

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 2, 2023

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 86th 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 86th Ordinary General Meeting of Shareholders (the “Meeting”) will be held as stated below.

When convening this general meeting of shareholders, the Company takes measures for providing information in electronic format that constitutes the content of reference documents for the general meeting of shareholders, etc. (items for which measures for electronic provision are to be taken), and posts this information as “Notice of the 86th Ordinary General Meeting of Shareholders” on the Company’s website. Please access the Company’s website by using the internet address shown below to check the information.

The Company’s website: <https://www.daiwa-grp.jp/ir/shareholders/meeting/> (in Japanese)

In addition to the above website, you can also check using the sites provided below.

Website for shareholders meeting documents: <https://d.sokai.jp/8601/teiji/> (in Japanese)

TSE website (Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show> (in Japanese)

(Enter “Daiwa Securities Group” in “Issue name (company name)” or the Company’s securities code “8601” in “Code,” and click “Search.” Then, click “Basic information” and select “Documents for public inspection/PR information.” Under “Filed information available for public inspection,” click “Click here for access” under “[Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting].”)

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.) Tuesday, June 27, 2023, following the instructions below.

Particulars

1. Date and Time

10:00 a.m., Wednesday, June 28, 2023 (Doors open at 9:00 a.m.) (JST)

2. Venue

Convention Hall, B2, The Prince Park Tower Tokyo

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

3. Purpose of the Meeting

Matters to be reported:

1. Report on the contents of the Business Report, the Consolidated Financial Statements, and the outcome of the audit of the Consolidated Financial Statements conducted by Independent Auditors and the Audit Committee, with respect to the 86th fiscal year (from April 1, 2022 to March 31, 2023).
2. Report on the contents of the Non-Consolidated Financial Statements for the 86th fiscal year (from April 1, 2022 to March 31, 2023).

Matters to be resolved:

Proposal: Election of fourteen (14) Directors (Members of the Board)

4. Matters regarding the Exercise of Voting Rights

- (1) You may exercise your voting rights via electronic device (via the Internet, etc.) or in writing.
- (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. Items Disclosed via the Internet with Measures for Electronic Provision, etc.

- (1) In case there arise any matters that should be corrected regarding items for which measures for electronic provision are to be taken by the day before the Meeting, notification of the revisions and the details of the matters before and after the revisions will be provided on each website listed on page 1.
- (2) In case there arise any matters that shareholders should be made aware of regarding operations of the Meeting in relation to any changes up to the day of the Meeting, notification will be provided on the Company website on page 1.
- (3) We have sent the written documents stating the items for which measures for electronic provision are to be taken (Written Documents) to all shareholders who requested so, but the following items are not included in Written Documents on law and Article 23, Paragraph 2 of the Company's Articles of Incorporation.
 - (i) As to Business Report, "Status of Share Acquisition Rights, etc." and "System to Ensure Appropriateness of Business and State of Operation of Such System"
 - (ii) As to Consolidated Financial Statements, "Consolidated Statements of Changes in Net Assets" and "Notes to the Consolidated Financial Statements"
 - (iii) As to Non-Consolidated Financial Statements, "Balance Sheet," "Statement of Income," "Statement of Changes in Net Assets," and "Notes to the Non-Consolidated Financial Statements"
 - (iv) As to Auditor's Report, "Independent Auditor's Report Related to the Non-Consolidated Financial Statements"

The Business Report and the Consolidated Financial Statements included in the Written Documents, as well as the item listed in (i) to (iii) above, are the documents audited by the Audit Committee or Independent Auditors when they create the audit report or accounting audit report.

- (4) The documents listed on each website as the items for which measures for electronic provision are to be taken are the reference documents for the Meeting and other documents in their entirety. Therefore, please keep in mind that their page numbers do not match the page numbers in this notice of convocation sent to shareholders.

- Please note that any proxy or person, **who is not a shareholder**, accompanied with a shareholder **of the Company may not attend the Meeting**.
- When you attend the Meeting, **please submit the “Voting Rights Exercise Form”** sent with the notice of convocation to shareholders, **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 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. Hirotaka Takeuchi, Mr. Ikuo Nishikawa, Ms. Eriko Kawai, Mr. Katsuyuki Nishikawa, Mr. Toshio Iwamoto, Ms. Yumiko Murakami and Ms. Noriko Iki 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 Chairperson of the committee)	Years on Board (as of the conclusion of this shareholder meeting)	Attendance rate (FY2022)
1	Takashi Hibino	Reappointment	Chairperson of the Board and Corporate Executive Officer Member of the Nominating Committee Member of the Compensation Committee	19	10/10 (100%)
2	Seiji Nakata	Reappointment	Member of the Board, Representative Corporate Executive Officer, President and CEO Member of the Nominating Committee Member of the Compensation Committee	8	10/10 (100%)
3	Toshihiro Matsui	Reappointment	Member of the Board, Representative Corporate Executive Officer, Deputy President and COO, Head of Wholesale	7	10/10 (100%)
4	Keiko Tashiro	Reappointment Female	Member of the Board, Corporate Executive Officer and Deputy President, Executive Head of Overseas Operations, Head of Sustainability and Think Tank	9	10/10 (100%)
5	Akihiko Ogino	Reappointment	Member of the Board, Corporate Executive Officer and Deputy President Executive Head of Corporate Planning and Human Resources	3	10/10 (100%)
6	Sachiko Hanaoka	Reappointment Female Non-Executive	Member of the Board Member of the Audit Committee	4	10/10 (100%)
7	Hiromasa Kawashima	Reappointment Non-Executive	Member of the Board Member of the Audit Committee	3	10/10 (100%)
8	Hirotaka Takeuchi	Reappointment Outside Independent	Outside Director Member of the Nominating Committee ★Member of the Compensation Committee	7	10/10 (100%)

9	Ikuo Nishikawa	Reappointment Outside Independent	Outside Director ★Member of the Audit Committee Member of the Compensation Committee	7	10/10 (100%)
10	Eriko Kawai	Reappointment Female Outside Independent	Outside Director Member of the Nominating Committee Member of the Audit Committee	5	10/10 (100%)
11	Katsuyuki Nishikawa	Reappointment Outside Independent	Outside Director Member of the Nominating Committee Member of the Audit Committee	4	10/10 (100%)
12	Toshio Iwamoto	Reappointment Outside Independent	Outside Director Member of the Nominating Committee Member of the Compensation Committee	3	10/10 (100%)
13	Yumiko Murakami	Reappointment Female Outside Independent	Outside Director Member of the Audit Committee Member of the Compensation Committee	2	10/10 (100%)
14	Noriko Iki	New appointment Female Outside Independent		-	-

Reappointment

New appointment

Non-Executive

Outside

Independent

Reappointed member of the board candidate

Newly appointed member of the board candidate

Non-executive member of the board candidate

Outside member of the board candidate

Independent Director as defined by the stock exchange

Expertise and experience of the candidates for Outside Director

Name	Corporate Management	Finance/ Accounting	Legal/ Compliance	DX /ICT	Global
Takashi Hibino	They have expertise and experience to execute adequately the management and control of the Group.				○
Seiji Nakata					
Toshihiro Matsui					
Keiko Tashiro					○
Akihiko Ogino					
Sachiko Hanaoka					
Hiromasa Kawashima					
Hiroataka Takeuchi	●				●
Ikuo Nishikawa		●			
Eriko Kawai		●			●
Katsuyuki Nishikawa			●		
Toshio Iwamoto	●			●	●
Yumiko Murakami	●				●
Noriko Iki			●		●

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	Chairperson of the Board and Corporate Executive Officer
Number of shares of the Company held	common stock 415,890 shares
Years on Board (as of the conclusion of this shareholder meeting)	19
Attendance Rate	Board of Directors 10/10 (100%) Nominating Committee 5/5 (100%) Compensation Committee 4/4 (100%)

The reason for election

He joined the Company in 1979, served successively as the Head of Products, Overseas Operations, 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	Chairperson of the Board and Corporate Executive Officer of the Company (current position); and Representative Director and Chairperson of the Board of Daiwa Securities Co. Ltd.
Apr. 2020	Chairperson of the Board of Daiwa Securities Co. Ltd. (current position)

(Significant concurrent positions)
Chairperson 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 351,630 shares
Years on Board (as of the conclusion of this shareholder meeting)	8 (Note)
Attendance Rate	Board of Directors 10/10 (100%) Nominating Committee 5/5 (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 270,000 shares
Years on Board (as of the conclusion of this shareholder meeting)	7
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, 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	Member of the Board, 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 Sustainability and Think Tank
Number of shares of the Company held	common stock 156,300 shares
Years on Board (as of the conclusion of this shareholder meeting)	9
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 Operations (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 Sustainability 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 Operations (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 and Senior Executive Managing Director and Head of Overseas Operations 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 and Deputy President of the Company (current position); and Representative Director and Deputy President of Daiwa Securities Co. Ltd. (current position)
Apr. 2020	Head of Overseas Operations and SDGs of the Company
Apr. 2022	Executive Head of Overseas Operations and Head of SDGs and Think Tank of the Company; and Member of the Board of Daiwa Institute of Research Ltd. (current position)
Apr. 2023	Executive Head of Overseas Operations and Head of Sustainability and Think Tank of the Company (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 192,700 shares
Years on Board (as of the conclusion of this shareholder meeting)	3
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 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 Senior Managing Director of Daiwa Securities Co. Ltd.
Apr. 2015	Head of Legal and Deputy Head of Planning and Overseas Operations of the Company
Apr. 2017	Executive Managing Director, Head of Legal and Deputy Head of Planning of the Company Executive Managing Director of 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 and 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); and 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.

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 73,700 shares
Years on Board (as of the conclusion of this shareholder meeting)	4
Attendance Rate	Board of Directors 10/10 (100%) Audit Committee 13/13 (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 82,100 shares
Years on Board (as of the conclusion of this shareholder meeting)	3
Attendance Rate	Board of Directors 10/10 (100%) Audit Committee 13/13 (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); Audit & Supervisory Board Member of Daiwa Real Estate Asset Management Co. Ltd. (current position); and 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

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 23,900 shares
Years on Board (as of the conclusion of this shareholder meeting)	7
Attendance Rate	Board of Directors 10/10 (100%) Nominating Committee 5/5 (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

9

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 14,900 shares
Years on Board (as of the conclusion of this shareholder meeting)	7
Attendance Rate	Board of Directors 10/10 (100%) Audit Committee 13/13 (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 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

10

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 12,800 shares
Years on Board (as of the conclusion of this shareholder meeting)	5
Attendance Rate	Board of Directors 10/10 (100%) Nominating Committee 5/5 (100%) Audit Committee 13/13 (100%)

The reason for election and overview of the expected roles

She held positions such as the Pension Funds Administrator of Bank for International Settlements (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 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 Audit & Supervisory Board Member of Yamaha Motor Co., Ltd.

Outside Director of Mitsui Fudosan Co., Ltd.

Senior Advisor of International Management Forum Co., Ltd.

External Director of DMG Mori Co., Ltd.

Candidate
Number

11

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 6,800 shares
Years on Board (as of the conclusion of this shareholder meeting)	4
Attendance Rate	Board of Directors 10/10 (100%) Nominating Committee 5/5 (100%) Audit Committee 13/13 (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 the execution of duties by Corporate Executive Officers even though he had never 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

12

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 5,500 shares
Years on Board (as of the conclusion of this shareholder meeting)	3
Attendance Rate	Board of Directors 10/10 (100%) Nominating Committee 5/5 (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 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 Director of East Japan Railway Company



Candidate
Number

13

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 3,100 shares
Years on Board (as of the conclusion of this shareholder meeting)	2
Attendance Rate	Board of Directors 10/10 (100%) Audit Committee 13/13 (100%) Compensation Committee 4/4 (100%)

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 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.



