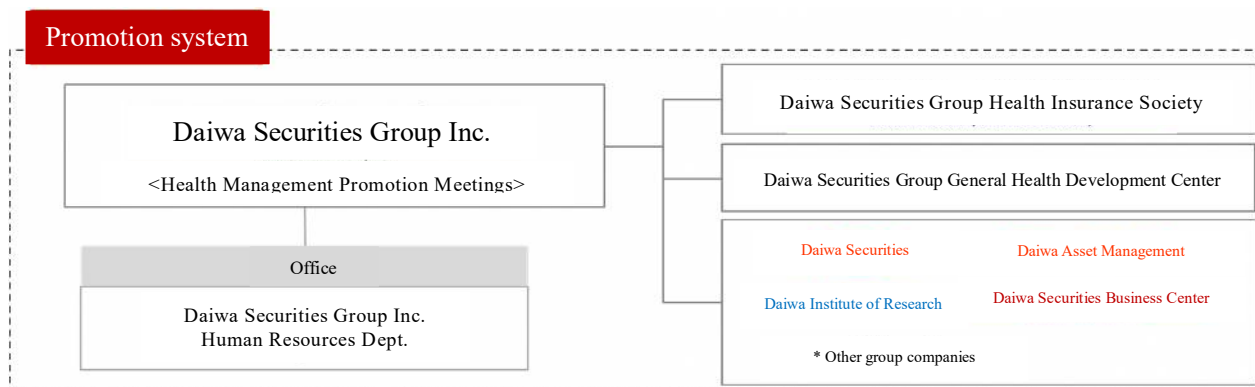
(Reference) Health Management of the Group

The Group’s Corporate Principles include “placing importance on human resources.” Based on the idea that the source of the Group’s competitiveness lies in the capabilities of its employees, we are strategically addressing the promotion of healthy management, aiming to increase our productivity through improvement of employee well-being (Note) and continue to demonstrate high performance as an organization.

As a result, the Group has been selected as “Health & Productivity Stock Selection” jointly by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange for eight consecutive years.

Structure to Promote Health Management

The Group is implementing various initiatives through the three-part system, the cooperation among the Group’s Human Resources Department, Health Insurance Society and General Health Development Centers in order for its employees to stay healthy mentally and physically so that they will be able to deliver their best performance. Such initiatives include “Daiwa Online Care,” which provides online diagnosis to employees, “Daiwa ELLE Plan,” which provides comprehensive support for women’s health, “Employment Support Plan for Employees with Cancer,” which supports employees in balancing work and cancer treatment, and “Mindfulness Training,” as a mental-health measure. In addition, the Group appointed the executive in charge of human resources as Chief Health Officer (CHO) to promote health management. Executives from each Group company are also actively involved in the promotion. The Group annually issues the “White Book on Health” analyzing the health conditions of all the executives and employees of the Group and holds “Health Management Promotion Meetings” sponsored by the CHO in a cross-Group manner on a quarterly basis for identification of issues, evaluation of initiatives and improvement and running of the health management PDCA.



(Note) Well-being: The state of being physically, mentally and socially well.

Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2021, As of Mar. 31, 2022,	[References] Fiscal 2020, As of Mar. 31, 2021,
<i>Assets</i>		
Current assets:		
Cash and deposits	4,592,384	4,763,197
Cash segregated as deposits	559,729	485,876
Notes and accounts receivable-trade	-	21,488
Notes and accounts receivable-trade, and contract assets	22,420	-
Securities	1,177,898	996,683
Trading products:	8,004,920	7,834,093
Trading securities and other	5,919,617	5,374,191
Derivatives	2,085,303	2,459,901
Operational investment securities	123,839	97,092
Allowance for investment loss	(151)	(588)
Operating loans	1,933,758	1,996,121
Work in process	768	603
Margin transaction assets:	177,401	162,078
Loans on margin transactions	170,555	152,077
Cash collateral pledged for securities borrowing on margin transactions	6,845	10,001
Loans secured by securities:	8,394,277	7,448,321
Cash collateral pledged for securities borrowed	5,283,874	5,054,451
Loans on Gensaki transactions	3,110,403	2,393,870
Advances paid	22,454	20,131
Short-term loans receivable	439	595
Accrued income	40,062	36,229
Other	967,025	788,790
Allowance for doubtful accounts	(7,589)	(4,401)
Total current assets	26,009,638	24,646,314
Non-current assets:		
Property, plant and equipment:	913,879	880,477
Buildings	233,825	210,109
Machinery and equipment	9,379	9,251
Equipment	16,418	18,030
Land	650,741	598,541
Construction in progress	3,514	44,544
Intangible assets:	121,482	128,786
Goodwill	19,657	21,229
Leasehold right	5,787	5,787
Software	74,516	84,276
Other	21,521	17,493
Investments and other assets:	486,088	443,751
Investment securities	443,446	402,590
Long-term loans receivable	6,451	6,313
Guarantee deposits	16,748	17,692
Deferred tax assets	11,992	11,397
Other	12,491	10,415
Allowance for doubtful accounts	(1,422)	(1,037)
Allowance for investment loss	(3,620)	(3,620)
Total non-current assets	1,521,450	1,453,016
Total assets	27,531,089	26,099,330

