

# Annual Securities Report

(Pursuant to Article 24, Paragraph (1) of the Financial Instruments and Exchange Act)

85th term  
(April 1, 2021 - March 31, 2022)

**Daiwa Securities Group Inc.**

(E03753)

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85th term (April 1, 2021 - March 31, 2022)

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# Annual Securities Report

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The Audit Report attached to the Annual Securities Report and the Internal Control Report and Written Confirmation are included at the end of this report.

**Daiwa Securities Group Inc.**

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Independent Auditor's Report on the Financial Statements and Internal Control Over Financial Reporting

Internal Control Report

Written Confirmation

## Cover page

Document title	Annual Securities Report
Clause of stipulation	Article 24, Paragraph (1) of the Financial Instruments and Exchange Act of Japan
Place of filing	Director-General of Kanto Local Finance Bureau
Filing date	June 29, 2022
Fiscal year	85th term (April 1, 2021 - March 31, 2022)
Company name	Daiwa Securities Group Inc. (Kabushiki Kaisha Daiwa Shoken Group Honsha)
Company name in English	Daiwa Securities Group Inc.
Title and name of representative	Seiji Nakata, President and CEO
Address of registered headquarters	9-1, Marunouchi 1-Chome, Chiyoda-ku, Tokyo
Telephone number	+81-3-5555-1111
Name of contact person	Tesshin Hirai, General Manager of Finance Department
Nearest place of contact	9-1, Marunouchi 1-Chome, Chiyoda-ku, Tokyo
Telephone number	+81-3-5555-1111
Name of contact person	Tesshin Hirai, General Manager of Finance Department
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-Chome, Naka-ku, Nagoya)

## Part 1 Company Information

### Item 1. Overview of the Company

#### 1 Summary of business results

##### (1) Business results of the Group

Term		81st	82nd	83rd	84th	85th
Fiscal year-end		March 2018	March 2019	March 2020	March 2021	March 2022
Operating revenue	(Millions of yen)	712,601	720,586	672,287	576,172	619,471
Net operating revenue	(Millions of yen)	505,350	441,240	426,259	466,660	502,093
Ordinary income	(Millions of yen)	155,676	83,159	70,283	115,175	135,821
Profit attributable to owners of parent	(Millions of yen)	110,579	63,813	60,346	108,396	94,891
Comprehensive income	(Millions of yen)	111,626	48,194	20,969	153,471	140,781
Net assets	(Millions of yen)	1,370,520	1,256,430	1,257,766	1,591,841	1,639,888
Total assets	(Millions of yen)	21,135,041	21,126,706	23,822,099	26,099,330	27,531,089
Net assets per share	(Yen)	786.56	794.54	796.33	875.12	925.81
Net income per share	(Yen)	66.88	39.95	39.11	71.20	63.06
Diluted net income per share	(Yen)	66.45	39.72	38.92	70.90	62.72
Equity ratio	(%)	6.0	5.9	5.1	5.1	5.0
Return on equity	(%)	8.8	5.1	4.9	8.5	7.0
Price-earnings ratio	(Times)	10.1	13.5	10.7	8.0	11.0
Net cash provided by (used in) operating activities	(Millions of yen)	(1,319,248)	304,857	167,190	390,979	(353,467)
Net cash provided by (used in) investing activities	(Millions of yen)	777,872	108,243	(215,397)	(91,641)	(218,534)
Net cash provided by (used in) financing activities	(Millions of yen)	432,813	55,741	(135,794)	438,067	377,090
Cash and cash equivalents at end of period	(Millions of yen)	3,653,464	4,122,102	3,933,149	4,723,526	4,554,375
Number of employees	(Persons)	14,791	15,196	15,320	15,096	14,889
[Separately, average number of temporary employees]		[946]	[915]	[635]	[390]	[262]

(Notes) 1 The number of employees reflects the number of people who actually work at the Company. Employees who serve concurrently at more than one company within the Group are counted as employees of only one of the companies to which they belong.

2 The Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), etc. from the beginning of the 82nd term, and the key management indices, etc. for the 81st term are those after retrospectively applying the accounting standard, etc.

3 The Company has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 revised on March 31, 2020) from the beginning of the fiscal year ended March 31, 2022, and the main business results for the fiscal year under review are shown after the application of this accounting standard.

## (2) Business results of the reporting company

Term		81st	82nd	83rd	84th	85th
Fiscal year-end		March 2018	March 2019	March 2020	March 2021	March 2022
Operating revenue	(Millions of yen)	135,568	105,221	75,682	46,365	77,659
Ordinary income	(Millions of yen)	109,040	77,102	48,720	23,855	52,484
Profit	(Millions of yen)	113,151	86,505	52,132	20,765	58,035
Capital stock	(Millions of yen)	247,397	247,397	247,397	247,397	247,397
Total shares outstanding	(Thousands of shares)	1,699,378	1,699,378	1,699,378	1,699,378	1,699,378
Net assets	(Millions of yen)	921,898	916,943	893,141	906,995	872,497
Total assets	(Millions of yen)	2,502,783	2,434,724	2,559,957	2,491,844	2,449,944
Net assets per share	(Yen)	564.13	579.84	581.93	589.19	582.05
Dividend per share	(Yen)	28.00	21.00	20.00	36.00	33.00
[interim dividend per share]		[13.00]	[12.00]	[11.00]	[11.00]	[17.00]
Net income per share	(Yen)	68.43	54.16	33.79	13.64	38.57
Diluted net income per share	(Yen)	68.00	53.84	33.62	13.58	38.36
Equity ratio	(%)	36.5	37.3	34.5	36.0	35.2
Return on equity	(%)	12.6	9.5	5.8	2.3	6.6
Price-earnings ratio	(Times)	9.9	10.0	12.4	41.9	18.0
Dividend payout ratio	(%)	40.9	38.8	59.2	263.9	85.6
Number of employees	(Persons)	622	621	601	575	569
Total shareholder return	(%)	104.2	86.7	72.0	99.9	122.5
[Comparative indicator: Dividend-included TOPIX]	(%)	[115.9]	[110.0]	[99.6]	[141.5]	[144.3]
Highest stock price	(Yen)	810.5	716.9	578.6	600.8	745.0
Lowest stock price	(Yen)	593.7	523.7	356.8	392.7	540.0

- (Notes) 1 The number of employees reflects the number of people who actually work at the Company including those who work concurrently for the Company and Daiwa Securities Co. Ltd. to better reflect the actual number of workers. Furthermore, in the 85th term, 565 employees worked for both the Company and Daiwa Securities Co. Ltd.
- 2 The Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), etc. from the beginning of the 82nd term, and the key management indices, etc. for the 81st term are those after retrospectively applying the accounting standard, etc.
- 3 The Company has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 revised on March 31, 2020) from the beginning of current fiscal year, and the main business results for the current fiscal year are shown after the application of this accounting standard.
- 4 The highest stock price and lowest stock price are for the Tokyo Stock Exchange First Section.