Candidate
Number

14

Noriko Iki

New appointment

Female

Outside

Independent

Date of Birth	March 21, 1956
Title and charge in the Company	—
Number of shares of the Company held	common stock 3,000 shares
Years on Board (as of the conclusion of this shareholder meeting)	—
Attendance Rate	—

The reason for election and overview of the expected roles

She has held positions such as the Director-General of Equal Employment, Children and Families Bureau, Ministry of Health, Labour and Welfare, the Director-General of Tokyo Labor Bureau, Ministry of Health, Labour and Welfare, and Ambassador Extraordinary and Plenipotentiary to Brunei, and the Company requests that shareholders elect her as an Outside Director since the Company expects that, based on her expert knowledge and experience related labor administration and diversity and significant global experience cultivated through that experience, she will be able to advise on the management of the Company and supervise the execution of duties by Corporate Executive Officers even though she has never been involved directly in corporate management.

Brief personal history, title, charge and significant concurrent positions

Apr. 1979	Entered Ministry of Labour
July 2009	Director-General of Equal Employment, Children and Families Bureau, Ministry of Health, Labour and Welfare
July 2010	Research Director of Japan Institute for Labour Policy and Training
Sept. 2012	Director-General of Tokyo Labour Bureau, Ministry of Health, Labour and Welfare
Apr. 2014	Ambassador Extraordinary and Plenipotentiary to Brunei
June 2018	President of Japan Institute for Women's Empowerment & Diversity Management (current position)
(Significant concurrent positions)	
President of Japan Institute for Women's Empowerment & Diversity Management	

(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 six Outside Directors, Mr. Hirotaka 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. Also, in the event Ms. Noriko Iki's appointment is approved, there is a plan to conclude an agreement to limit liability to the Company in the same way with her.*
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 Chairperson 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 Chairperson of each committee will be Outside Directors as described below.

Name	Title	Nominating Committee	Audit Committee	Compensation Committee
Takashi Hibino	Chairperson 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		○	
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		○	○
Noriko Iki	Member of the Board (Outside) Independent Officer	○	○	

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

[Notice of Convocation of the 86th Ordinary General Meeting of Shareholders Appendixes]
Business Report (From April 1, 2022 to March 31, 2023)

Status of the Group's Business Activities

The Group (Note) 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 (FY2022) 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.

Outline of the Consolidated Performance

(1) Profits and Losses of the Group

(Billions of yen)

	Fiscal 2022 (Year ended March 31, 2023)	Change (%) from Previous Term
Operating revenue	866.0	39.8%
Net operating revenue	464.2	-7.5%
Ordinary income	86.9	-36.0%
Profit attributable to owners of parent	63.8	-32.7%

(Millions of yen)

	Net operating revenues			Ordinary income		
	Fiscal 2021 (85th term)	Fiscal 2022 (86th term)	Change (%) from Previous Term	Fiscal 2021 (85th term)	Fiscal 2022 (86th term)	Change (%) from Previous Term
Retail	188,879	164,336	-13.0%	41,807	25,886	-38.1%
Wholesale	195,863	160,891	-17.9%	50,951	2,822	-94.5%
<i>Global Markets</i>	<i>134,353</i>	<i>102,850</i>	<i>-23.4%</i>	<i>38,301</i>	<i>-3,130</i>	<i>-</i>
<i>Global Investment Banking</i>	<i>61,510</i>	<i>58,041</i>	<i>-5.6%</i>	<i>10,693</i>	<i>4,738</i>	<i>-55.7%</i>
Asset Management	71,052	70,394	-0.9%	45,253	44,526	-1.6%
<i>Securities Asset Management</i>	<i>45,351</i>	<i>42,882</i>	<i>-5.4%</i>	<i>21,995</i>	<i>18,076</i>	<i>-17.8%</i>
<i>Real Estate Asset Management</i>	<i>25,701</i>	<i>27,512</i>	<i>7.0%</i>	<i>23,258</i>	<i>26,450</i>	<i>13.7%</i>
Investment	11,055	16,446	48.8%	7,192	13,068	81.7%
Others	35,242	52,157	-	-9,382	626	-
Total	502,093	464,226	-7.5%	135,821	86,930	-36.0%

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

(Billions of yen)

	Fiscal 2022 (As of March 31, 2023)	Change from Previous Term
Total assets	26,413.2	-1,117.8
Total liabilities	24,737.7	-1,153.4
Total net assets	1,675.4	35.6
Net assets per share (yen)	968.93	43.12

Economic and Market Environment

Speaking of the economic state of Japan during this fiscal year, although the economy is continuing to normalize after the pandemic, the increase in price of resources and weak yen have caused a sudden increase in prices of imported goods, leading to record inflation and other severe conditions. Production and procurement were stagnant, mainly concerning vehicles and home appliances, due to the effects of the lockdown in China between April and June. However, with the increase in expenditures for travel and dining out due to the improvement in COVID conditions within Japan, the annualized actual GDP growth rate was nearly a 5% increase over the previous year. While export and equipment investment continued to increase between July and September, as the government did not issue activity restrictions during the 7th wave of COVID, adverse effects on economic activity were reduced. Meanwhile, the increase in the prices of resources that has continued since 2021 was accelerated by Russia's attack on Ukraine, and the dollar-yen rate reflected the differences in direction of US-Japan financial policies, seeing the weak yen and strong dollar trend continuing. As a result, the July import price index rose by 49% compared to the previous year and corporate goods prices and consumer prices were pushed up. With the major relaxation of border control measures between October and December, the visitor rate to Japan has rapidly recovered, and besides increased vehicle production due to the improvement in the semiconductor shortage, the national government decided to implement a comprehensive economic stimulus package worth 72 trillion yen at the end of October. An anticipation of a rise in interest rates weakened as inflation in the US slows down and after reaching 151 yen to the dollar in October, the exchange rate settled to the lower 130-yen range to the dollar by the end of December. For the period between January and March, the January consumer prices increased by 4.3% over the previous year, which was the highest since December 1981. However, the cost push inflation aspect is large and the Bank of Japan maintained large-scale mitigation in the Monetary Policy Meetings in January and March. In March, amidst uncertainty of the future of the world economy and financial markets due to bankruptcy of certain financial institutions in the US, etc., Japanese companies made large-scale wage increases, especially among large corporations in the annual wage negotiation between employers and unions. The wage increase rate in the periodical wage raise aggregated by the Japan Trade Union Confederation (Union) on March 23 was 3.76%, the second highest since 1993.

In the stock market, with the accelerated inflation due to the increase in the price of resources from the issues in Ukraine, and shortage in the labor market, central banks tightened their monetary policies globally, and due to the increasing concerns of economic slowdown in overseas, the upside of the Nikkei Stock Average was capped. Meanwhile, economic normalization progress in Japan, increased income of exporting companies due to the weak yen and expectations for government economic measures have supported the share prices. The Nikkei Stock Average at the end of this period was 28,041.48 yen and an increase of 0.8% compared to the end of the previous period.

In the bond market, based on the large increase in interest rates by the major central banks in Europe and the U.S., there is also increased pressure on interest rates within Japan. Despite the Bank of Japan's continued large-scale easing, the expansion of acceptable variations of long-term interest rates in December 2022 has led to the 10-year Japanese Government Bond yield temporarily exceeding 0.5%. As a result, the 10-year Japanese Government Bond yield at the end of FY2022 was 0.320%.

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 achieving a wealth management type business model, providing products and services based on customer needs, expanding its solutions-based business through a total assets approach, and developing new business that utilizes partnerships with external channels.

Daiwa Securities Co. Ltd. strives to provide appealing products and services to meet the needs of all customers, and “Daiwa WiL3 Venture Capital Fund” was launched in May 2022, providing a new investment opportunity for alternative assets (Note 1) for a wide range of customers. Also, in October 2022, in addition to asset management, we started our “Platinum Wealth Wrap Service” to meet a variety of wealthy class customer needs such as inheritance and business succession. In March 2023 we revamped our online trading and took initiatives to improve convenience for the customer.

In FY2022, continuing from FY2021, we are still regularly holding Customer Satisfaction Council with the aim of improving products and services with customer feedback as the starting point. In external NPS survey (Note 2), we are maintaining consistent high standards in the among security companies doing business face-to-face.

Furthermore, in order to expand our Group's customer base and services in the asset formation field, in May 2022 we started handling the “Yucho Fund Wrap” at JAPAN POST BANK Co., Ltd., which has a solid customer base in Japan and in the same month we also started handling the “Shinkin Fund Wrap” at Tama Shinkin Bank, which was developed jointly with Shinkin Central Bank. In addition to the above, in the comprehensive business tie-up with Shikoku Bank, Ltd., preparations to start business tie-up in April 2023 are proceeding.

Regarding branch strategy, with the integration of the Osaka and Umeda branches, the number of branches reached 182 at the end of this period, including the 73 sales offices in Japan.

(Note 1) Alternative assets: New investment assets that are an alternative to the traditional investment assets such as listed stock and bond investments.

(Note 2) The NPS survey is the NPS (a measure that quantifies customer loyalty) benchmark results of an industry specific survey conducted on users, announced in November 2022 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 fiscal 2022, amidst uncertainty of the market environment, due to the worsening of investor sentiment and reduced trading revenue in equities and bonds, we have considered measures to expand revenue and reduce costs in order to improve profit.

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 fifth straight year and first place in the financial markets category for the first time.

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

In the underwriting business, besides acting as a global coordinator (Note 1) for JAPAN POST BANK Co., Ltd.’s secondary offering and Skymark Airlines Inc.’s initial public offering, we have also acted as a book runner and Structuring Agent (Note 2) in issuances such as social bonds (Note 3) for Fuji Film Holdings and sustainability bonds (Note 4) for Tokyo Institute of Technology.

In the M&A advisory business, Daiwa Securities Co. Ltd. was involved in number of industry realignment deals and group reorganization deals including a capital business partnership between Nitori Holdings and Edion Corporation, and complete subsidization of Tatsuta Electric Wire and Cable Co., by JX Nippon Mining & Metals Corporation, as well as diverse deals in various regions and countries.

(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) Structuring Agent: A person that provides support in issuing SDGs debt, etc. through providing advice related to drafting framework and getting second opinions when issuing SDGs debt, etc.

(Note 3) Social bond: A bond issued in order to procure capital necessary or new or existing projects with the goal of achieving resolutions or improvements to specific social issues, or positive social outcomes.

(Note 4) Sustainability bond: This is a bond issued in order to allow companies and local municipalities to procure capital required for both the green projects and social projects within Japan and overseas.

Asset Management Business

Daiwa Asset Management Co. Ltd. has been working to expand assets under management by strengthening its fund management capabilities and development of new products with high added value. As a result, mainly due to increased capital inflow in regional financial institutions, its net assets of publicly offered stock investment trusts increased by 435.9 billion yen in FY2022 to 23.7 trillion yen at the end of the company's FY2022.

We also developed products with higher added value such as the "Daiwa WiL3 Venture Capital Fund," and the "Daiwa Blackstone Private Credit Fund," which are funds investing in alternative assets, as well as "Drucker Institute US Stock Fund," which pays special attention to intangible assets.

Global X Japan Co. Ltd. provided nine listed ETFs, such as a growth theme-based ETF (Note 1) and income ETF (Note 2). Its assets under management were 109.4 billion yen at the end of the company's FY2022.

At Daiwa Real Estate Asset Management, efforts were made to improve the real estate portfolio quality with newly acquired properties and reshuffling assets as well as improving the value of existing properties through activities such as obtaining the Daiwa Nihonbashi Bakurocho Building, which was the first internal development project within REIT for Daiwa Office Investment Corporation operated by Daiwa Real Estate Asset Management Co. Ltd. and by the end of FY2022, the asset size under management was 1.2069 trillion yen.

Further, due to efforts such as for thoroughness of published materials and environmental certification, the GRESB assessment (Note 3) of Daiwa Office Investment Corporation and Daiwa Securities Living Investment Corporation was improved.

(Note 1) growth theme-based ETF: An ETF that aims to benefit from structural changes while paying attention to the theme of expected advancement and growth.

(Note 2) Income ETF: An ETF that aspires to obtain a high dividend yield, paying attention to dividend yield, dividend continuity, etc.