(Millions of yen)

	Fiscal 2021, As of Mar. 31, 2022,	[References] Fiscal 2020, As of Mar. 31, 2021,
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	6,361	5,382
Trading products:	4,945,900	4,367,822
Trading securities and other	2,948,427	2,032,969
Derivatives	1,997,473	2,334,853
Trade date accrual	548,406	1,320,279
Margin transaction liabilities:	70,318	64,022
Borrowings on margin transactions	5,327	4,139
Cash received for securities lending on margin transactions	64,991	59,882
Borrowings secured by securities:	9,463,697	8,176,094
Cash received on debt credit transaction of securities	4,761,437	4,699,647
Borrowings on Gensaki transaction	4,702,259	3,476,447
Deposits from banking business	4,189,105	4,416,097
Deposits received	456,384	419,994
Guarantee deposits received	347,468	366,351
Short-term borrowings	2,155,782	1,408,288
Commercial papers	116,000	265,000
Current portion of bonds	446,760	203,774
Income taxes payable	8,649	17,962
Provision for bonuses	37,586	36,316
Other	152,851	151,966
Total current liabilities	22,945,274	21,219,352
Non-current liabilities:		
Bonds payable	1,563,631	1,557,333
Long-term borrowings	1,237,048	1,586,913
Deferred tax liabilities	42,241	43,176
Retirement benefit liability	44,236	44,773
Provision for loss on litigation	115	1,809
Other	54,934	50,430
Total non-current liabilities	2,942,208	3,284,436
Reserves under special laws:		
Reserve for financial instruments transaction liabilities	3,717	3,699
Total reserves under special laws	3,717	3,699
Total liabilities	25,891,200	24,507,489
Net assets		
Shareholders' equity:		
Capital stock	247,397	247,397
Capital surplus	230,451	230,651
Retained earnings	942,793	911,742
Treasury shares	(134,201)	(107,646)
Deposit for subscriptions to treasury shares	26	9
Total shareholders' equity	1,286,467	1,282,154
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	29,587	41,587
Deferred gains or losses on hedges	9,940	(3,058)
Foreign currency translation adjustment	47,288	12,886
Total accumulated other comprehensive income	86,815	51,415
Stock subscription rights	9,109	9,125
Non-controlling interests	257,497	249,145
Total net assets	1,639,888	1,591,841
Total liabilities and net assets	27,531,089	26,099,330

Consolidated Statements of Income

(Millions of yen)