## 2 Corporate history

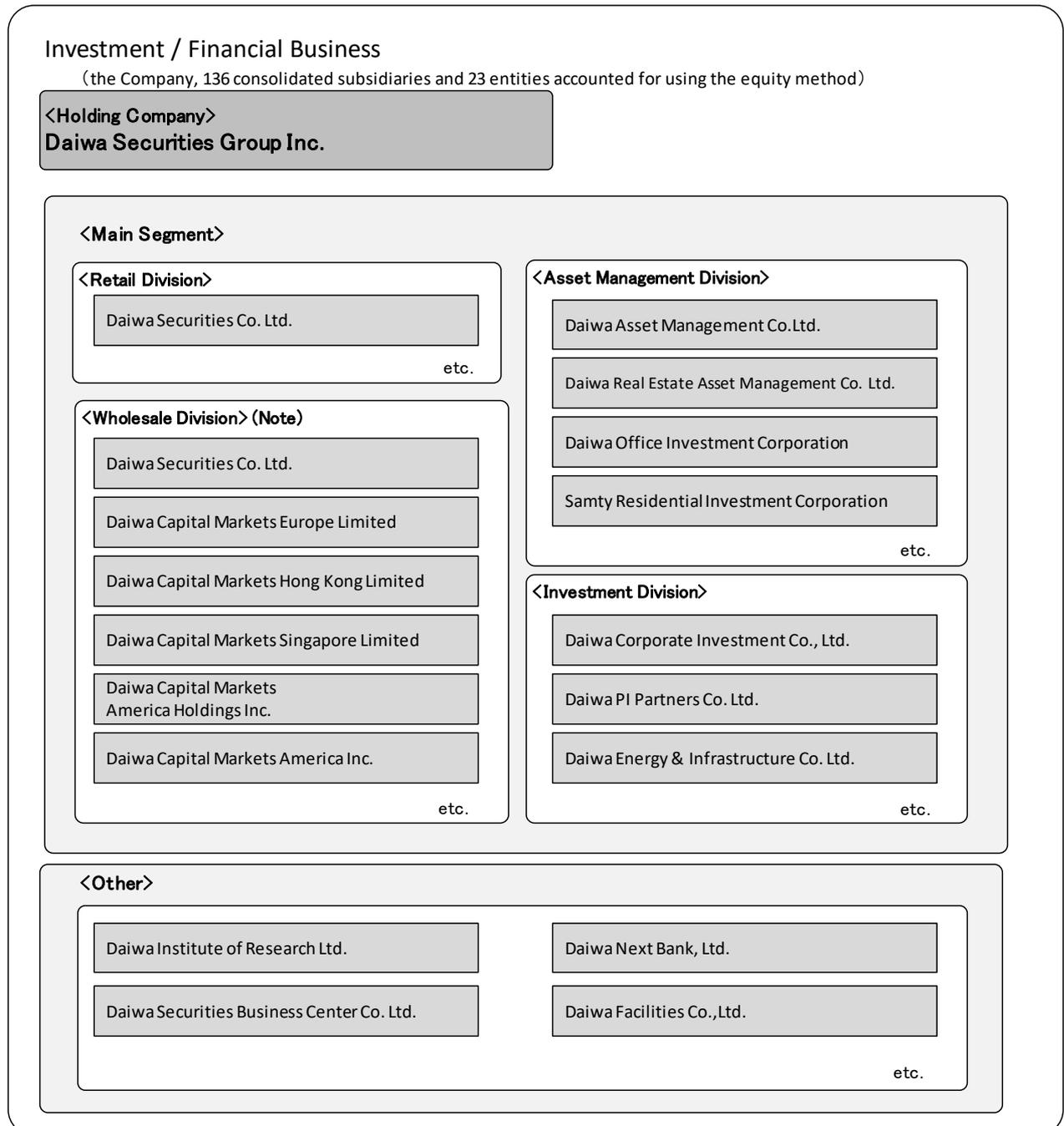
Date	Event
December 27, 1943	Established Daiwa Securities Co. Ltd. through the merger of Fujimoto Securities Co. Ltd. and Nippon Trust Bank.
October 1948	Registered as securities firm based on the Securities and Exchange Law
April 1949	Became a member of the Tokyo Stock Exchange
June 1959	Established representative office in New York
December 1959	Established Daiwa Asset Management Co. Ltd.
October 1961	Listed on the Second Section of the Tokyo, Osaka, and Nagoya Stock Exchanges
April 1964	Established representative office in London
December 1964	Established Daiwa Securities America Inc. in New York (currently Daiwa Capital Markets America Inc.)
April 1968	Granted license from the Minister of Finance to operate as an integrated securities firm based on the revised Securities and Exchange Law
February 1970	Listed on the First Section of the Tokyo, Osaka, and Nagoya Exchanges
December 1970	Established Daiwa Securities International (H.K.) Limited in Hong Kong (currently Daiwa Capital Markets Hong Kong Limited)
June 1972	Established DBS-Daiwa Securities International Ltd in Singapore (currently Daiwa Capital Markets Singapore Limited)
August 1975	Established Daiwa Computer Services Co., Ltd. (Daiwa Institute of Research Holdings Ltd.)
March 1981	Established Daiwa Europe Ltd. in London (currently Daiwa Capital Markets Europe Limited)
May 1982	Established Daiwa Securities Economic Research Institute (Daiwa Institute of Research Holdings Ltd.)
August 1982	Established Japan Investment Finance Co., Ltd. (currently Daiwa Capital Holdings Co., Ltd.)
August 1983	Established Daiwa System Services Co., Ltd. (Daiwa Institute of Research Holdings Ltd.)
October 1983	Established Daiwa Finance Co. Ltd. (currently Daiwa Capital Holdings Co., Ltd.)
August 1989	Daiwa Computer Services Co., Ltd., Daiwa Securities Economic Research Institute, and Daiwa System Services Co., Ltd. merged to launch Daiwa Institute of Research Ltd. (Daiwa Institute of Research Holdings Ltd.)
March 1990	Established Daiwa America Corporation in New York (currently Daiwa Capital Markets America Holdings Inc.)
January 1999	Established Daiwa Global Securities Co., Ltd. in Taipei (currently Daiwa-Cathay Capital Markets Co., Ltd.)
April 1999	Wholesale securities operations were transferred to Daiwa Securities SB Capital Markets Co., Ltd., which then began operations.  Retail securities operations were transferred to the new Daiwa Securities Co. Ltd, which then began operations. The former Daiwa Securities Co. Ltd. then became a holding company to control and manage Group companies and changed its corporate name to Daiwa Securities Group Inc.
April 2000	Daiwa Finance Co. Ltd. merged with Japan Investment Finance Co., Ltd., and the new company changed its corporate name to NIF Ventures Co., Ltd. (currently Daiwa Capital Holdings Co., Ltd.)
April 2001	Daiwa Securities SB Capital Markets Co., Ltd. acquired the entire business of Sakura Securities, and its corporate name was changed to Daiwa Securities SMBC Co. Ltd.
October 2001	Daiwa Securities SMBC Principal Investments Co. Ltd. (currently Daiwa PI Partners Co. Ltd.) was established as a wholly owned subsidiary of Daiwa Securities SMBC Co. Ltd.
March 2002	NIF Ventures Co., Ltd. (currently Daiwa Capital Holdings Co., Ltd.) listed its shares on the JASDAQ Securities Exchange.
October 2005	NIF Ventures Co., Ltd. merged with Daiwa SMBC Capital Co., Ltd. and changed its corporate name to NIF SMBC Ventures Co., Ltd. (currently Daiwa Capital Holdings Co., Ltd.)
October 2008	The former Daiwa Institute of Research Ltd. conducted an organizational restructuring through a company split, making it the holding company for the new Daiwa Institute of Research Ltd. and Daiwa Institute of Research Business Innovation Ltd. as subsidiaries and changing its corporate name to Daiwa Institute of Research Holdings Ltd.  NIF SMBC Ventures Co., Ltd. changed its corporate name to Daiwa SMBC Capital Co., Ltd. (currently Daiwa Capital Holdings Co., Ltd.)
July 2009	Acquired all the shares in K.K. daVinci Select (currently Daiwa Real Estate Management Co. Ltd.) to join the real estate asset management business.
September 2009	Daiwa SMBC Capital Co., Ltd. (currently Daiwa Capital Holdings Co., Ltd.) ended the listing of its shares on the JASDAQ Securities Exchange.
January 2010	With the decision by Sumitomo Mitsui Financial Group, Inc. and Sumitomo Mitsui Banking Corporation to dissolve their merger in the wholesale securities business, Daiwa Securities SMBC Co. Ltd. changed its corporate name to Daiwa Securities Capital Markets Co., Ltd.
February 2010	Daiwa Securities SMBC Principal Investments Co. Ltd. changed its corporate name to Daiwa PI Partners Co. Ltd.
July 2010	Daiwa SMBC Capital Co., Ltd. changed its corporate name to Daiwa Corporate Investment Co., Ltd. (currently Daiwa Capital Holdings Co., Ltd.)
May 2011	Daiwa Next Bank, Ltd. launched customer-facing services.