(Note 3) GRESB Assessment: Assessment of initiatives for environmental, social, and governance (ESG) in units of company/fund in the real estate sector provided by the Dutch rating agency GRESB (Global Real Estate Sustainability Benchmark).

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. Also, in November 2022 we established the Kohoku Toyo 2 equity investment fund for investing in unlisted Chinese health care companies, and in January 2023 we established the DCI Venture Growth Support 2 Investment Limited Liability Partnership for investing in ventures within Japan.

Daiwa PI Partners Co. Ltd. invested in monetary claims, real estate loans and equity and loans to corporations at home and abroad. In May 2022, its local subsidiary (Daiwa PI Partners Singapore Pte. Ltd.) in Singapore, which serves as a hub for investors in Asia, opened for business, in order to strengthen investment business in Southeast Asia. Also, at Daiwa Blue Financial, which operates a venture debt business (Note), its balance of money loans has grown smoothly.

Daiwa Energy & Infrastructure Co. Ltd. executed investment and lending for renewable energy assets and infrastructure assets within and outside of Japan such as acquiring part ownership of the Hornsea One offshore wind power in the UK, which is one of the largest offshore wind farms in the world.

(Note) Venture Debt: This refers to funding through lending for a venture corporation and is a method that allows for procuring growth capital while controlling dilution of stock.

Other

Daiwa Institute of Research Ltd. contributed to the reduction of IT costs by further improving the efficiency of system development for the Group. On another note, in December 2022 it established the “WORLD” website to provide information that serves as a foundation for creating new solutions specializing in advanced technology such as AI/data sciences. Also, as a think tank, it disseminated information based on current economic and social trends.

Daiwa Next Bank, Ltd. renewed the smartphone app in June 2022 in order to further improve services.

CONNECT Co., Ltd (Note 1) started “Credit card installment investment” service as part of an initiative for joint business with Credit Saison Co., Ltd. in January 2023.

Daiwa Securities Realty Co., Ltd. has contributed to expanding the operational scale of investment companies that operated by Daiwa Real Estate Asset Management Co. Ltd. by providing a warehousing function (Note 2).

(Note 1) CONNECT Co., Ltd: It has changed its company name to Daiwa Connect Securities Co., Ltd. in May 2023.

(Note 2) Warehousing function: A function to temporarily obtain a property before the investing company finally obtains it, in order to control the time of property acquisition.

Status of the Capital Investment of the Group

The Group makes capital investments so that we can offer products and services that meet our customers' needs, achieve digital transformation (Note 1) through business process digitalization, data analysis, research and application, develop infrastructure to ensure business efficiency and security, address legal and regulatory requirements, and strengthen risk management.

In FY2022, we proceeded with initiatives for building a platform on Daiwa Securities Co. Ltd.'s internal system that can even be used by banks, credit unions and other financial institutions through Web or API (Note 2) in order to quickly and effectively cooperate with such financial institutions. Also, as an investment to improve and optimize the company's business, we built a platform for storing and analyzing data that will allow all officers and employees of the company to make data-driven decisions, and as the next phase we worked to introduce tools for a collection and analysis of data tools. Also, by building a zero-trust (Note 3) security foundation, in addition to the enhancement of communication security for outside the company conducted in FY2021, we have newly enhanced internal communication in FY2022. As a result of these measures, the Group made 32.3 billion yen in IT-related capital investments.

Also, Daiwa Securities Co. Ltd. has newly established Otori Sales Office.

(Note 1) Digital Transformation (DX): When a company utilizes data and digital technology to keep up with the drastic changes in the business environment and reforms the business itself, the organization, processes, and corporate culture and environment and establish priority in competition while also reforming products, services and business models based on needs of customers and society.

(Note 2) API (Application Programming Interface): The specifications and structure to provide connections between systems in the standard form.

(Note 3) Zero trust: The 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.

Status of Financing of the Group

The Company issued the bonds below amounting to 60 billion yen in total.

Bonds payable	Amount of liabilities	Payment date
38th Series of Unsecured Bonds	30 billion yen	February 24, 2023
39th Series of Unsecured Bonds	30 billion yen	February 24, 2023

Five-Year Trend of Consolidated Performance and Assets

(Billions of yen)

Item \ Term	82 nd	83 rd	84 th	85 th	86 th
	(April 1, 2018- March 31, 2019)	(April 1, 2019- March 31, 2020)	(April 1, 2020- March 31, 2021)	(April 1, 2021- March 31, 2022)	(April 1, 2022- March 31, 2023)
Operating revenue	720.5	672.2	576.1	619.4	866.0
Net operating revenue	441.2	426.2	466.6	502.0	464.2
Ordinary income	83.1	70.2	115.1	135.8	86.9
Profit attributable to owners of parent	63.8	60.3	108.3	94.8	63.8
Total net assets	1,256.4	1,257.7	1,591.8	1,639.8	1,675.4
Total assets	21,126.7	23,822.0	26,099.3	27,531.0	26,413.2
Net assets per share (Yen)	794.54	796.33	875.12	925.81	968.93
Net income per share (Yen)	39.95	39.11	71.20	63.06	43.53
Return on equity (ROE)	5.1%	4.9%	8.5%	7.0%	4.6%
Number of consolidated subsidiaries	60	66	118	136	140
Number of affiliates accounted for using the equity method	10	15	17	18	17

(Note) The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. are applied from the beginning of the 85th period. Each number from the 85th period is the number after the application of these accounting standards.

Issues to Be Addressed by the Group

In fiscal 2022, securities and financial markets underwent sharp fluctuations as the global economy reached a turning point, such as Russia's invasion of Ukraine and the global divide, heightened inflationary pressure and monetary tightening. Amid such difficult conditions, Daiwa Securities Group has proceeded with various measures set forth in the Medium-Term Management Plan, "Passion for the Best" 2023, and it was a year in which certain results were produced. Specifically, the Group has made steady progress in diversification and stabilization of revenue structure through the creation of new products and services by making the transition to the wealth management business model and expanding hybrid business, with results indicating that the Group is moving in the right direction.

Although uncertainty about the future cannot be dispelled in fiscal 2023, which is the final year of the Medium-Term Management Plan, Japan will reach a milestone with the COVID-19 pandemic and also the turning point of a departure from the deflation that has continued for around three decades. Furthermore, government initiatives mentioned in the Doubling Asset-based Incomes Plan, such as the fundamental expansion of NISA and enhancing the convenience of iDeCo, will boost the flow "from savings to investment." The Group will proceed with the transition to the wealth management business model pursuing "the best interests of customers" without wavering in the face of changes in the environment. In addition, the Group will seek to expand alternative investment opportunities suitable for the needs of a wide range of customers by strengthening hybrid business. Furthermore, we will support initiatives aimed at the resolution of social issues such as transition finance (Note) based on the unshaken trend of sustainability.

By simultaneously implementing these initiatives, we will create a revenue structure less impacted by the market environment, and also contribute to the realization of a sustainable and rich society.

(Note) Transition finance: A financing method for supporting the Company's considering climate change countermeasures in conducting initiatives to reduce their greenhouse gas emissions in line with long-term strategies for realizing a decarbonized society.

Action Plan for Each Business Division

Retail Division

- 1 Establishment of a wealth management business model
- 2 Providing products and services that meet diverse 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 Providing diverse products and advanced solutions that meet customers' needs
- 2 Expansion of business through further strengthening of ties with the Retail Division
- 3 Rebuilding global business aimed to improve income/expenditure structure
- 4 Supporting companies by promoting sustainable finance
- 5 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 R&D 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 alternative business such as real estate through coordination within the Group

Investment Division

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

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 Further strengthening of sales systems based on the characteristics of the client companies, providing total solutions ranging from consulting to systems according to customers' needs, expansion of business through solutions requiring advanced knowledge such as data science and cybersecurity
- 4 Enhancement of research quality by creating a virtuous cycle of communication, information gathering and exchange of opinions

Other (Daiwa Next Bank)

- 1 Balancing expansion of deposits and profitability
- 2 Strengthening of coordination within the Group
- 3 Expansion of the balance of assets under management and diversification of portfolio according to the interest environment in Japan and overseas
- 4 Ongoing efforts to promote Ouen (Supporting) Term Deposits and ESG investment and lending

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 businesses
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	238,093	41.0% (14.1%)	Investment in specified assets
Samty Residential Investment Corporation	Chiyoda-ku, Tokyo	82,111	40.2% (38.9%)	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 FY2022

Not applicable.

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

Not applicable.

(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, Namba Branch, Kobe Branch, and 29 other branches
Chugoku / Shikoku	Hiroshima Branch, and 13 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
14,731	Decrease of 158

(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 241.

(ii) The Company's Employees

Number of employees	Average age	Average years of service
606	42.6	14.0 years

(Note 1) The number of employees reflects the number of the people who actually work in the Company. 601 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	26,706
	Long-Term Borrowings	165,000
Mizuho Bank Ltd.	Short-Term Borrowings	20,000
	Long-Term Borrowings	82,000
MUFG Bank, Ltd.	Long-Term Borrowings	61,000
Resona Bank Ltd.	Long-Term Borrowings	31,000

(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.

Summary of the Company (as of March 31, 2023)

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:** 1,569,378,772 shares of Common Stock (including treasury stock)

(3) **Total number of Shareholders:** 162,393

(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)	220,984 thousand shares (15.20%)
Custody Bank of Japan, Ltd. (Trust Account)	71,699 thousand shares (4.93%)
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	42,488 thousand shares (2.92%)
Taiyo Life Insurance Company	41,140 thousand shares (2.83%)
Nippon Life Insurance Company	31,164 thousand shares (2.14%)
JAPAN POST HOLDINGS Co., Ltd.	30,000 thousand shares (2.06%)
Barclays Securities Japan Limited	29,660 thousand shares (2.04%)
STATE STREET BANK WEST CLIENT - TREATY 505234	26,284 thousand shares (1.80%)
Daiwa's Employee Stock Ownership Association	22,387 thousand shares (1.54%)
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	19,569 thousand shares (1.34%)

(Note 1) The Company holds 116,389,787 of its own shares as treasury stock as of March 31, 2023 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 FY2022 is as follows.

	Numbers allotted (person)	Allotted Shares
Directors	2	20,600
Corporate Executive Officers	12	262,300
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.

The Corporate Governance System of the Group

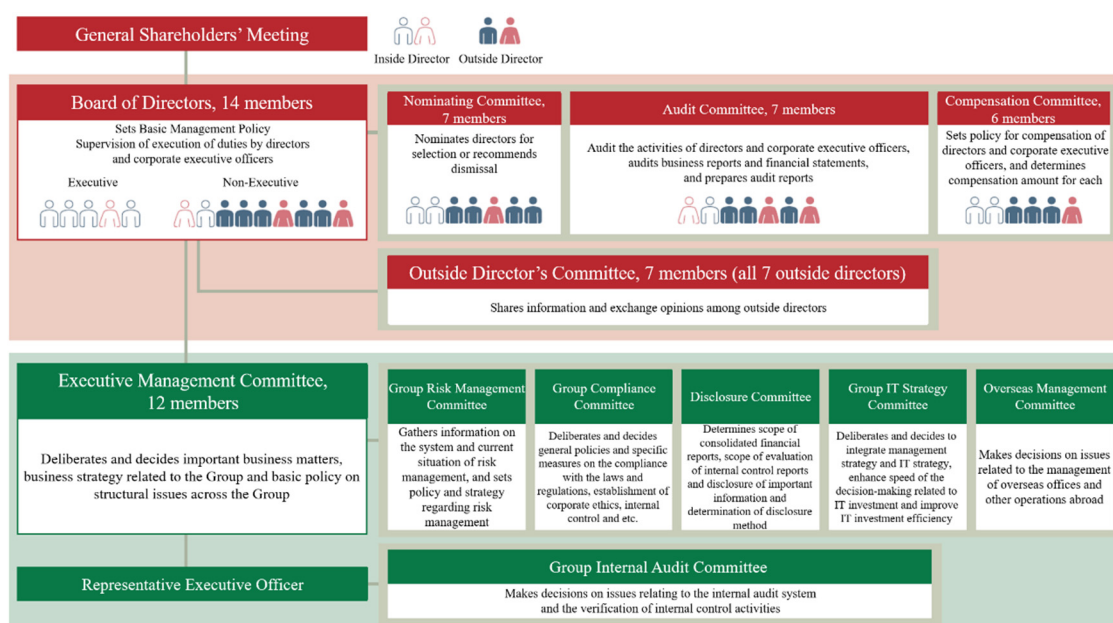
Basic Stance on Corporate Governance

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, 2023)



(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.