	Fiscal 2021, Apr. 1, 2021, - Mar. 31, 2022,	<u>References</u> Fiscal 2022, Apr. 1, 2020, - Mar. 31, 2021,
Operating revenue:		
Commission received:	314,051	286,835
Brokerage commission	75,907	78,026
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	39,210	38,098
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	21,440	19,211
Other fees received	177,493	151,499
Net trading income	101,522	118,895
Net gain on private equity and other securities	6,048	4,808
Financial revenue	75,978	93,188
Other operating revenue	121,870	72,444
Total operating revenue	619,471	576,172
Financial expenses	44,714	54,480
Other operating expenses	72,663	55,031
Net operating revenue	502,093	466,660
Selling, general and administrative expenses:		
Trading related expenses	62,588	57,612
Personnel expenses	198,790	193,002
Real estate expenses	37,643	38,441
Office cost	24,740	24,365
Depreciation	34,811	33,920
Taxes and dues	10,678	11,493
Provision of allowance for doubtful accounts	32	281
Other	17,274	14,682
Total selling, general and administrative expenses	386,559	373,800
Operating income	115,534	92,859
Non-operating income:		
Dividend income	4,738	3,381
Share of profit of entities accounted for using equity method	8,104	12,369
Foreign exchange gains	601	-
Gain on investments in investment partnerships	5,216	5,539
Other	4,587	4,210
Total non-operating income	23,247	25,500
Non-operating expenses:		
Interest expenses	1,838	636
Foreign exchange losses	-	252
Bond issuance cost	30	163
Other	1,090	2,132
Total non-operating expenses	2,960	3,184
Ordinary income	135,821	115,175
Extraordinary income:		
Gain on sale of non-current assets	45	57
Gain on receipt of donated non-current assets	318	-
Gain on sale of investment securities	3,858	4,231
Gain on sale of shares of subsidiaries and associates	2,926	-
Gain on step acquisitions	-	46,962
Gain on change in equity	-	180
Recoveries of written off receivables	302	-
Reversal of provision for loss on litigation	686	-
Reversal of office relocation expenses	872	-
Reversal of reserve for financial instruments transaction liabilities	-	218
Total extraordinary income	9,010	51,650
Extraordinary losses:		
Loss on sale and retirement of non-current assets	627	1,386
Impairment loss	488	9,394
Loss on sale of investment securities	-	219
Loss on valuation of investment securities	734	1,738
Loss on valuation of shares of subsidiaries and associates	-	896
Provision of allowance for investment loss	-	3,620
Provision of reserve for financial instruments transaction liabilities	17	-
Structural reform cost	44	4,319
Business restructuring expenses	1,074	-
Other	178	684
Total extraordinary losses	3,166	22,259
Income before income taxes	141,666	144,567
Income taxes-current	39,609	35,589
Income taxes-deferred	(2,088)	(673)
Total income taxes	37,521	34,915
Profit	104,144	109,651
Profit(loss) attributable to non-controlling interests	9,253	1,255
Profit attributable to owners of parent	94,891	108,396

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 consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, a summary of significant accounting policies and other explanatory information of Daiwa Securities Group Inc. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), as at March 31, 2022 and for the year from April 1, 2021 to March 31, 2022 in accordance with Article 444-4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the consolidated financial statements 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially

inconsistent with the consolidated financial statements 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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 consolidated financial statements.

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 consolidated financial statements, 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 Group'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 Group'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 consolidated financial statements 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 Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 and its subsidiaries 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:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act for the conveniences of the reader.

Audit Report

The Audit Committee has audited the execution of duties by the Directors and the Corporate Executive Officers for the 85th fiscal year from April 1, 2021 to March 31, 2022. We report the methods and the results of the audit as follows.

1. Methods used in audits and content of audits

The Audit Committee has audited the contents of the resolutions of the Board of Directors regarding the matters stipulated in Article 416, Paragraph 1, Item 1(b) and 1(e) of the Companies Act and the system (internal control systems) organized based on such resolutions, by receiving the report on the situation of the development and operation of the systems from the Directors, the Corporate Executive Officers, and the employee, and the like, at fixed intervals, demanding explanation as needed, expressing an opinion and also by the following methods.

- (1) In conformity with the audit standard of the Audit Committee decided by the Committee and in accordance with audit policies, assignment of duties, and the like, and cooperating with the internal control department, the Audit Committee attended significant meetings, received reports from Directors and Corporate Executive Officers, and the like, about their execution, requested their explanation when necessary, inspected the contents of the important approval documents and other important documents, and investigated the status of the Company's business and assets. As to subsidiaries, the Audit Committee communicated and exchanged information with and, when necessary, received reports of business from subsidiaries' Directors and Audit & Supervisory Board Member, and the like.
- (2) The Audit Committee observed and verified whether the independent auditor was maintaining its independence and was carrying out its audits in an appropriate manner. The Audit Committee also received reports from the independent auditor on the execution of its duties and, when necessary, requested explanations regarding those reports. Further, the Audit Committee received notification from the independent auditor that it had established the "system for ensuring the proper execution of its duties" (as enumerated in each Item of Article 131 of the Accounting Regulation Ordinance) in compliance with the "Quality Control Standards Relating to Auditing" (adopted by the Business Accounting Council on October 28, 2005), and the like. When necessary, the Audit Committee requested explanations regarding the notification.

Based on the methods above, the Audit Committee has examined the business report and its supplementary schedules, and the consolidated statutory report (the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, a summary of significant accounting policies and other explanatory information) and the statutory report (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 its supplementary schedules .

2. Results of the Audit

- (1) Results of audit of the business report, etc.
 - In our opinion, the business report and its supporting schedules fairly present the situation of the Company, in compliance with the provisions of applicable laws, regulations and the Articles of Incorporation.
 - In our opinion, none of the actions taken by Directors and Corporate Executive Officers in executing their duties were fraudulent and none of their actions materially violated the provisions of applicable laws, regulations or the Articles of Incorporation.
 - In our opinion, the content of the resolution by the Board of Directors regarding the organization of the internal control system was appropriate, the contents of the business report regarding internal control systems was appropriate, and, furthermore, all actions of Directors and Corporate Executive Officers with respect to executing internal control

systems were carried out appropriately.