Date	Event
January 2012	Daiwa Capital Markets Europe Limited, Daiwa Capital Markets Asia Holdings B.V., and Daiwa Capital Markets America Holdings Inc. were transferred to under the umbrella of Daiwa Securities Group Inc.'s subsidiary Daiwa International Holdings Ltd.
April 2012	Daiwa Securities Co. Ltd. merged with Daiwa Securities Capital Markets Co. Ltd. in an absorption-type merger
December 2015	Additional shares of Mi-Casa Asset Management Inc. were acquired, making it a subsidiary.
September 2017	All shares of Sagent Holdings, Inc. were acquired, making it a subsidiary.
October 2017	All shares of Signal Hill Holdings LLX were acquired, making it a subsidiary.
February 2018	KDDI Asset Management Co., Ltd (currently au Asset Management Corporation), a joint venture with KDDI Corporation, was launched.
March 2018	Sagent Holdings, Inc. merged with Signal Hill Holdings LLC and changed its corporate name to DCS Advisory Holdings, Inc. (currently Daiwa Corporate Advisory Holdings Inc.)
April 2018	Established Fintertech Co. Ltd.
July 2018	Established Daiwa Energy & Infrastructure Co. Ltd.
October 2018	Mi-Casa Asset Management Inc. merged with Daiwa Real Estate Asset Management Co. Ltd.
April 2019	Established CONNECT Co. Ltd.
September 2019	Additional shares of Samty Residential Investment Corporation were acquired, making it a subsidiary.
October 2020	Daiwa Properties Co., Ltd. and Daiwa Office Services Co., Ltd. transferred all businesses to Daiwa Facilities Co., Ltd., and Daiwa Securities Co. Ltd. merged both companies.
March 2021	Daiwa Office Investment Corporation was made a subsidiary through the acquisition of its treasury investment units.
April 2021	An absorption-type merger was conducted, in which Daiwa Institute of Research Holdings Ltd. was the surviving company and Daiwa Institute of Research Ltd. and Daiwa Institute of Research Business Innovation Ltd. were the absorbed companies, and the corporate name was changed to Daiwa Institute of Research Ltd.

### 3 Description of business

The primary business of the Company and its subsidiaries and affiliates (136 consolidated subsidiaries and 23 entities accounted for using the equity method) is the investment/financial business, with securities-related business at its core. Specifically, they are 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. The Company and its subsidiaries have business locations in major financial markets starting with Japan and including Europe, Asia, and Europe. Through our globally expanding network, we provide a wide range of services to meet both the fundraising and asset management needs of our customers throughout the world.

Furthermore, the Company is a specified Listed Company, etc. Because the Company is considered a specified Listed Company, etc., minimal standard criteria for material facts in insider trading regulations are determined based on figures on a consolidated basis.



(Note) Wholesale Segment = Global Markets + Global Investment Banking

#### 4 Status of subsidiaries and affiliates

Company Name	Location	Capital (Millions of yen)	Main business	Ratio of voting rights (%)	Relationship
(Consolidated subsidiaries)					
Daiwa Securities Co. Ltd. (Note) 2, 3, 5	Chiyoda-ku, Tokyo	100,000	Securities-related business Investment advisory and agency business	100.0	Lending and borrowing of cash Lending and borrowing of securities Directors hold concurrent positions, etc.: Yes
Daiwa Asset Management Co. Ltd. (Note) 5	Chiyoda-ku, Tokyo	15,174	Investment management business Investment advisory and agency business	100.0	Directors hold concurrent positions, etc.: Yes
Daiwa Institute of Research Ltd. (Note) 2	Koto-ku, Tokyo	3,898	Information service	100.0	Outsourcing Directors hold concurrent positions, etc.: Yes
Daiwa Securities Business Center Co. Ltd.	Koto-ku, Tokyo	100	Back office operation	100.0	Back office operation Directors hold concurrent positions, etc.: Yes
Daiwa Facilities Co., Ltd.	Chuo-ku, Tokyo	100	Lending, borrowing and management of real estate	100.0	Lending and borrowing of real estate Lending and borrowing of cash Directors hold concurrent positions, etc.: None
Daiwa Next Bank, Ltd. (Note) 2	Chiyoda-ku, Tokyo	50,000	Banking business	100.0	Directors hold concurrent positions, etc.: Yes
Daiwa Corporate Investment Co., Ltd.	Chiyoda-ku, Tokyo	100	Investment business	100.0 (100.0)	Directors hold concurrent positions, etc.: None
Daiwa PI Partners Co. Ltd.	Chiyoda-ku, Tokyo	12,000	Investment business	100.0 (100.0)	Lending and borrowing of cash Directors hold concurrent positions, etc.: None
Daiwa Energy & Infrastructure Co. Ltd.	Chiyoda-ku, Tokyo	500	Investment business	100.0 (100.0)	Directors hold concurrent positions, etc.: None
Daiwa Real Estate Asset Management Co. Ltd.	Chuo-ku, Tokyo	200	Investment management business Investment advisory and agency business	100.0	Directors hold concurrent positions, etc.: None
Daiwa Securities Realty Co. Ltd.	Chuo-ku, Tokyo	500	Real estate related business	100.0	Directors hold concurrent positions, etc.: None
Daiwa Office Investment Corporation (Note) 2, 3	Chuo-ku, Tokyo	245,093	Investment in specified assets	40.7 (26.7)	Directors hold concurrent positions, etc.: None
Samty Residential Investment Corporation (Note) 2, 3	Chiyoda-ku, Tokyo	74,149	Investment in specified assets	40.2 (1.4) [13.5]	Directors hold concurrent positions, etc.: None

Daiwa Capital Markets Europe Limited (Note) 2	London, U.K.	GBP732 million	Securities-related business	100.0 (100.0)	Directors hold concurrent positions, etc.: Yes
Daiwa Capital Markets Hong Kong Limited (Note) 2	Hong Kong, China	HKD100 million USD276 million	Securities-related business	100.0 (100.0)	Directors hold concurrent positions, etc.: None
Daiwa Capital Markets Singapore Limited	Singapore, Singapore	SGD140 million	Securities-related business	100.0 (100.0)	Directors hold concurrent positions, etc.: None
Daiwa Capital Markets America Holdings Inc. (Note) 2	New York, U.S.A.	USD621 million	Integration and management of subsidiaries	100.0 (100.0)	Directors hold concurrent positions, etc.: None
Daiwa Capital Markets America Inc.	New York, U.S.A.	USD100 million	Securities-related business	100.0 (100.0)	Directors hold concurrent positions, etc.: None
Other 118 companies (Note) 4					
(Entities applying equity method)					
Daiwa Securities Living Investment Corporation (Note) 3	Chuo-ku, Tokyo	132,170	Investment in specified assets	16.3 (0.6)	Directors hold concurrent positions, etc.: None
Other 22 companies					

(Notes) 1 For the ownership ratio of voting rights, the indirect ownership ratio is included in parentheses, and the ownership ratio for voting rights owned by those who are close to the Company or who have provided their agreement are indicated separately in brackets.

2 Corresponds to a designated subsidiary.

3 The company submitting the annual securities report.

4 Includes Daiwa International Holdings, Ltd., which has excess debt.

As of the end of March 2022, the amount of excess debt was 24,870 million yen.

5 Operating revenue (excluding intersegment revenue among consolidated companies) made up more than 10% of consolidated operating revenue.