State of Activities of Three Committees

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	
State of activities for period	In FY2022, the Nominating Committee met five (5) 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 skill matrix of 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 (Chairperson, Outside Director) Takashi Hibino Seiji Nakata Hirotaka Takeuchi (Outside Director) Eriko Kawai (Outside Director) Katsuyuki Nishikawa (Outside Director) Toshio Iwamoto (Outside Director)
Audit Committee	
State of activities for period	In FY2022, the Audit Committee met thirteen (13) 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 (Chairperson, Outside Director) Sachiko Hanaoka Hiromasa Kawashima Michiaki Ogasawara (Outside Director) Eriko Kawai (Outside Director) Katsuyuki Nishikawa (Outside Director) Yumiko Murakami (Outside Director)
Compensation Committee	
State of activities for period	In FY2022, 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 (Chairperson, Outside Director) Takashi Hibino Seiji Nakata Ikuo Nishikawa (Outside Director) Toshio Iwamoto (Outside Director) Yumiko Murakami (Outside Director)

State of Outside Director's Meeting Activities

In FY2022, the meeting was held four (4) times to collect information about new DX activities, conduct risk, geopolitical risk and the economic situation as well as discuss with the CEO. Mr. Michiaki Ogasawara was appointed as the chairperson.

Status of the Company's Officers

(1) Status of Directors

Title	Name	Area of responsibility and significant concurrent positions
Chairperson of the Board	Takashi Hibino	See “(2) Status of Corporate Executive Officers”
Member of the Board	Seiji Nakata	See “(2) Status of Corporate Executive Officers”
Member of the Board	Toshihiro Matsui	See “(2) Status of Corporate Executive Officers”
Member of the Board	Keiko Tashiro	See “(2) Status of Corporate Executive Officers”
Member of the Board	Akihiko Ogino	See “(2) Status of 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, Mr. Michiaki Ogasawara, Mr. Hiroataka Takeuchi, Mr. Ikuo Nishikawa, Ms. Eriko Kawai, Mr. Katsuyuki Nishikawa, Mr. Toshio Iwamoto and Ms. Yumiko Murakami are seven 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) Mr. 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.

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

(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) of the Company and Representative Director and President of Daiwa Securities Co. Ltd.
Deputy President/ Representative Corporate Executive Officer	Toshihiro Matsui	Chief Operating Officer (COO) and Head of Wholesale of the Company Representative Director/Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Keiko Tashiro	Executive Head of Overseas Operations and Head of SDGs and Think Tank of the Company Representative Director/Deputy President of Daiwa Securities Co. Ltd. Member of the Board of Daiwa Institute of Research Ltd.
Deputy President	Akihiko Ogino	Executive Head of Corporate Planning and Human Resources of the Company Representative Director/Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Shinsuke Niizuma	Head of Retail of the Company Representative Director/Deputy President of Daiwa Securities Co. Ltd.
Senior Executive Managing Director	Atsushi Mochizuki	Head of Compliance of the Company Representative Director/Senior Executive Managing Director of Daiwa Securities Co. Ltd.
Senior Executive Managing Director	Junichi Arihara	Chief Risk Officer (CRO) and Chief Data Officer (CDO) of the Company Member of the Board/Senior Executive Managing Director of Daiwa Securities Co. Ltd.
Senior Executive Managing Director	Tomoyuki Murase	Chief Information Officer (CIO) of the Company Member of the Board/Senior Executive Managing Director of Daiwa Securities Co. Ltd.
Executive Managing Director	Kana Shirakawa	Chief Health Officer (CHO) of the Company Member of the Board/Executive Managing Director of Daiwa Securities Co. Ltd.
Executive Managing Director	Shikou Yanagisawa	Head of Internal Audit of the Company Member of the Board/Executive Managing Director of Daiwa Securities Co. Ltd.
Executive Managing Director	Eiji Sato	Chief Financial Officer (CFO) and Head of Planning of the Company Member of the Board/Executive Managing Director of Daiwa Securities Co. Ltd. Member of the Board of Daiwa Asset Management Co. Ltd.
Corporate Executive Officers	Takashi Hibino	Member of the Board/Chairperson of the Board of Daiwa Securities Co. Ltd. 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) Two of Corporate Executive Officers, Atsushi Mochizuki and Junichi Arihara resigned as of March 31, 2023. Effective on the same date, Atsushi Mochizuki resigned his position as Representative Director and Senior Executive Managing Director of Daiwa Securities Co. Ltd. and Junichi Arihara resigned his position as Member of the Board, Senior Executive Managing Director of Daiwa Securities Co. Ltd.

(Note 3) Effective April 1, 2023, Yuko Sakurai and Susumu Kobayashi were appointed as Corporate Executive Officers, and on the same date Corporate Executive Officer's positions and responsibilities were changed as follows:

<i>Deputy President</i>	<i>Keiko Tashiro, Executive Head of Overseas Operations and Head of Sustainability and Think Tank</i>
<i>Deputy President</i>	<i>Tomoyuki Murase, Chief Information Officer (CIO) and Chief Data Officer (CDO)</i>
<i>Senior Executive Managing Director</i>	<i>Yuko Sakurai, Head of Compliance</i>
<i>Senior Executive Managing Director</i>	<i>Eiji Sato, Chief Financial Officer (CFO) and Head of Planning</i>
<i>Senior Executive Managing Director</i>	<i>Kana Shirakawa, Chief Health Officer (CHO)</i>
<i>Executive Managing Director</i>	<i>Susumu Kobayashi, Chief Risk Officer (CRO)</i>

Effective April 1, 2023, Tomoyuki Murase has been appointed as Representative Director and Deputy President of Daiwa Securities Co. Ltd., Yuko Sakurai has been appointed as Representative Director and Senior Executive Managing Director of Daiwa Securities Co. Ltd., and Kana Shirakawa and Eiji Sato have been appointed as Member of the Board, Senior 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
	Advisor of Tokyu Fudosan Holdings Corporation
	Advisor of Fujitsu Future Studies Center Ltd.
	Outside Director of Koei Tecmo Holdings Co., Ltd.
	President of Yu-cho Foundation
Hirotaka Takeuchi	Professor of 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.
	Chair of the Board of Trustees of International Christian University
Ikuo Nishikawa	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.
Eriko Kawai	Outside Audit & Supervisory Board Member of Yamaha Motor Co., Ltd.
	Outside Director of Mitsui Fudosan Co., Ltd.
	Senior Advisor of International Management Forum Co., Ltd.
	External Director of DMG Mori Co., Ltd.
Katsuyuki Nishikawa	Attorney at Nishikawa Katsuyuki Law Office
	Outside Audit & Supervisory Board Member of AEON Hokkaido Co., Ltd.
Toshio Iwamoto	Advisor of NTT DATA Corporation
	Outside Audit & Supervisory Board Member of IHI Corporation
	Outside Director of East Japan Railway Company
Yumiko Murakami	General Partner of MPower KK
	Outside Director of Raksul Inc.

(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 chairperson of the Nominating Committee and member of the Audit Committee, attended all 5 meetings of the Nominating Committee and 13 meetings of the Audit Committee held in FY2022. 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.
Hiroataka Takeuchi	Attended all 10 Board of Directors' meetings and, as chairperson of the Compensation Committee and member of the Nominating Committee, attended all 4 meetings of Compensation Committee and 5 meetings of the Nominating Committee held in FY2022. 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 chairperson of the Audit Committee and member of the Compensation Committee, attended all 13 meetings of the Audit Committee and 4 meetings of the Compensation Committee held in FY2022. 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 5 meetings of the Nominating Committee and 13 meetings of the Audit Committee held in FY2022. 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 her 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 5 meetings of the Nominating Committee and 13 meetings of the Audit Committee held in FY2022. 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 5 meetings of the Nominating Committee and 4 meetings of the Compensation Committee in FY2022. 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.

Name	Status of attendance and remarks and overview of the performed duties regarding expected roles
Yumiko Murakami	Attended all 10 Board of Directors' meetings and, as member of the Audit Committee and member of the Compensation Committee, attended all 13 meetings of the Audit Committee and 4 meetings of the Compensation Committee held in FY2022. 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.

(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 Japan's 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 determined based on the following fundamental policies.

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

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

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, based on consolidated ROE and consolidated ordinary income, which are settled as Performance KPIs of the Medium-Term Management Plan, while also comprehensively taking into account achievement status of the managerial goals set in the Medium-Term Management Plan and other relevant factors, and paid annually at a fixed time.
- A certain upper limit is set on performance-linked remuneration that is paid in cash based on business performance. If such remuneration exceeds the limit, the excess amount will be paid in Restricted Stock instead of cash.
- Does not apply to directors who do not serve as corporate executive officers.

Stock-linked remuneration

- To increase the link between remuneration and shareholder value, granted by the Company as Restricted Stock, etc., the value of which corresponds to a certain percentage of base remuneration, as non-monetary remuneration annually at a fixed time.
- Does not apply to outside directors.

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

Regarding individual remuneration, etc., for directors and corporate executive officers in fiscal 2022, the Compensation Committee decided on the content of such remuneration after confirming the consistency of the Policies for Determination of Remuneration of Directors and Corporate Executive Officers. Therefore, the Committee judges that the remuneration is in line with the guiding policies.

(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 FY2022

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	Performance KPIs		Points		Reference Value			
		Consolidated ROE	50		10%		4.6%	
		Consolidated Ordinary Income	50		JPY 200 billion		86.9 billion yen	
Financial KPIs	Hybrid KPI	Hybrid-related ordinary income			JPY 50 billion or more		45.0 billion yen	
		Hybrid-related ordinary income percentage			Approximately 25%		52%	
	Financial KPI	Consolidated capital ratio				Maintain 18% of higher (lower Gradually since regulations applied)		21.3% (Note)
		Retail Division asset based revenue ratio				50% or higher (FY2023 4Q)		51.2%
Non-Financial KPIs	Quality No.1 (Customer-first) KPI	Daiwa Securities AUM			JPY 90 trillion or more		74.7 trillion yen	
		Digital KPI			Number of Digital IT Master		200 personnel or more	92 persons
	Sustainability KPI	Number of Python 3 Certified Engineer Basic Examination certifications					1,000 personnel or more	1,036 persons
		Number of CFP and CMA					3,000 personnel or more	3,019 persons
		Balance of investment SDGs-related business					JPY 150 billion or more	130.5 billion yen
		SDGs bond league table					In top 3	2
		“Ouen (Supporting)” term deposits balance					JPY 200 billion or more	148.2 billion yen
		Ratio of women on the board of directors					30% or higher (By 2030)	28.6%
		Ratio of women in management positions (Daiwa Securities Co. Ltd.)					25% of higher (FY2025)	19.9%
		Employee satisfaction					Maintain at 80% or higher	95%

(Note) The figure of consolidated total capital adequacy ratio is as of the end of December 2022.

(iv) Matters regarding the non-monetary remuneration

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

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

(v) Remuneration paid to Directors and Corporate Executive Officers

Executive category	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	1,020	516	162	342	–	12
Outside Directors	146	146	–	–	–	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.

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:**

92 million yen

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

579 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 (1) are the aggregated amount of both.

(Note 2) The Audit Committee consented to the audit fees after reviewing the adequacy of the fees in FY2022, 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.