(2) Results of the audit of the consolidated statutory report

In our opinion, the auditing methods used by the independent auditor KPMG AZSA LLC and the results of its audit were appropriate.

(3) Results of the audit of the statutory report and its supplementary schedules

In our opinion, the auditing methods used by the independent auditor KPMG AZSA LLC and the results of its audit were appropriate.

May 12, 2022

Audit Committee

Daiwa Securities Group Inc.

Committee Chairperson
Ikuo Nishikawa

Committee Member
Sachiko Hanaoka

Committee Member
Hiromasa Kawashima

Committee Member
Michiaki Ogasawara

Committee Member
Eriko Kawai

Committee Member
Katsuyuki Nishikawa

Committee Member
Yumiko Murakami

(Note) Mr. Ikuo Nishikawa, Mr. Michiaki Ogasawara, Ms. Eriko Kawai, Mr. Katsuyuki Nishikawa and Ms. Yumiko Murakami are the outside directors provided under the provisions of Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.

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**

■ Business Report	
Status of Stock Subscription Rights, etc.	p. 1
System to Ensure Appropriateness of Business and State of Operation of Such System	p. 5
■ Consolidated Statutory Report	
Consolidated Statements of Changes in Net Assets	p. 11
Notes to the Consolidated Statutory Report	p. 13
■ Non-Consolidated Statutory Report	
Balance Sheet	p. 38
Statement of Income	p. 40
Statement of Changes in Net Assets	p. 41
Notes to the Non-Consolidated Statutory Report	p. 42
■ Auditor's Report	
Independent Auditor's Report Related to the Non- Consolidated Statutory Report	p. 48

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/)
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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

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 (<i>shohi-taishaku</i>)	6,093,554	million yen
Securities sold under repurchase agreement (<i>Gensaki</i>)	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 (<i>shohi-taishaku</i>)	6,615,034	million yen
Securities purchased under resale agreement (<i>Gensaki</i>)	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
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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 (Note 1, 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 bonds", 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	Swap rate	0.08 - 2.8%	
		Currency basis	(0.8) - 0.3%	
		Equity	Stock price volatility	18.4 - 20.6%
		Credit / Other	Credit spread	0.03 - 4.2%
		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.

		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.

Retail Division and Wholesale Division

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.

Asset Management Division

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.

Investment Division

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
<i>Assets</i>	
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
<i>Liabilities</i>	
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
<i>Net assets</i>	
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 depreciation	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	
<hr/>		
Subtotal of deferred tax assets	25,532	
Valuation allowance	(21,406)	
<hr/>		
Total deferred tax assets:	4,126	

(Deferred tax liabilities)

Valuation difference on available-for-sale securities	12,207	million yen
Other	1,345	
<hr/>		
Total deferred tax liabilities	13,552	
<hr/>		
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) Other current liabilities (derivative liabilities) Other non-current liabilities (derivative liabilities) Accrued income Accrued expenses	25 2 362 3 28
Subsidiary	Daiwa PI Partners Co. Ltd.	Indirect 100.0%	Lending funds	Lending funds (Note 1) Receipt of interest (Note 1)	20,000 1,100	Long-term loans receivable	122,600 -
Subsidiary	Daiwa Investment Management Inc.	Direct 100.0%	Lending funds Directors hold concurrent positions	Lending funds (Note 1) Receipt of interest (Note 1)	- 635	Long-term loans receivable	63,600
Subsidiary	Daiwa International Holdings Inc.	Direct 100.0%	Lending funds Directors hold concurrent positions	Lending funds (Note 1)	15,750	Long-term loans receivable	280,690
Subsidiary	Daiwa Energy & Infrastructure Co. Ltd.	Indirect 100.0%	Lending funds	Lending funds (Note 1) Receipt of interest (Note 1)	75,500 1,171	Long-term loans receivable Short-term loans receivable Accrued income	109,700 6,853 17
Subsidiary	Daiwa Asset Management Co. Ltd.	Direct 100.0%	Debt financing Directors hold concurrent positions	Debt financing (Note 3) Payment of interest (Note 3)	19,108 0	Short-term borrowings	24,900
Subsidiary	Daiwa Securities Realty Co. Ltd.	Direct 100.0%	Lending funds	Lending funds (Note 1) Receipt of interest (Note 1)	31,252 75	Long-term loans receivable	30,087

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.