The main gains and losses for each company in the current consolidated fiscal year are as follows.

(Millions of yen)

	Daiwa Securities Co. Ltd.	Daiwa Asset Management Co. Ltd.
Operating revenue	326,039	74,948
Net operating revenue	315,106	74,948
Ordinary income	78,234	19,089
Profit	57,401	12,738
Net assets	510,743	41,941
Total assets	14,645,276	61,390

## 5 Status of employees

### (1) Consolidated companies

(As of March 31, 2022)

Segment name	Number of employees (Persons)
Retail Segment	5,971
Wholesale Segment	2,458
Asset Management Segment	859
Investment Segment	141
Other	5,460
Total	14,889 [262]

(Note) The number of employees is the number of people who actually work at the Company, and the average number of part-time employees during the year is listed separately in brackets. Employees who serve concurrently at more than one company within the Group are counted as employees of only one of the companies to which they belong. Employees who work concurrently for the Company and Daiwa Securities Co. Ltd. are included in "Other."

### (2) Reporting company

(As of March 31, 2022)

Number of employees (Persons)	Average age (Years old)	Average years of service (Years)	Average annual salary (Yen)
467	40.3	15.2	12,199,149

Segment name	Number of employees (Persons)
Other	467

- (Notes)
- 1 In the current fiscal year, we changed our calculation method to reflect the number of employees in the Company's career-track, including those who work concurrently for the Company and Daiwa Securities Co. Ltd. Furthermore, of the total number of employees, 464 worked concurrently for the Company and Daiwa Securities Co. Ltd. in the current fiscal year.
  - 2 In calculating the average years of service above, we include the years of service at Daiwa Securities Co. Ltd., etc.
  - 3 Average annual compensation includes bonuses and non-standard wages.

### (3) Status of labor union

No particular matters to be described.

## Item 2. Overview of Business

The managerial goals, forecasts, and other matters concerning the future in this section are decided by the Group at the time of the submission of the Annual Securities Report and are not a guarantee or promise of the achievement of these targets or forecasts or of future financial performance. The items in this section can also be changed without notice.

### 1 Management policy, management environment, issues to be addressed, etc.

In fiscal 2021, with increasing expectations for the normalization of socioeconomic activities and the policies of the new administration, the Nikkei Stock Average marked a 31-year high in September. However thereafter, against the backdrop of uncertainty over the future of COVID-19 and the deterioration of conditions in Ukraine, the Nikkei Stock Average experienced a large decline, and energy prices surged. Furthermore, in the U.S., monetary tightening was enacted from caution over prolonged inflation, and rising interest rates and the resulting downward pressure on stock prices led to an extremely volatile market environment.

The Group has promoted a hybrid strategy aimed at diversifying its earnings structure and business portfolio, and even amid this highly volatile market environment, we aim to secure stable financial results. Furthermore, as this type of uncertainties in global affairs increase and uneasiness over the COVID-19 pandemic persists, the Group is making every effort to resolve issues through the financial and capital markets.

The Group has formulated a three-year Medium-Term Management Plan entitled “Passion for the Best” 2023 starting in fiscal 2021. Accompanied by the slogan, “The best partner for co-creating the future —Be with you—,” the Basic Policies of the Plan call for the Group to achieve “Customer First” and “Quality No. 1” operations and to create a new capital recycling system through a Hybrid Strategy, as well as pursuing the best mix of digital and real.

In the first year of the Medium-Term Management Plan, the pillar of the Medium-Term Management Plan was the shift to a wealth management type business model, and steady progress was being made on that front. At the same time, by promoting a hybrid strategy, the Group was able to create high value added products and services and diversify its profit structure. It was a year in which we moved steadily forward toward the goal of becoming the best partner for creating the future together (“Be with you”) as set forth in the Medium-Term Management Plan.

Furthermore, as our main numerical targets in the Medium-Term Management Plan, we have established a consolidated rate of return on equity (“ROE”) of 10% or more in fiscal 2023, consolidated ordinary income of 200 billion yen or more in fiscal 2023, a Retail Segment asset-based revenue ratio of 50% or more in the 4th quarter of fiscal 2023, hybrid-related ordinary income of 50 billion yen or more in fiscal 2023, and Daiwa Securities assets under custody (AUC) of 90 trillion yen or more in fiscal 2023.

Furthermore, considering conditions in fiscal 2021 and the recent state of affairs, we have established the following FY2022 Daiwa Securities Group Management Policies.

#### **FY2022 Daiwa Securities Group Management Policies**

In fiscal 2021, the stock market reached record levels with the Nikkei average coming to 30,670 yen for the first time in 31 years since August 1990 as the global economy returned to normal and expectations rose for the new administration. On the other hand, it was also a roller coaster year of adjustment due to such factors as the continued spread of COVID-19 and increased geopolitical risks.

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

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

FY2022 action plan for each business segment is as follows:

- (1) Retail Segment
  - (i) Realization of wealth management type business model
  - (ii) Provision of products and services that meet customers' needs and expansion of solution business through a total assets approach
  - (iii) New business development and improvement of profitability through the use of business alliances with external channels
  - (iv) Efforts related to sustainability and making the digital shift in mass marketing and customer support
  
- (2) Wholesale Segment
  - (i) Provision of diverse products and advanced solutions that meet customers' needs
  - (ii) Expansion of the brokerage business foundation leveraging highly acclaimed research capabilities
  - (iii) Support for the sustainability of companies through the promotion of SDGs financing
  - (iv) Enhancement of digital human resources and promotion of a data-driven business
  
- (3) Asset Management Segment
  - (i) Expansion of existing business by strengthening management capability, discovery capability and product arrangement capability
  - (ii) Research and Develop, and commercialization of new businesses, including product development for investing in alternative assets
  - (iii) Strengthening of asset management capability and establishment of business foundation in the real estate asset management business
  - (iv) Promotion of real estate business such as the expansion of the real estate securitization business through coordination within the Group
  
- (4) Investment Segment
  - (i) Discovery of excellent investment opportunities, enhancement of value of investments and strengthening of monitoring systems
  - (ii) Promotion of capital recycling model in the energy sector
  - (iii) Establishment of ongoing VC fund management business
  - (iv) Development of socially meaningful investments conscious of SDGs
  
- (5) Other (Daiwa Institute of Research Group)
  - (i) Establishment of IT service platforms and creation of new value through AI and data science
  - (ii) Contribution to the reduction of costs of the Daiwa Securities Group by providing high quality, stable services at low cost
  - (iii) Sales systems based on customer characteristics, high value-added proposal activities by business analysts based on customer needs, expansion of customer base through system solutions including utilization of data science and new technologies, and new business development
  - (iv) Enhancement of research quality by creating a virtuous cycle of communication, information gathering and exchange of opinions
  
- (6) Other (Daiwa Next Bank)
  - (i) Provision of competitive interest rates and provision of appealing new products and new services
  - (ii) Further strengthening of coordination within the Group and accumulation of projects in the financing business
  - (iii) Expansion of assets under management centered on securitized products and review of portfolio based on market trends
  - (iv) Expansion of balance of Ouen (Supporting) Term Deposits and efforts to promote ESG investment and lending

## 2 Business risks

Of the matters concerning the status of operations and the status of accounting, etc. stated in the Annual Securities Report, the following are types of risks on the main matters considered likely to have a major impact on investors' decisions. These risks do not necessarily encompass all risks and there is the possibility that risks not currently anticipated and risks thought to have little materiality could have a negative impact on the Group's financial position and operating results in future.

The matters concerning the future in this section are, unless otherwise noted, those decided by the Group as of the filing date of the Annual Securities Report.

While the Group pursues profitability and growth, it also recognizes the importance of appropriately identifying, evaluating, and effectively managing various risks associated with its business operations. The Group faces various risks in the course of its business activities. The Group therefore believes that it is important to identify these based on business characteristics and risk profiles, and appropriately evaluate and manage those risks in order to maintain a sound financial base and earnings structure.