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 FY2022 are 11 yen per share as the mid-term dividend (resolved at the Board of Directors' meeting held on October 31, 2022) and 12 yen per share as the year-end dividend. Accordingly, the annual dividend will be 23 yen per share.

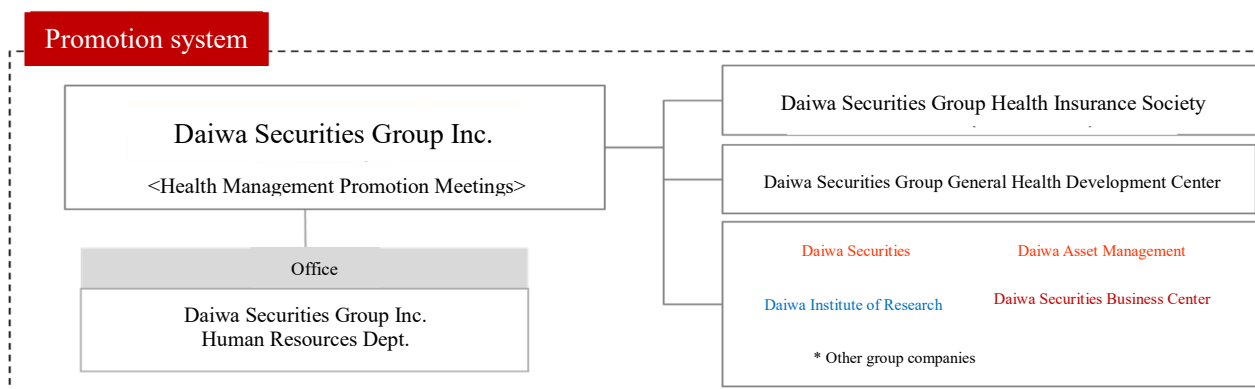
[References] Health Management of the Group

Included in the Group’s Corporate Principles is “placing importance on personnel.” Based on the idea that the source of the Group’s competitiveness lies in the capabilities of its officers and employees, we seek to raise productivity by enhancing employees’ well-being (Note) and to maintain high performance as an organization in the future. To this end, we are undertaking strategic measures to promote health management.

As a result, the Group has been selected as the “Kenko Keiei Yuryo Hojin (White 500)” jointly by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi for seven years running.

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 Center in order for its officers and 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 officers and 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 and “Good Sleep Daiwa Project” in order to support improving executive sleeping skills of its officers and employees. 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 2022 (As of Mar. 31, 2023)	[References] Fiscal 2021 (As of Mar. 31, 2022)
<i>Assets</i>		
Current assets:		
Cash and deposits	3,866,819	4,592,384
Cash segregated as deposits	541,629	559,729
Notes and accounts receivable-trade, and contract assets	22,062	22,420
Securities	1,131,682	1,177,898
Trading products:	7,625,713	8,004,920
Trading securities and other	5,425,159	5,919,617
Derivatives	2,200,554	2,085,303
Operational investment securities	127,693	123,839
Allowance for investment loss	(70)	(151)
Operating loans	2,015,034	1,933,758
Work in process	853	768
Margin transaction assets:	160,255	177,401
Loans on margin transactions	153,574	170,555
Cash collateral pledged for securities borrowing on margin transactions	6,680	6,845
Loans secured by securities:	8,341,562	8,394,277
Cash collateral pledged for securities borrowed	6,844,292	5,283,874
Loans on Gensaki transactions	1,497,270	3,110,403
Advances paid	18,756	22,454
Short-term loans receivable	810	439
Accrued income	63,805	40,062
Other	965,074	967,025
Allowance for doubtful accounts	(8,822)	(7,589)
Total current assets	24,872,860	26,009,638
Non-current assets:		
Property, plant and equipment:	916,873	913,879
Buildings	241,775	233,825
Machinery and equipment	9,103	9,379
Equipment	17,449	16,418
Land	643,695	650,741
Construction in progress	4,850	3,514
Intangible assets:	125,571	121,482
Goodwill	18,526	19,657
Leasehold right	5,638	5,787
Software	65,251	74,516
Other	36,154	21,521
Investments and other assets:	497,943	486,088
Investment securities	455,317	443,446
Long-term loans receivable	6,498	6,451
Guarantee deposits	15,796	16,748
Deferred tax assets	7,840	11,992
Other	17,771	12,491
Allowance for doubtful accounts	(1,660)	(1,422)
Allowance for investment loss	(3,620)	(3,620)
Total non-current assets	1,540,388	1,521,450
Total assets	26,413,248	27,531,089

(Millions of yen)

	Fiscal 2022 (As of Mar. 31, 2023)	[References] Fiscal 2021 (As of Mar. 31, 2022)
<i>Liabilities</i>		
Current liabilities:		
Notes and accounts payable-trade	8,120	6,361
Trading products:	5,442,548	4,945,900
Trading securities and other	3,451,608	2,948,427
Derivatives	1,990,940	1,997,473
Trade date accrual	1,155,831	548,406
Margin transaction liabilities:	52,785	70,318
Borrowings on margin transactions	3,817	5,327
Cash received for securities lending on margin transactions	48,967	64,991
Borrowings secured by securities:	7,929,609	9,463,697
Cash received on debt credit transaction of securities	6,508,873	4,761,437
Borrowings on Gensaki transaction	1,420,735	4,702,259
Deposits from banking business	3,932,761	4,189,105
Deposits received	430,664	456,384
Guarantee deposits received	431,383	347,468
Short-term borrowings	1,292,848	2,155,782
Commercial papers	261,300	116,000
Current portion of bonds	485,029	446,760
Income taxes payable	10,675	8,649
Provision for bonuses	33,287	37,586
Other	114,430	152,851
Total current liabilities	21,581,275	22,945,274
Non-current liabilities:		
Bonds payable	1,304,543	1,563,631
Long-term borrowings	1,706,985	1,237,048
Deferred tax liabilities	42,280	42,241
Retirement benefit liability	44,309	44,236
Provision for loss on litigation	169	115
Other	53,906	54,934
Total non-current liabilities	3,152,195	2,942,208
Reserves under special laws:		
Reserve for financial instruments transaction liabilities	4,287	3,717
Total reserves under special laws	4,287	3,717
Total liabilities	24,737,758	25,891,200
<i>Net assets</i>		
Shareholders' equity:		
Share capital	247,397	247,397
Capital surplus	230,274	230,451
Retained earnings	886,160	942,793
Treasury shares	(71,522)	(134,201)
Deposits for subscriptions of treasury shares	—	26
Total shareholders' equity	1,292,309	1,286,467
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	24,717	29,587
Deferred gains or losses on hedges	16,028	9,940
Foreign currency translation adjustment	74,785	47,288
Total accumulated other comprehensive income	115,531	86,815
Share acquisition rights	8,793	9,109
Non-controlling interests	258,855	257,497
Total net assets	1,675,489	1,639,888
Total liabilities and net assets	26,413,248	27,531,089

Consolidated Statements of Income

(Millions of yen)

	Fiscal 2022 (Apr. 1, 2022 to Mar. 31, 2023)	[References] Fiscal 2021 (Apr. 1, 2021 to Mar. 31, 2022)
Operating revenue:		
Commission received:	279,991	314,051
Brokerage commission	64,272	75,907
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	28,165	39,210
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	11,316	21,440
Other fees received	176,237	177,493
Net trading income	70,253	101,522
Net gain on private equity and other securities	3,692	6,048
Financial revenue	332,548	75,978
Other operating revenue	179,604	121,870
Total operating revenue	866,090	619,471
Financial expenses	268,498	44,714
Other operating expenses	133,365	72,663
Net operating revenue	464,226	502,093
Selling, general and administrative expenses:		
Trading related expenses	71,545	62,588
Personnel expenses	199,790	198,790
Real estate expenses	38,704	37,643
Office expenses	25,768	24,740
Depreciation	34,497	34,811
Taxes and dues	10,191	10,678
Provision of allowance for doubtful accounts	49	32
Other	17,404	17,274
Total selling, general and administrative expenses	397,952	386,559
Operating income	66,273	115,534
Non-operating income:		
Dividend income	3,535	4,738
Share of profit of entities accounted for using equity method	8,954	8,104
Foreign exchange gains	2,274	601
Gain on investments in investment partnerships	7,851	5,216
Other	2,063	4,587
Total non-operating income	24,679	23,247
Non-operating expenses:		
Interest expenses	1,909	1,838
Bond issuance costs	177	30
Other	1,935	1,090
Total non-operating expenses	4,022	2,960
Ordinary income	86,930	135,821
Extraordinary income:		
Gain on sale of non-current assets	12,235	45
Gain on receipt of donated non-current assets	—	318
Gain on sale of investment securities	5,282	3,858
Gain on sale of shares of subsidiaries and associates	—	2,926
Recoveries of written off receivables	—	302
Reversal of provision for loss on litigation	—	686
Gain on reversal of office relocation expenses	—	872
Gain on reversal of share acquisition rights	667	—
Total extraordinary income	18,185	9,010
Extraordinary losses:		
Loss on sale and retirement of non-current assets	2,279	627
Impairment losses	—	488
Loss on sale of investment securities	142	—
Loss on valuation of investment securities	2,215	734
Loss on valuation of shares of subsidiaries and associates	432	—
Loss on change in equity	85	—
Provision of reserve for financial instruments transaction liabilities	570	17
Structural reform costs	—	44
Business restructuring expenses	2,173	1,074
Expenses related to the 120th anniversary project	452	—
Other	—	178
Total extraordinary losses	8,350	3,166
Income before income taxes	96,766	141,666
Income taxes-current	19,980	39,609
Income taxes-deferred	3,102	(2,088)
Profit	73,683	104,144
Profit attributable to non-controlling interests	9,808	9,253
Profit attributable to owners of parent	63,875	94,891

Consolidated Independent Auditor's Report Related to the Consolidated Financial Statements

Independent Auditor's Report

May 15, 2023

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, 2023 and for the year from April 1, 2022 to March 31, 2023 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.

Auditor's Report from Audit Committee

Auditor's Report

The Audit Committee has audited the execution of duties by the Directors and the Corporate Executive Officers for the 86th fiscal year from April 1, 2022 to March 31, 2023. 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 financial statements (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 financial statements (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.
- Details of Board of Directors resolution related to internal system are considered to be appropriate. Also, the contents of the business report regarding internal control systems were 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 financial statements
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 financial statements 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 15, 2023

Audit Committee
Daiwa Securities Group Inc.

Committee Chairperson
Ikuo Nishikawa (stamp)

Member of the Audit Committee
Sachiko Hanaoka (stamp)

Member of the Audit Committee
Hiromasa Kawashima (stamp)

Member of the Audit Committee
Michiaki Ogasawara (stamp)

Member of the Audit Committee
Eriko Kawai (stamp)

Member of the Audit Committee
Katsuyuki Nishikawa (stamp)

Member of the Audit Committee
Yumiko Murakami (stamp)

(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 2, 2023

**Matters Subject to Measures for Electronic Provision When Convening
the 86th Annual General Meeting of Shareholders**

■ Business Report	
Status of Share Acquisition Rights, etc.	p. 1
System to Ensure Appropriateness of Business and State of Operation of Such System	p. 4
■ Consolidated Financial Statements	
Consolidated Statements of Changes in Net Assets	p. 10
Notes to the Consolidated Financial Statements	p. 12
■ Non-Consolidated Financial Statements	
Balance Sheet	p. 37
Statement of Income	p. 39
Statement of Changes in Net Assets	p. 40
Notes to the Non-Consolidated Financial Statements	p. 41
■ Auditor's Report	
Independent Auditor's Report	p. 47

Daiwa Securities Group Inc.

<p>In accordance with the provisions of laws and regulations and Article 23, Paragraph 2 of the Company's Articles of Incorporation, the above matters are excluded from the paper-based documents delivered to shareholders who have made a request for delivery of documents stating matters for which measures for electronic provision are to be taken.</p>

Business Report

Status of Share Acquisition Rights, etc.