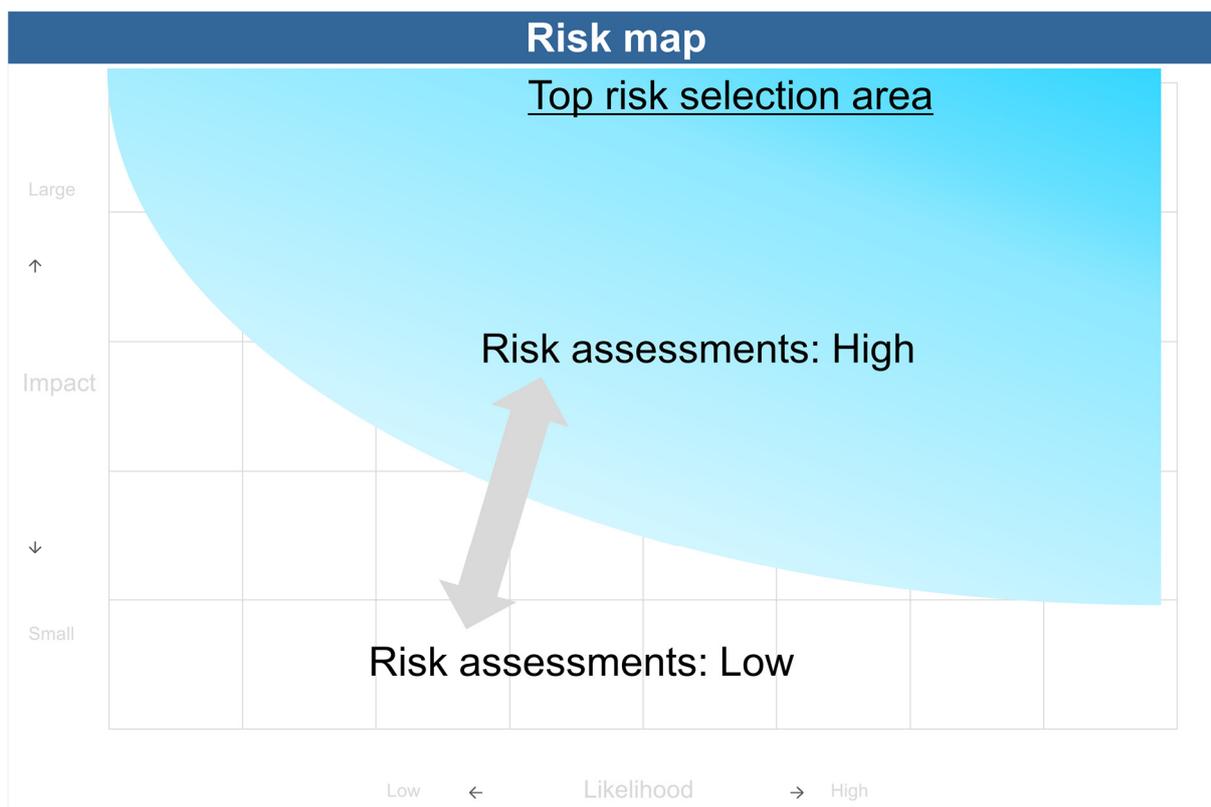
Because the Group utilizes its own accounts to temporarily hold product positions for sales purposes and to provide products to customers, the Group is subject to market risk due to market fluctuations and risk for which hedges do not function, credit risk related to counterparties and issuers, foreign currency and other liquidity risk, operational risk that naturally occurs through the execution of business, and model risk stemming from the use of decision-making models. The Group is also subject to investment risk due to deterioration in the business performance and credit status of investees, as well as to changes in the market environment, that coincide with the execution of growth investments through a Hybrid Strategy. The Group utilizes stress tests and top risk management to manage risk on an integrated basis, including measuring the impact on capital and liquidity within the Group from a forward-looking perspective.

### Top risks

The Group is monitoring various risk events that require particular attention in light of the nature of the Group's business as top risks. The top risks as of the filing date of the Annual Securities Report are set out in the following table.

Risk events	Specific examples
Increasingly serious international disputes and confrontations	Intensification of the Russia-Ukraine conflict and US-China tensions, etc.
US inflation concerns and higher interest rates	—
Growing awareness of social contributions (ESG)	Damage to the Group's reputation caused by views that the Group's response to ESG and disclosures are inadequate
Rapid spread of DX (digital transformation)	Decline in competitiveness due to inadequate response to DX
Climate change	Decline in the value of held assets and decrease in selling opportunities as a result of climate change
Massive earthquakes and floods	Increase in costs associated with natural disaster
Deterioration in investees' performance and damage to the value of assets	—
Cyberattacks	—
System failures	—
Compliance risk	Inappropriate conduct by executives and employees including money laundering and insider trading, etc.
Information security risk	Serious information leaks, etc.

Top risks are selected by management with a framework that enables management to understand and discuss extensive risks when making such selection. Specifically, for the comprehensive "visualization" of extensive risks events, the risk events that are identified and sorted out by relevant departments, based on risk events collected from both inside and outside the Company are candidates for top risks. Moreover, the Group's Directors and Corporate Executive Officers identify and extract such candidates for top risks by making a forward-looking evaluation of the level of impact on the Group's performance and the possibility that such risk events will occur. The following risk map is utilized in such evaluation.



(1) Risks concerning the Japanese and global economy, economic conditions and fluctuations in financial markets

In Japan, sluggish personal consumption and deterioration in corporate results due to the spread of COVID-19 had exerted downward pressure on the economy. There is no denying the possibility that the Japanese economy could fall into a crisis of slowdown if economic and corporate activities suffer continued stagnation due to the spread of COVID-19, if monetary policy does not achieve the anticipated impact, or if a rise in the price of goods continues or accelerates because of a rise in the price of raw materials, etc.

In addition, the disruption to the global supply chain due to increased geopolitical risks triggered by Russia's invasion of Ukraine could cause higher energy prices and dramatic increases in inflation and the possibility of heightened instability in global financial markets. In the US, unanticipated rises in interest rates during a period of interest rate hikes and trade stagnation caused by protectionist trade policies under the Biden administration could cause stagnation of economic activities. In European regions, there are also concerns that a recovery in employment and incomes could be delayed due to heightened geopolitical risks and inflation. Even in China and emerging countries, the situation remains unpredictable such as with the slowdown in the economic growth rate and geopolitical risks. In addition, the uncertainty about the global economic outlook could also be exacerbated by US-China trade frictions. There is also denying the possibility of a global financial crisis and economic crisis if there is renewed deterioration in financial and economic conditions.

If fiscal policy and monetary policy do not achieve their anticipated impact in Japan, and if there are events that have a negative impact on the economic environment surrounding Japan such as stagnation or deterioration in the global economy and economic conditions, we anticipate that various risks could become evident due to the deterioration in corporate results, falls in stock prices and fluctuations in foreign exchange and interest rates, etc. This situation could have a significant negative impact on the Group's business, financial position and operating results.

(2) Risks from external factors

Securities-related business, which is the Group's main business, tends to be greatly affected by unpredictable events that cause sudden fluctuations in the market. For example, the turmoil and crisis for society, the economy and finances caused by the September 2001 terrorist attacks in the US and the March 2011 Great East Japan Earthquake both had serious impact on the Group's performance.

In responding to COVID-19, the Group is implementing thorough measures to prevent infection and utilizing telework (working from home), etc. based on an approach of safety first for customers, business partners and employees as well as preventing the spread of infection. We established the Crisis Management Headquarters headed by the CEO aimed at mitigating the business

impact. However, if the situation is further prolonged and the global and domestic economies stagnate or deteriorate, we anticipate that various risks will become evident due to the deterioration in corporate results, falling stock prices, and fluctuations in foreign exchange and interest rates, etc., so there is the possibility that this could impact the Group's performance and financial position. In this way, external factors including war and acts of terrorism, natural disasters such as earthquakes, tsunami and floods, widespread contagion of various infections and the failure of infrastructure such as information and communication systems and power supply could have a negative impact on the Group's business, financial position and operating results.

(3) Risks related to climate change, etc.

All countries are advancing initiatives towards achieving carbon-neutral by 2050, triggered by the adoption of the 2015 Paris Agreement, and implementing measures that reduce greenhouse gas (GHG) emissions has become an imperative. Meanwhile, the Group also understands that dealing with climate change is an important management issue, so we are enhancing our understanding, analysis and management of risks in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and striving for their appropriate disclosure. Climate change risks are the risks stemming from matters including tighter regulations and market change associated with the transition to a carbon-neutral society (transition risk) and risks stemming from physical damage caused by natural disasters, etc. (physical risk).

The Group has conducted qualitative evaluation from climate change scenario analysis and mainly identified the following as risks that will possibly have a negative impact on the business, the financial position and operating results.

The main transition risks include a decrease in earning opportunities from the deterioration in corporate performance associated with rises in carbon taxes and a decline revenue opportunities due to a decline in activities, a decline in the value of assets held by the Group due to delays in response to structural change in industries, a decline in underwriting business from various industry sectors significantly affected in the course of the transition, and a decrease in business due to deterioration in reputation through investment and underwriting related to businesses with a heavy environmental load.

In addition, for the main physical risks we anticipate a decrease in business opportunities of the Group due to its customers being significantly affected by an increase in natural disasters such as heavy rains and large typhoons and from higher average temperatures as well as increased constraints on business activities from the impact suffered by business locations and employees of the Group.

Note that if climate change related policies, laws and regulations of each country are tightened beyond expectations, this could have an increasingly large impact on the Group's business, financial position and operating results.

(4) Risks associated with the state of competition

Competition in securities-related business, the Group's main business, has become severe, triggered by a series of major deregulations such as the liberalization of the brokerage commission rate on share trades and revisions to firewall regulations. Entry regulations have virtually been repealed, and domestic and overseas financial groups other than banks and other securities companies are building and strengthening customer bases and branch networks through the provision of a broad range of financial instruments and services.

The Group cannot guarantee that it can demonstrate adequate competitiveness against these domestic and overseas financial groups in terms of prices and services, etc. of competing businesses, and if unable to demonstrate such competitiveness there could be a significantly negative impact on the Group's business, financial position and operating results.

(5) Risk that the Group's strategy is not successful

The Group comprises a group of companies operating investment/financial businesses with the securities-related business at the core and new business areas such as real estate, healthcare and renewable energy under a Hybrid Strategy. The Group aims to maximize the corporate value of the entire Group by providing high value-added investment and financial services through collaboration amongst these Group companies. Nevertheless, that strategy of the Group may not be successful and the anticipated outcomes may not be achieved if there are revisions to the aforementioned strategy of the Group due to various factors including (i) deterioration in domestic and overseas economic and financial conditions, (ii) inability to achieve the Group's expected earnings due to changes in the competitive environment, (iii) fluctuations or reduction in business alliance and joint venture relations and outsourcing relations inside and outside the Group, (iv) measures to improve the efficiency of organizational operations within the Group do not progress as anticipated, and (v) large-scale revisions of legal requirements, and if the operations between Group companies and collaborations with others do not function adequately. In that case, there could be a negative impact on the Group's business, financial position and operating results.

(6) Risks associated with performance fluctuations

Securities-related business, which is the Group's main business, and asset management business and investments business, which are its other main businesses, are characterized by large fluctuations in the commissions generated from transactions with customers, net trading income, and operational investment securities and other investments, etc. The Group is striving to increase assets under custody in the Retail Segment, to diversify the profit structure of the Wholesale Segment, increase the balance of contract assets in the Asset Management Segment, strengthen the management of various risks such as market risk and credit risk and be thorough in its cost control management to ensure increased stability of performance. However, there is no guarantee that these measures will cover the fluctuations associated with the securities-related business, and if there were marked deterioration, especially in economic and financial conditions, there could be a significantly negative impact on the Group's performance.

Further, the trend in the Group's consolidated performance for the past three fiscal years is as follows.

(Millions of yen)

Term	83rd	84th	85th
Fiscal year-end	March 2020	March 2021	March 2022
Operating revenue	672,287	576,172	619,471
Net operating revenue	426,259	466,660	502,093
Ordinary income	70,283	115,175	135,821
Profit attributable to owners of parent	60,346	108,396	94,891

(7) Business risks in the Retail Segment

In Retail Segment, earnings may decline significantly if a slump in market conditions weakens demand for securities investment at customers, leading to risk-averse investment behavior on securities markets and investors who are more reluctant to own risk assets. In addition, there is a tendency to require fixed costs, such as real estate-related expenses, personnel expenses, or depreciation on systems investments, for branches, sales representatives, online trading systems, etc. Therefore, when there is a substantial decline in revenue due to factors such as the above, there is the risk of being unprofitable if efforts to control costs are insufficient.

(8) Business risks in the Wholesale Segment

The Wholesale Segment is comprised of each business in Global Markets and Global Investment Banking.

In trading services such as cash and derivative transactions in Global Markets, there is risk of deterioration in earnings owing to weaker transaction demand from customers due to market trends or changes in taxation and accounting systems; the risk of losses materializing as a result of sudden, large-scale changes in market conditions that are detrimental to the market value of positions held by dealers; and the risk of losses materializing from an inability to sell in reaction to changes in market conditions due to the holding of low-liquidity positions.

The major risks among these are market risk (risk of suffering losses from fluctuations in market prices such as stock prices, interest rates, foreign exchange rates and commodity prices) and credit risk (reduction or loss of asset value (including off-balance sheet assets) due to deterioration in the borrower's financial situation, etc. or risk of suffering losses due to non-performance of debt). The Group undertakes various hedge transactions as necessary, referencing the past trends in market prices for each product and the correlation in price fluctuations of each product to reduce risks when trading in each product. However, there is also the possibility that the hedge may not be effective due to market fluctuations that exceed expectations and the sudden occurrence of individual events. Furthermore, if the content of trading positions is biased towards specific issues and industries, etc. and it becomes hard to gain a diversification effect for the entire portfolio, it will also be difficult to smoothly close-out positions and a tendency for the amount of losses to substantially increase if risks become evident.

In brokerage services in the Global Markets, earnings may decline significantly if a slump in market conditions weakens demand for securities investment at customers, leading to risk-averse investment behavior and investors who are more reluctant to own risk assets. In addition, there is a tendency to require fixed costs such as depreciation of systems investments since large transactions systems for corporate customers are required. Therefore, when there is a substantial decline in revenue due to factors such as the above, there is the risk of being unprofitable if efforts to control costs are insufficient.

In addition, in Global Investment Banking, apart from being engaged in bonds, listed stocks, initial public offerings, underwriting of asset liquidation securities, and subscription and secondary offerings in response to the financing needs of corporate customers, we conduct operations related to creating structured securities and structured finance, and advisory services related to M&A,

business restructuring and initial public offerings. These operations generally have characteristics of rapid fluctuations in transaction size and transaction volumes impacted by securities market conditions. In addition, in underwriting deals, there is the risk of losses on underwritten securities held, caused by a fall in market prices in the event that the securities cannot be smoothly sold to investors for reasons such as a decline in the market. The position risks in the underwriting business are much more serious than position risks in normal trading since there can be huge positions in single issues for which effective risk avoidance methods may not be possible in a timely manner. Further, in underwriting business, there is risk of a compensation claim for damages from investors as an underwriter under the Financial Instruments and Exchange Act if failing to properly disclose the offer and sale of securities.