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

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

Name (Record date)	Number of Rights (Class and Number of shares)	Amount to be paid in upon issuance	Amount to be paid in upon exercise	Period of exercise
Share Acquisition Rights issued in June 2005 (June 24, 2005)	74 (Common stock 74,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2005 to June 30, 2025

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

Name (Record date)	Number of Rights (Class and Number of shares)	Amount to be paid in upon issuance	Amount to be paid in upon exercise	Period of exercise
Share Acquisition Rights issued in July 2006 (July 1, 2006)	51 (Common stock 51,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2006 to June 30, 2026
Share Acquisition Rights issued in July 2007 (July 1, 2007)	67 (Common stock 67,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2007 to June 30, 2027
Share Acquisition Rights issued in July 2008 (July 1, 2008)	85 (Common stock 85,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2008 to June 30, 2028
Share Acquisition Rights issued in July 2009 (July 1, 2009)	268 (Common stock 268,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2009 to June 30, 2029
Share Acquisition Rights issued in July 2010 (July 1, 2010)	552 (Common stock 552,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2010 to June 30, 2030
Share Acquisition Rights issued in July 2011 (July 1, 2011)	814 (Common stock 814,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2011 to June 30, 2031
Share Acquisition Rights issued in February 2013 (February 12, 2013)	661 (Common stock 661,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 12, 2013 to June 30, 2032
Share Acquisition Rights issued in February 2014 (February 10, 2014)	319 (Common stock 319,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 10, 2014 to June 30, 2033
Share Acquisition 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
Share Acquisition Rights issued in February 2015 (February 9, 2015)	406 (Common stock 406,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 9, 2015 to June 30, 2034
Share Acquisition 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
Share Acquisition Rights issued in February 2016 (February 16, 2016)	538 (Common stock 538,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 16, 2016 to June 30, 2035

Name (Record date)	Number of Rights (Class and Number of shares)	Amount to be paid in upon issuance	Amount to be paid in upon exercise	Period of exercise
Share Acquisition Rights, Series 12 (February 16, 2016)	4,478 (Common stock 4,478,000 shares)	Gratuitous grant	733,000 yen (733 yen per share)	From July 1, 2020 to June 24, 2025
Share Acquisition Rights issued in February 2017 (February 8, 2017)	547 (Common stock 547,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 8, 2017 to June 30, 2036
Share Acquisition 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
Share Acquisition Rights issued in February 2018 (February 8, 2018)	580 (Common stock 580,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 8, 2018 to June 30, 2037
Share Acquisition 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
Share Acquisition 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
Share Acquisition 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
Share Acquisition 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
Share Acquisition 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
Share Acquisition Rights, Series 19 (August 15, 2022)	79,778 (Common stock 7,977,800 shares)	Gratuitous grant	60,700 yen (607 yen per share)	From September 1, 2024 to July 28, 2032
Total	431,419 (Common stock 73,432,300 shares)			

(Note 1) Each share acquisition right may not be exercised in part.

(Note 2) As to the Share Acquisition 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 share acquisition 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 allocation agreement for each share acquisition right.

(Note 4) The number of share acquisition rights above includes the share acquisition rights held by the Company.

(Note 5) As for Share acquisition rights, Series 15, 16, 17, 18 and 19, 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 Share Acquisition Rights (Stock Options) held by the Company's Officers at the end of the current fiscal year

Name of Share Acquisition Rights	Number of holders (Directors and Corporate Executive Officers)	Number of Rights
Share Acquisition Rights issued in June 2005	1	7
Share Acquisition Rights issued in July 2006	2	7
Share Acquisition Rights issued in July 2007	2	7
Share Acquisition Rights issued in July 2008	2	8
Share Acquisition Rights issued in July 2009	4	30
Share Acquisition Rights issued in July 2010	4	43
Share Acquisition Rights issued in July 2011	4	70
Share Acquisition Rights issued in February 2013	4	53
Share Acquisition Rights issued in February 2014	5	29
Share Acquisition Rights, Series 10	9	38
Share Acquisition Rights issued in February 2015	7	42
Share Acquisition Rights, Series 11	7	35
Share Acquisition Rights issued in February 2016	9	64
Share Acquisition Rights, Series 12	5	30
Share Acquisition Rights issued in February 2017	10	70
Share Acquisition Rights, Series 13	4	36
Share Acquisition Rights issued in February 2018	12	82
Share Acquisition Rights, Series 14	2	16
Share Acquisition Rights, Series 15	2	160
Share Acquisition Rights, Series 16	1	95

(Note 1) No share acquisition 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 Share Acquisition Rights, Series 17, 18 and 19.

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

Name of Share Acquisition Rights	Class of holders	Number of holders	Number of Rights
Share Acquisition Rights, Series 19	Directors of Subsidiaries	11	615
	Employees of Subsidiaries	4,746	79,163
	Total	4,757	79,778

(Note 1) The numbers above are those as of the allocation issue date of each share acquisition right.

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

(Note 3) No share acquisition 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 requests 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 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, newly appointed managers, etc. In FY2022, the Company held meetings of the Group Compliance Committee six 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.

(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 risk, 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 FY2022, 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 FY2022, 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 FY2022 the Company held meetings of the Executive Management Committee eighteen times and the Overseas Management Committee seven times for adequate discussions, decisions and reports.

Consolidated Financial Statements
Consolidated Statements of Changes in Net Assets

(Apr. 1, 2022 - Mar. 31, 2023)

(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	230,451	942,793	(134,201)	26	1,286,467
Changes of items during period						
Dividends of surplus	–	–	(39,905)	–	–	(39,905)
Profit attributable to owners of parent	–	–	63,875	–	–	63,875
Purchase of treasury shares	–	–	–	(19,733)	–	(19,733)
Disposal of treasury shares	–	128	–	1,668	–	1,796
Cancellation of treasury shares	–	(128)	(80,615)	80,744	–	–
Other	–	(176)	12	–	(26)	(190)
Total changes of items during period	–	(176)	(56,633)	62,678	(26)	5,842
Balance at end of current period	247,397	230,274	886,160	(71,522)	–	1,292,309

(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	29,587	9,940	47,288	9,109	257,497
Changes of items during period					
Net changes of items other than shareholders' equity	(4,870)	6,088	27,496	(315)	1,358
Total changes of items during period	(4,870)	6,088	27,496	(315)	1,358
Balance at end of current period	24,717	16,028	74,785	8,793	258,855

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

Notes to the Consolidated Financial Statements

The Consolidated Financial Statements 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 Financial Statements are expressed in millions of yen, with amounts of less than one million omitted.

Significant items associated with the preparation of Consolidated Financial Statements

1. Scope of consolidation

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

Number of consolidated subsidiaries: 140 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 2 companies due to the new acquisition of shares, 2 companies due to the new investment in the silent partnership investment business, 6 companies due to establishment, and 2 companies due to an increase in importance. Further, we have excluded from the scope of consolidation 1 company due to reduced importance, 1 company due to transfer of investment equity, 1 company due to merger, 4 companies due to liquidation, and 1 company due to ending of a silent partnership investment business.

(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 Financial Statements 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 778,340 million yen as of March 31, 2023. Further, in fund-related transactions, the Group transfers its renewable energy investment assets to those Special Purpose Entities through silent partnerships, 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 11,817 million yen, and the Group has invested 147 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: 17 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 this fiscal year, 1 company was excluded from the scope of consolidation due to transfer of investment equity.
Among the companies to which the equity method is applied and with fiscal year ending on a date other than March 31, 2023, we used the tentative financial statements as of March 31, 2023 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 Financial Statements 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
Number of companies not treated as affiliates: 8 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	10	companies
February	3	companies
March	80	companies
November	1	company
December	44	companies
January and July	1	company
May and November	1	company

Among the consolidated subsidiaries with a fiscal year ended on a date other than March 31, 2023, we used the financial statements for the fiscal year end of such subsidiary as to 55 consolidated subsidiaries and the tentative financial statements as of March 31, 2023 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, 2023.

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 bonds

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 investment, 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 computes depreciation over estimated useful lives mainly as stipulated in accordance with 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 computes amortization over estimated useful lives mainly as stipulated in accordance with 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 methods for retirement benefits
- The Company and some 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, 2023 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, 2023 based on the estimated amount of retirement benefits obligations at the end of the fiscal year ended March 31, 2023.
- (5) Accounting standard for revenue and cost recognition
- The Company and its domestic consolidated subsidiaries recognize 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 Financial Statements (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 foreign exchange forward 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 execute hedging 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 of 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 Financial Statements
Application of Group Tax Sharing System

A Group Tax Sharing System that treats the Company as the accumulation parent company is applied.

(Additional information)

(Application of Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and some domestic consolidated subsidiaries have transitioned from the consolidated taxation system to the Group Tax Sharing System from the current consolidated fiscal year. Accordingly, the treatment of accounting and disclosure for corporation tax, regional corporation tax, and tax effect accounting is in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, issued on August 12, 2021; hereinafter “PITF No. 42”). In addition, the change in accounting policy with the application of PITF No. 42 in accordance with Paragraph 32 (1) of PITF No. 42 is considered to have no impact.

5. Notes on changes in accounting policy

(Application of Implementation Guidance on Accounting Standards related to Fair Value Measurement)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the current consolidated fiscal year, and has applied the new accounting policy provided for by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

There is no impact on the consolidated financial statements.

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 117.8 billion yen and liabilities amounted to 16.3 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)

Operational investment securities	127,693
Allowance for investment loss (current assets)	(70)
Operating loans (investment division)	92,713
Allowance for doubtful accounts (investment division)	(7,905)
Total	212,432

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 4.7 billion yen mainly due to domestic and 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, etc. The main assumptions used as assumptions for future cash flow estimates in the valuation of energy-related investments are trends in imported fuel prices and prospects for promoting renewable energy in Japan. Imported fuel prices fluctuate due to impact of the energy policies of various countries and trends in supply and demand, etc.; however, projections from international organizations are used for the medium to long term price forecasts that have a significant impact on investment evaluations.

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	7,462	million yen
Securities	182,259	
Trading products	660,408	
Operating loans	713,640	
Other	78,068	
Investment securities	15,606	
Total	1,657,446	

(Note) The amounts above are based on the amounts in the consolidated balance sheet. In addition to the above pledged assets, borrowed securities of 31,972 million yen are also pledged as collateral.