(9) Business risks in the Asset Management Segment

Asset Management Segment comprises each business in securities asset management and real estate asset management.

Securities asset management revenue is a fixed rate based on the balance of assets under management or performance related fees. The Group's earnings drop if there is a decline in assets under management due to a decrease in the appraised value of assets under management as a result of market fluctuations, or due to an increase in cancellations as a result of the change in asset management behavior of customers (including increased propensity to invest in stable assets such as deposits) or as a result of the Group's investments underperforming in comparison to competitors.

Otherwise, the securities asset management expense structure is mainly system-related expenses and personnel expenses, with strong fixed cost factors, so there is also the risk of becoming unprofitable if there is a marked decrease in revenue.

Real estate asset management revenue comprises fees from a fixed rate based on the balance of assets under management and real estate trading amounts as well as real estate development profit and profit from the real estate rental business, etc. In the event that real estate market fluctuations, etc. leads to a decline in the appraised value of assets under management and a decline in profitability of assets under management, a decline in real estate buy and sell transactions, sluggish real estate transaction prices, a rise in acquisition prices of land for real estate development, a rise in prices of building materials, etc. this could have a negative impact on the Group's performance.

Otherwise, the real estate asset management expense structure is made up of personnel expenses, real estate expenses, expenses related to real estate leasing business, etc. and in the event of a rise in these expenses and a marked decline in revenue, this could have a negative impact on the Group's performance.

Note that real estate asset management comprises the Group's consolidated subsidiaries Daiwa Office Investment Corporation, and Samty Residential Investment Corporation, as well as its equity method affiliate, Daiwa Securities Living Investment Corporation. These real estate investment corporations are investment corporations based on the Act on Investment Trusts and Investment Corporations, and listed on the Real Estate Investment Trust Market of the Tokyo Stock Exchange, Inc. Their main business is to raise funds through the issuance of investment units and investment corporation bonds as well as borrowings, etc. from financial institutions, etc. and investing in real estate and beneficial interests in trusts with real estate as underlying assets as well as the recovery of such investment through rent and sales of real estate focused on Daiwa Office Investment Corporation primarily investing in office buildings, Samty Residential Investment Corporation mainly investing in rental housing, and Daiwa Securities Living Investment Corporation mainly investing in rental housing and healthcare facilities.

The business of Daiwa Office Investment Corporation, Samty Residential Investment Corporation and Daiwa Securities Living Investment Corporation could be impacted by various circumstances including fluctuations in the market environment and economic conditions, fluctuations in the fund procurement interest rates, tenants moving in and out, rent revisions and non-payment, bankruptcy of tenants, trustee of the trust or other related parties, fluctuations in property tax and various other expenses, presence of real estate defects and flaws, destruction, degradation and damage of buildings due to disasters, etc., ownership and other real estate rights, presence of toxic substances, environmental contamination, enactments and revisions of administrative regulations, tax laws (including legal requirements for exemption of double taxation of investment corporations and investors) and other laws and regulations, enactments and revisions of stock exchange regulations, etc. Consequently, in the event that Daiwa Office Investment Corporation, Samty Residential Investment Corporation and Daiwa Securities Living Investment Corporation record losses as a result of an inability to receive rental and divesture income at anticipated levels and times or due to valuation losses, this could have a negative impact on the Group's performance.

(10) Business risks in the Investment Segment

The Investment Segment is engaged in (i) venture capital business with a main purpose of acquiring stocks, etc. of venture companies, etc. that are assumed to conduct initial public offering in the future and generating profits by selling such stocks at the time of the initial public offering, (ii) principal investments business with a main purpose of acquiring and holding corporate stocks, etc. with our own funds, and generating profits by selling such stocks, etc. after increasing the value of the invested companies

through management improvements, etc., (iii) energy and infrastructure investments business with a main purpose of acquiring and holding domestic and overseas investment assets in the energy and infrastructure sector and generating profits from income revenue generated during the holding period and from selling the investment assets, etc.

In venture capital business, the invested venture companies, etc. generally have a short history of business operations and, in many cases, does not have consolidated business operating model, and tend to be uncertain in fundraising and securing long-term demand for products and services. In addition, since there is no guarantee of continuous retention of talented personnel, overall management base of venture companies tends to be unstable. Furthermore, venture companies face various kinds of risk factors including high reliance on specific people such as the founders. Therefore, there are risks that the corporate value of the invested companies decline after the investment as well as the invested companies go into bankruptcy, and as a result it possibly leads to incurring losses.

In addition, in general, considerable time is required from the time venture companies start to target initial public offering to the actual initial public offering, in accordance with that, investment periods tend to be long. Furthermore, there is no guarantee that all invested companies will achieve initial public offering and even if the invested companies achieve initial public offering, there is no guarantee of being able to sell at a price above the acquisition cost, so there is a possibility of not being able to generate the expected selling profit or incurring a selling loss or valuation loss.

Principal investments business is a business that generates large returns if successful, which also includes high risks such as low liquidity of positions of held securities and other assets, difficulties in conducting risk control through diversification of investees, long holding periods, some sort of risk factors included in management of the target companies when starting the investment, and obstacles or long time for disposal if there is a failure to meet domestic and overseas regulations when selling. If continuously holding stocks, etc. without selling, there is the possibility of valuation losses and when selling, no guarantee of being able to sell at a price above the acquisition cost, so there is a possibility of not being able to generate the expected selling profit or incurring a selling loss.

The energy and infrastructure investments business is a business faced with various risk factors that could have an impact including low liquidity of investment assets held, difficulties in conducting risk control through diversification of investees, long holding periods, change in credit conditions of companies and related persons targeted for investment assets, trends in public measures, tighter regulations, political instability, natural disasters, foreign exchange and interest rate trends, trends in resource prices, country risks of the country of location for the investment assets, which could not create results that were anticipated at the time of investment. There is the possibility of not generating the expected revenue during the holding period, and if continuously holding assets, there is the possibility of valuation losses, and when selling, no guarantee of being able to sell at a price above the acquisition cost, so there is a possibility of not being able to generate the expected selling profit or incurring a selling loss.

#### (11) Business risks associated with the Banking business

At the Group, the consolidated subsidiary Daiwa Next Bank, Ltd. (hereinafter “Daiwa Next Bank”) provides services to customers through that bank’s agency Daiwa Securities Co. Ltd. (hereinafter “Daiwa Securities”).

At Daiwa Next Bank, the funds raised via deposits received from customers through Daiwa Securities and online, etc. are invested in loans, bonds and available-for-sale securities investment, etc., but the banking business needs to respond to various risks including credit risk, market risk, liquidity risk, systems risk, compliance risk, operations risk, information security risk, risks in outsourcing, event risks, reputational risk, and risk of decline in equity ratio. We have advanced our response for creating, maintaining and improving the stance to manage such extensive risks, but if this response is inadequate, and the expected profit margin cannot be secured due to lower returns on assets under management and the rise in fund procurement interest rates caused by the negative interest rate policy, etc., and if the strategy to differentiate from other competing banks does not advance as expected and we are unable to demonstrate competitiveness, this could have a negative impact on the Group’s performance.

#### (12) Risks related to investment securities

The Group holds stocks, etc. of target companies, etc. for the purpose of maintaining and building alliances and friendly relations, etc. Among this, there is the possibility of negative impact on the Group’s financial position and operating results for marketable stocks, etc. when there is a decline in market price, and for other stocks, etc. when there are valuation losses or impairment losses due to deterioration of the financial position and operating results for such target companies, etc. In addition, when the above stocks, etc. are sold due to the dilution in the significance of holding, etc. it is possible that selling may not be possible at the expected price or timing depending on the market environment and financial position and operating results of the target companies, etc.