(2) Liabilities secured

Borrowings on margin transactions	3,817	million yen
Short-term borrowings	52,578	
Long-term borrowings	611,800	
Total	668,195	

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

2. Fair value of securities transferred

Lending securities under loan agreements (shohi-taishaku)	8,078,879	million yen
Securities sold under repurchase agreement (Gensaki)	1,428,823	
Other	451,530	
Total	9,959,232	

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

3. Fair value of securities received as collateral

Borrowed securities under loan agreements (shohi-taishaku)	8,413,756	million yen
Securities purchased under resale agreement (Gensaki)	1,500,908	
Other	352,756	
Total	10,267,421	

4. Allowance for doubtful accounts deducted directly from assets

Investments and other assets, others	6,048	million yen
--------------------------------------	-------	-------------

5. Accumulated depreciation of property, plant and equipment

173,439 million yen

6. Liabilities on guarantees

Name of the guaranteed	Liabilities guaranteed	Amount of liabilities
Employee	Borrowing	0 million yen
Good Time Living Co. Ltd.	Lump-sum payment for occupancy refundable debt	10,875
Other	Standby letter of credit	3,414
Total		14,290

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, 2023
Common Stock 1,569,378,772 shares

2. Dividends

- (1) Amount of dividends

Resolution	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors on Apr. 27, 2022	Common Stock	23,732	16	March 31, 2022	June 6, 2022
Board of Directors on Oct. 31, 2022	Common Stock	16,172	11	September 30, 2022	December 1, 2022
Total		39,905			

- (2) Among dividends with record dates during the fiscal year ended March 31, 2023, 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, 2023 as to dividends on common shares as follows:

1. Total amount of dividends 17,435 million yen
2. Dividend per share 12 yen
3. Record Date March 31, 2023
4. Effective Date June 5, 2023

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

3. Class and number of shares subject to share acquisition rights upon exercise thereof as of March 31, 2023

	Breakdown	Number of shares				Balance as of Mar. 31, 2023 (Millions of yen)
		As of Apr. 1, 2022	Increase	Decrease	As of Mar. 31, 2023	
The Company	Share Acquisition Rights issued in July 2006	61,000	–	10,000	51,000	69
	Share Acquisition Rights issued in July 2007	79,000	–	12,000	67,000	87
	Share Acquisition Rights issued in July 2008	105,000	–	20,000	85,000	82
	Share Acquisition Rights issued in July 2009	299,000	–	31,000	268,000	155
	Share Acquisition Rights issued in July 2010	589,000	–	37,000	552,000	207
	Share Acquisition Rights issued in July 2011	896,000	–	82,000	814,000	291
	Share Acquisition Rights issued in Feb. 2013	677,000	–	16,000	661,000	375
	Share Acquisition Rights, Series 9 (treasury rights)	3,291,000 (670,000)	– (–)	3,291,000 (670,000)	– (–)	– (–)
	Share Acquisition Rights issued in Feb. 2014	343,000	–	24,000	319,000	304
	Share Acquisition Rights, Series 10 (treasury rights)	3,483,000 (480,000)	– (61,000)	61,000 (–)	3,422,000 (541,000)	1,020 (–)
	Share Acquisition Rights issued in Feb. 2015	422,000	–	16,000	406,000	345
	Share Acquisition Rights, Series 11 (treasury rights)	4,742,000 (676,000)	– (91,000)	91,000 (–)	4,651,000 (767,000)	887 (–)
	Share Acquisition Rights issued in Feb. 2016	552,000	–	14,000	538,000	356
	Share Acquisition Rights, Series 12 (treasury rights)	3,961,000 (518,000)	– (85,000)	86,000 (–)	3,875,000 (603,000)	445 (–)
	Share Acquisition Rights issued in Feb. 2017	556,000	–	9,000	547,000	387
	Share Acquisition Rights, Series 13 (treasury rights)	6,689,000 (758,000)	– (136,000)	136,000 (–)	6,553,000 (894,000)	812 (–)
	Share Acquisition Rights issued in Feb. 2018	585,000	–	5,000	580,000	421
	Share Acquisition Rights, Series 14 (treasury rights)	6,748,000 (714,000)	– (152,000)	152,000 (–)	6,596,000 (866,000)	823 (–)
	Share Acquisition Rights, Series 15 (treasury rights)	6,837,500 (632,000)	– (160,500)	160,500 (–)	6,677,000 (792,500)	739 (–)
	Share Acquisition Rights, Series 16 (treasury rights)	7,838,500 (624,000)	– (179,500)	179,500 (–)	7,659,000 (803,500)	343 (–)
Share Acquisition Rights, Series 17 (treasury rights)	7,575,500 (344,500)	– (205,500)	205,500 (–)	7,370,000 (550,000)	323 (–)	
Share Acquisition Rights, Series 18 (treasury rights)	7,813,000 (133,500)	– (208,000)	208,000 (–)	7,605,000 (341,500)	164 (–)	
Share Acquisition Rights, Series 19 (treasury rights)	– (–)	7,977,800 (123,300)	123,300 (–)	7,854,500 (123,300)	150 (–)	
				Total	8,793 (–)	

(Note 1) All shares underlying share acquisition rights above are common shares.

(Note 2) Exercise periods of “Share Acquisition Rights, Series 15”, “Share Acquisition Rights, Series 16”, “Share Acquisition Rights, Series 17”, “Share Acquisition Rights, Series 18” and “Share Acquisition Rights, Series 19” 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 due to 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, 2023 (fiscal year end) was 1.4 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. 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.

(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. Also, the ALM Committee (which examines important matters related to management and operation of credit, market, liquidity risk, etc.) is established under

the board of directors as the risk management deliberating and decision-making organ. Various amount limitations are set by the board of directors, ALM committee, etc., and risk is controlled by operating within the scope of those limitations.

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, 2023, 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 9.1 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, 2023, 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 1.2 billion yen and 80 million 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, 2023 is 9.1 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 2022, 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

As the fair value of financial instruments is calculated based on certain assumptions, etc., the calculated value 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 Section 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement has been applied, stocks without market prices, etc., and partnership investment, etc., to which policy 24-16 for application of fair value calculation accounting standards has been applied, are not included in the table (as described in (1) *3, (Note) 3 and (Note) 4).

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	181,089	169	184	181,444
Government, municipal and other bonds	1,402,874	471,929	–	1,874,804
Corporate bonds	594	280,738	–	281,333
Non-Japanese bonds	2,000,636	344,214	9,307	2,354,157
Beneficiary certificates	31,547	21,833	–	53,381
Other	11,257	667,444	1,337	680,038
ii) Derivatives				
Equity	66,004	104,897	93,626	264,527
Interest rate	111	1,413,566	6,760	1,420,439
Currency	1	463,956	8,995	472,952
Credit / Other	–	34,148	8,486	42,634
(2) Securities, operating investment securities and investment securities				
Other Securities				
Equities	119,661	–	–	119,661
Government, municipal and other bonds	129,094	12,911	–	142,005
Corporate bonds	–	158,932	19,846	178,778
Non-Japanese bonds	163,113	304,177	21,480	488,771
Beneficiary certificates	74,469	109,256	–	183,725
Total assets	4,180,455	4,388,177	170,023	8,738,656
Liabilities				
(1) Trading products				
i) Trading securities and other				
Equities	100,762	538	–	101,301
Government, municipal and other bonds	1,867,032	3,414	–	1,870,446
Non-Japanese bonds	1,367,833	63,649	–	1,431,483
Beneficiary certificates	16,182	–	–	16,182
Other	–	32,193	–	32,193
ii) Derivatives				
Equity	65,896	113,803	4,198	183,897
Interest rate	456	1,415,391	5,341	1,421,189
Currency	4	341,498	626	342,129
Credit / Other	–	37,537	6,186	43,723
Total liabilities	3,418,169	2,008,026	16,352	5,442,548
Derivatives other than trading transactions (<i>Note 1, 2</i>)				
Interest rate	–	39,254	–	39,254
Currency	–	(10,502)	–	(10,502)
Total Derivatives other than trading transactions	–	28,752	–	28,752

*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 38,404 million yen.

*3 Investment trusts to which Section 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement has been applied are not included in the above table. The amount of the investment trust on the consolidated balance sheet is assets of 12,930 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 recorded amount	Difference total
	Level 1	Level 2	Level 3	Total		
Assets						
(1) Operating loans					2,015,034	
Allowance for doubtful accounts					(7,998)	
	–	–	1,997,889	1,997,889	2,007,035	(9,145)
(2) Securities, operational investment securities and investment securities						
i) Held-to-maturity debt securities						
Corporate bonds	–	162,767	–	162,767	166,962	(4,195)
ii) Subsidiary and affiliated company stock	100,852	–	–	100,852	83,524	17,327
Total assets	100,852	162,767	1,997,889	2,261,509	2,257,522	3,986
Liabilities						
(1) Deposits from banking business	–	3,931,346	–	3,931,346	3,932,761	1,415
(2) Bonds payable	–	1,299,151	–	1,299,151	1,304,543	5,392
(3) Long-term borrowings	–	1,704,893	–	1,704,893	1,706,985	2,091
Total liabilities	–	6,935,391	–	6,935,391	6,944,291	8,899

“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 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.

For Exchange Traded Funds, 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 non-Exchange Traded Funds, the standard price is used as the fair value, and it is classified into the level 2 fair value.

(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, operational 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 the bonds including similar bonds or the price reasonably measured from market price information (trading reference statistics, etc.) by 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 (including convertible bonds) is measured from inputs such as credit spreads and stock price volatility. If the fair value is measured using only observable inputs, or if the fair value is measured using unobservable inputs but their 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.

For Exchange Traded Funds, the final price or final quoted price of the main exchange is used as the fair value, and it is mainly classified into the level 1 fair value. For non-Exchange Traded Funds, the standard price is used as the fair value, and it is classified into the level 2 fair value. Also, investment trusts to which Section 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement has been applied are not assigned a level.

(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 Interest rates / exchanges Equity Credit / Other	Expected cash flow discount model under risk-neutral measure	Swap rate	0.8 - 4.1%
		Currency basis	(0.9) - (0.01)%
		Stock price volatility	18.8 - 21.4%
		Credit spread	0.1 - 6.7%
		Correlation coefficient	(0.13) - 0.92
Other securities		Credit spread	0.3 - 2.9%
		Stock price volatility	17.3 - 30.5%

(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)	Operational investment securities	Other securities	Total
Beginning balance	53,066	81,910	4,130	31,544	170,651
Gain / loss for the current consolidated fiscal year					
Recorded in gain and loss (*2)	380	16,142	—	—	16,522
Purchase, sale, issuance and settlement					
Purchase	20,805	1,164	2,803	2,000	26,773
Sale	(19,321)	(492)	—	—	(19,814)
Issuance	—	—	—	—	—
Settlement	—	19,101	—	—	19,101
Transfer to Level 3 fair value (*1, *4)	274	—	—	—	274
Transfer from Level 3 fair value (*1, *5)	(44,375)	(16,312)	—	—	(60,687)
Change in valuation difference	—	—	383	465	848
Ending balance	10,828	101,514	7,317	34,009	153,670
Unrealized gain / loss on financial instruments held on the consolidated balance sheet which is booked in gain / loss for this fiscal year (*3)	(6)	35,243	—	—	35,236

*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	101,514	1,457	1,457
Other securities	34,009	480	485

(Note) 3 Information related to investment trusts to which Section 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement has been applied

(Millions of yen)

Classification	Other securities
Beginning balance	12,715
Gain / loss for the current consolidated fiscal year	
Recorded in gain and loss	—
Purchase, sale and reimbursement	
Purchase	—
Sale	—
Reimbursement	—
The standard amount is considered to be the fair value	—
The standard amount is not considered to be the fair value	—
Change in valuation difference	214
Ending balance	12,930

(Note) 4 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	123,477
Other Securities	
Unlisted stock *1	33,198
Partnership investment, etc. *2	163,533

*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 24, Paragraph 16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

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, 2023, the changes during the fiscal year and the fair value are as below.

		FY 2022
Consolidated balance sheet recorded amount	Beginning balance	770,905
	Change in amount	9,812
	Ending balance	780,718
Fair value		929,342

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

(Note 2) The fair value as of March 31, 2023 is appraised value or surveyed value by the outside real estate appraiser.

(Note 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 2,539 million yen as of March 31, 2023.

Notes to revenue recognition

1. Disaggregation of revenue from contracts with customers

	Reported segments					Other	Total
	Retail	Wholesale	Asset Management	Investment	Total		
Revenue from contracts with customers	107,797	93,590	115,899	26,784	344,072	108,522	452,594
Commission received:	107,797	93,590	76,175	1,436	279,000	990	279,991
Other operating revenue (external customers)	-	-	39,724	25,347	65,071	107,531	172,603

(Note) Revenue from contracts with customers includes lease revenue based on rental contracts.

2. Basic information for understanding revenue from contracts with customers

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 domestic and global institutional investors, business corporations, financial corporations, public corporations, and others. The Global Investment Banking segment provides a diverse range of domestic and global investment banking services, 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 exclusive offer to sell and others for professional investors; fees for offering, secondary distribution and exclusive offer to sell and others for professional investors; and other fees received are mainly recognized as revenue from contracts with customers.

With regards to brokerage commission, we have an obligation to provide transaction execution services, etc., based on the stipulations and provisions of the transactions agreements entered into 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 exclusive offer to sell 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 exclusive offer to sell 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, investment advisory, transaction management fees, etc.

With regards to agency fees, we have an obligation to provide agency services for the handling of offering and sale, etc., based mainly contracts entered into with investment trust companies. Transaction prices are calculated based on the net assets, etc., of the investment trust. As these performance obligations are satisfied when the benefit is consumed by customers as the Group provides 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 transaction 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 control 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 transaction 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, transaction management fees, etc., we have an obligation to provide asset management services based on discretionary investment contracts. Transaction 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 consumed by customers as the Group provides 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 domestic and global institutional investors.

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

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 consumed by customers as the Group provides 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 contracts with customers.

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 consumed by customers as the Group provides 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 contracts with customers 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 as the Group provides 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 consumed by customers as the Group provides 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) Contract balances

On consolidated balance sheets, contract assets and liabilities are recorded under notes and accounts receivable-transaction, 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 contract balances is as follows:

	(Millions of yen)	
	FY2021	FY2022
Contract assets	2,328	2,136
Contract liabilities	5,601	4,895
Receivables from contracts with customers	34,488	37,500

(2) Transaction price allocated to the remaining performance obligations

As of the end of the current consolidated fiscal year, the total transaction price allocated to the remaining performance obligations is 6,938 million yen. The Group expects to recognize the remaining performance obligations as revenue as per the following schedule.

(Millions of yen)

	Transaction price allocated to the remaining performance obligations
Not later than one year	1,360
Later than one year and not later than two years	1,259
Later than two years and not later than three years	1,186
Later than three years and not later than four years	600
Later than four years and not later than five years	209
More than 5 years	2,321
Total	6,938

Notes to per share information

Net assets per share	968.93 yen
Net income per share	43.53 yen

Subsequent events

(Purchase of treasury shares)

The Company adopted the resolution at the Board of Directors meeting on April 27, 2023 regarding the share repurchase under the provisions of the Articles of Incorporation pursuant to Article 459, Paragraph 1 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 35 million shares (2.41% of total shares outstanding, excluding treasury stock)
(iii) Total amount to be paid for repurchase	Up to 25 billion yen
(iv) Period of share repurchase	From May 17, 2023 to March 22, 2024 (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

Non-Consolidated Financial Statements

Balance Sheet

(Millions of yen)

	Fiscal 2022 (As of Mar. 31, 2023)
<i>Assets</i>	
Current assets:	119,186
Cash and deposits	43,624
Short-term loans receivable	57,764
Accounts receivable	8,463
Accrued income	4,037
Other	5,296
Non-current assets:	2,198,510
Property, plant and equipment:	87,765
Buildings	29,858
Machinery and equipment	3
Equipment	2,374
Land	52,324
Construction in progress	3,204
Intangible assets:	6,066
Software	4,568
Other	1,498
Investments and other assets:	2,104,677
Investment securities	191,439
Shares of subsidiaries and associates	628,667
Investments in other securities of subsidiaries and associates	175,592
Long-term loan receivable	1,104,976
Guarantee deposits	4,796
Other	4,651
Allowance for doubtful accounts	(1,344)
Allowance for investment loss	(4,100)
Total assets	2,317,696

(Millions of yen)

	Fiscal 2022 (As of Mar. 31, 2023)
<i>Liabilities</i>	
Current liabilities:	277,697
Short-term borrowings	92,806
Current portion of bonds	134,000
Accrued expenses	3,722
Borrowings secured by securities	38,366
Income taxes payable	815
Provision for bonuses	798
Other	7,188
Non-current liabilities:	1,194,238
Bonds payable	643,382
Long-term borrowings	529,335
Deferred tax liabilities	9,939
Other	11,581
Total liabilities	1,471,936
<i>Net assets</i>	
Shareholders' equity:	808,497
Capital stock	247,397
Capital surplus:	226,751
Legal capital surplus	226,751
Retained earnings:	405,870
Legal retained earnings	45,335
Other retained earnings	360,534
Reserve for advanced depreciation	1,860
Retained earnings brought forward	358,674
Treasury shares	(71,522)
Valuation and translation adjustments	28,469
Valuation difference on available-for-sale securities	30,605
Deferred gains or losses on hedges	(2,135)
Share acquisition rights	8,793
Total net assets	845,760
Total liabilities and net assets	2,317,696

Statement of Income

(Millions of yen)

	Fiscal 2022 (Apr. 1, 2022 to Mar. 31, 2023)
Operating revenue:	48,318
Dividends from subsidiaries and affiliates	32,012
Interest on loans receivable from subsidiaries and affiliates	10,893
Other operating revenue	5,412
Operating expenses:	33,368
Selling, general and administrative expenses:	21,136
Trading related expenses	2,253
Personnel expenses	5,996
Real estate expenses	2,002
Office cost	4,370
Depreciation	2,459
Taxes and dues	1,825
Other	2,228
Financial expenses	9,385
Other operating expenses	2,846
Operating income	14,950
Non-operating income:	13,703
Dividend income	3,772
Gain on investments in investment partnerships	9,175
Other	756
Non-operating expenses:	475
Bond issuance cost	355
Other	120
Ordinary income	28,177
Extraordinary income:	12,438
Gain on sale of non-current assets	6,710
Gain on sale of investment securities	5,039
Stock Subscription Rights, Return Gains	667
Other	22
Extraordinary loss:	2,522
Loss on sale and retirement of non-current assets	9
Loss on sale of investment securities	142
Loss on valuation of investment securities	1,947
Expenses related to the 120th anniversary project	185
Other	237
Income before income taxes	38,094
Income taxes-current	5,429
Income taxes-deferred	504
Profit	32,160

Statement of Changes in Net Assets

(Apr. 1, 2022 - Mar. 31, 2023)

(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	Other 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	447,035	(134,201)	26	834,205
Changes of items during period									
Dividends of surplus	–	–	–	–	–	(39,905)	–	–	(39,905)
Profit	–	–	–	–	–	32,160	–	–	32,160
Purchase of treasury shares	–	–	–	–	–	–	(19,733)	–	(19,733)
Disposal of treasury shares	–	–	128	–	–	–	1,668	–	1,796
Cancellation of treasury shares	–	–	(128)	–	–	(80,615)	80,744	–	–
Other	–	–	–	–	–	–	–	(26)	(26)
Total changes of items during period	–	–	–	–	–	(88,360)	62,678	(26)	(25,708)
Balance at end of current period	247,397	226,751	–	45,335	1,860	358,674	(71,522)	–	808,497

(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	30,373	(1,190)	9,109
Changes of items during period			
Net changes of items other than shareholders' equity	232	(945)	(315)
Total changes of items during period	232	(945)	(315)
Balance at end of current period	30,605	(2,135)	8,793

Notes to the Non-Consolidated Financial Statements

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

The figures in the financial statements 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 accordance with 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, 2023, 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, 2023 in accordance with the calculation standards of the Company.

4. Other significant items associated with the preparation of Non-Consolidated Financial Statements

(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 foreign exchange forward 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) Application of Group Tax Sharing System

Application of the Group Tax Sharing System.

(Additional information)

(Application of Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

From this fiscal year, the Company transitions from the consolidated taxation system to the Group Tax Sharing System. Accordingly, the treatment of accounting and disclosure for corporation tax, regional corporation tax, and tax effect accounting is in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, issued on August 12, 2021; hereinafter “PITF No. 42”). In addition, the change in accounting policy with the application of PITF No. 42 in accordance with Paragraph 32 (1) of PITF No. 42 is considered to have no impact.

5. Notes on changes in accounting policy

(Application of Implementation Guidance on Accounting Standards related to Fair Value Measurement)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the current fiscal year, and has applied the new accounting policy provided for by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

There is no impact on the financial statements.

Notes to balance sheet

1. Securities transferred

Investment securities of 65,099 million yen were loaned.

2. Allowance for doubtful accounts deducted directly from assets

Investments and other assets, others 3,194 million yen

3. Accumulated depreciation of property, plant and equipment 3,018 million yen

4. Guarantee

Name of the guaranteed	Liabilities guaranteed	Amount of liabilities
Related companies	Derivative liabilities	4,803 million yen
Good Time Living Co. Ltd.	Lump-sum payment for occupancy refundable debt	10,875
Total		15,679

5. Monetary claims and obligations with related companies

Short-term monetary claims	67,478	million yen
Long-term monetary claims	1,109,140	million yen
Short-term monetary liabilities	69,298	million yen
Long-term monetary liabilities	31,796	million yen

Notes to statement of income

Transactions with related companies

Operating transactions	54,243	million yen
Non-operating transactions	1,709	million yen

Notes to statement of changes in net assets

Class and Balance of Treasury Shares as of March 31, 2023

Common stock	116,389,787 shares
--------------	--------------------

Notes to tax effect accounting

Breakdown of main cause for deferred tax assets and liabilities

Deferred tax assets

Allowance for doubtful accounts	7,862	million yen
Loss on valuation of investment securities	7,790	
Excess Depreciation	3,243	
Net operating losses carry-forward	2,201	
Loss on valuation of shares of subsidiaries and associates	1,035	
Other	4,667	
<hr/>		
Subtotal of deferred tax assets	26,801	
Valuation allowance	(22,748)	
<hr/>		
Total deferred tax assets:	4,052	

Deferred tax liabilities

Valuation difference on available-for-sale securities	12,633	million yen
Other	1,358	
<hr/>		
Total deferred tax liabilities	13,991	

Net deferred tax liabilities	9,939	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)	19,054	Long-term loans receivable	454,717
			Debt financing	Receipt of interest (Note 1)	6,899	Short-term loans receivable	41,706
			Receipt of cash collateral	Debt financing (Note 3)	4,583	Accrued income	437
			Lending shares	Receipt of cash Collateral (Note 2)	43,680	Long-term borrowings	30,000
			Directors hold concurrent positions	Payment of interest (Note 2)	204	Borrowings secured by securities	38,366
			Counter-party of derivative transactions	Lending shares (Note 2)	65,099	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)	10
						Other current liabilities (derivative liabilities)	1
						Other non-current liabilities (derivative liabilities)	1,024
				Accrued income	8		
				Accrued expenses	116		
Subsidiary	Daiwa PI Partners Co. Ltd.	Indirect 100.0%	Lending funds	Lending funds (Note 1)	16,029	Long-term loans receivable	103,300
				Receipt of interest (Note 1)	1,395	Short-term loans receivable	3,800
Subsidiary	Daiwa Investment Management Inc.	Direct 100.0%	Lending funds	Lending funds (Note 1)	2,300	Long-term loans receivable	65,900
			Directors hold concurrent positions	Receipt of interest (Note 1)	712		
Subsidiary	Daiwa International Holdings Inc.	Direct 100.0%	Lending funds	Lending funds (Note 1)	2,250	Long-term loans receivable	282,940
			Directors hold concurrent positions				
Subsidiary	Daiwa Energy & Infrastructure Co. Ltd.	Indirect 100.0%	Lending funds	Lending funds (Note 1)	35,500	Long-term loans receivable	128,700
				Receipt of interest (Note 1)	1,252		
Subsidiary	Daiwa Asset Management Co. Ltd.	Direct 100.0%	Lending funds	Debt financing (Note 3)	19,791	Short-term borrowings	22,100
			Directors hold concurrent positions	Payment of interest (Note 3)	0		
Subsidiary	Daiwa Securities Realty Co. Ltd.	Direct 100.0%	Lending funds	Lending funds (Note 1)	40,322	Long-term loans receivable	48,576
				Receipt of interest (Note 1)	453	Short-term loans receivable	4,699

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, 2023 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	576.03 yen
Net income per share	21.92 yen

Subsequent events

(Purchase of treasury shares)

The Company adopted the resolution at the Board of Directors meeting on April 27, 2023 regarding the share repurchase under the provisions of the Articles of Incorporation pursuant to Article 459, Paragraph 1 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 35 million shares (2.41% of total shares outstanding, excluding treasury stock)
(iii) Total amount to be paid for repurchase	Up to 25 billion yen
(iv) Period of share repurchase	From May 17, 2023 to March 22, 2024 (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

Independent Auditor's Report

May 15, 2023

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, 2023 and for the year from April 1, 2022 to March 31, 2023 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.