#### (13) Risks related to overseas business

The Group has an extensive business foundation spread across developed countries such as Europe and the US, as well as Asia

including its emerging countries.

Compared to the domestic business foundation, overseas business foundations may be more heavily impacted by change in customer transaction needs, market environment as well as fluctuations in political, financial and economic conditions, etc. There is a possibility of suffering reduced profit or losses depending on the level of such events or risk management around them. In addition, the Group or the business of joint venture in which the Group invests could be subject to constraints or value of invested capital could fluctuate as invested capital and revenue are exposed to foreign exchange risks and also as a result of revisions made to laws and regulations in the countries which business is operated.

(14) Risks concerning capital adequacy and liquidity regulations

The Group is subject to application of the “Criteria for determining whether the adequacy of equity capital of the highest designated parent company and its subsidiary corporations, etc. is appropriate in light of the assets owned by the highest designated parent company and its subsidiary corporations, etc.” (2010 Financial Services Agency Public Notice No. 130) for the Company to qualify as the highest designated parent company under the Financial Instruments and Exchange Act, and needs to maintain at least the prescribed consolidated capital adequacy ratios based on Article 2 of that Public Notice (consolidated common equity Tier 1 capital ratio of 4.5%, consolidated Tier 1 capital ratio of 6%, consolidated total capital ratio 8%; collectively hereinafter “minimum consolidated capital adequacy ratio requirement”).

The Group, in addition to satisfying the aforementioned minimum consolidated capital adequacy ratio requirement has, since the end of March 2016, needed to maintain the capital conservation buffer ratio of 2.5% and the aggregate countercyclical buffer ratio as well as an additional 0.5% as the minimum capital buffer ratio due to its designation of the Company as a Domestic Systemically Important Banks (D-SIBs).

In addition, some consolidated subsidiaries are also subject to similar regulations. Daiwa Securities Co. Ltd., Retela Crea Securities Co., Ltd. and CONNECT Co. Ltd. need to maintain capital adequacy ratios as prescribed in the Financial Instruments and Exchange Act of at least 120% based on this Act. Daiwa Next Bank needs to maintain an equity ratio (domestic criteria) prescribed in “Criteria for determining whether the adequacy of equity capital of the bank is appropriate in light of the assets owned by that bank based on Article 14-2 of the Banking Act” (2006 Financial Services Agency Public Notice No. 19) of at least 4% based on that Public Notice. There are similar companies in overseas consolidated subsidiaries.

The Group applies the “Criteria that indicates soundness in relation to liquidity of the soundness in the management of the highest designated parent company and its subsidiary corporations, etc. stipulated as criteria by which the highest designated parent company is to judge the soundness in the management of the highest designated parent company and its subsidiary corporations, etc. based on the provisions of Article 57-17, Paragraph (1) of the Financial Instruments and Exchange Act” (2014 Financial Services Agency Public Notice No. 61) and has, in accordance with that Public Notice, been required to maintain the consolidated liquidity coverage ratio since the end of March 2015 as well as the consolidated net stable funding ratio since the end of September 2021 of at least 100%.

In addition, the Group applies “Matters prescribing the matters that should be described in documents that describe the state of the adequacy of equity capital for the highest designated parent company, if prescribed by the Commissioner of the Financial Services Agency” (2010 Financial Services Agency Public Notice No. 132) and is required to disclose its consolidated leverage ratio based on that Public Notice. The Group has applied “Criteria for determining the soundness in relation to the prescribed leverage as a complementary indicator of the criteria for determining whether the adequacy of equity capital of the highest designated parent company and its subsidiary corporations, etc. is appropriate in light of the assets owned by the highest designated parent company and its subsidiary corporations, etc.” (2019 Financial Services Agency Public Notice No. 13) since the end of March 2019 and is required to maintain the consolidated leverage ratio of at least 3%.

If there is a significant decline in the Group’s aforementioned ratios or the capital adequacy ratio of consolidated subsidiaries, there is a possibility that liquidity concerns could arise due to the spread of reputational risk and decline in credit levels. Furthermore, in the event that effective measures (measure to increase capital, etc.) are not implemented if the minimum criteria required under each of the above regulations is not met, there is the possibility that domestic and overseas supervisory authorities could issue improvement orders and the Group could be subject to measures to suspend all or part of its operations, etc.

For the Group’s compliance with the aforementioned capital adequacy and liquidity regulations, a committee has resolved internal management levels that include an appropriate buffer on top of the regulatory required minimum levels, monitors the capital adequacy ratio and liquidity regulation ratio, and reports the state of compliance to management.

If the regulatory ratios fall below the internal management levels, the CFO shall have the Group company where this originated report such situation, the factors and after-the-fact response measures, etc. to the department in charge of regulation. In addition, pre-determined measures shall be implemented to ensure recovery to the internal management levels as necessary.

An inability to comply with capital adequacy and liquidity regulations despite these response measures could have a negative

impact on the Group's financial position and operating results.

(15) Risks related to securities issued by the Group

The Company's stocks are listed on stock exchanges in Tokyo and Nagoya and they are traded in accordance with the Financial Instruments and Exchange Act and related laws and regulations as well as various regulations prescribed by each stock exchange, etc. There is a possibility that these regulations, etc. could make trading in the Company's stocks become impossible due to measures to suspend trading for the purpose of disseminating material information about the Company or temporary suspension of trading due to the execution of large orders in the Company's stocks.

The Company issues share acquisition rights for the purpose of stock options and if share acquisition rights are exercised in the future, there is a possibility that the profits per share could be diluted. In addition, there is a possibility that the stock price could decline because of sales of the Company's stocks by shareholders holding large amounts of the Company's stocks.

(16) Liquidity risk

The Group is engaged in securities-related business that uses many assets and liabilities and in investment and loan business. Therefore, the Group needs to ensure appropriate liquidity and maintain financial stability. However, there are the risks of suffering losses due to cash management difficulties or having to finance at markedly higher costs than usual as a result of a change in market conditions or a deterioration of Group companies' finance.

If the Group's fundraising becomes difficult, responses such as reducing the assets held are required. However, there is a risk that assets will need to be sold at substantially below their acquisition prices or an inability to sell assets if there is a decline in overall market liquidity due to deterioration in the market environment, with an even greater decline in liquidity for those assets targeted for sale that have low credit strength.

If such liquidity risk becomes evident, there is the possibility that the Group may find it difficult to continue operating, which would have a negative impact on the Group's financial position and operating results.

(17) Operational risk

The Group is exposed to operational risk associated with diverse operations and if such risks become evident, the Group could suffer losses, etc. which could have a negative impact on the Group's performance and social credibility.

The Group manages operational risks in categories as follows.

- Operations risk  
Risk of suffering losses because executives and employees neglect accurate office work or cause accidents or fraud, etc.
- Systems risk  
Risk of suffering losses due to downtime or malfunction of computer systems, and system defects, etc. as well as the risk of suffering losses due to fraudulent use of computers
- Information security risk  
Risk that information security (maintaining confidentiality, integrity and availability) has not been ensured to detect threats to information assets
- Compliance risk  
Risk of suffering losses due to executives and employees not observing corporate ethics and laws and regulations and the risk of suffering losses due to legal disputes with customers, etc.
- Legal risk  
Risk of suffering losses due to the execution of inappropriate contracts or breach of contracts
- Human resources risk  
Risk of suffering losses due to problems arising in labor management practices and in the safe workplace environment and risk of not securing the necessary human resources
- Tangible assets risk  
Risk of suffering losses due to damage to physical assets as a result of natural disasters, external factors and negligence of executives and employees

At the Group, particularly in the securities-related business, if there is tampering of data or an outflow of customer information caused by cyberattacks or system failure due to downtime or malfunction of computer systems that process execution and settlements for transactions, system defects, or new development and integration of systems, this could have a negative impact on the Group's financial position and operating results through opportunity losses or liability for damages because operations do not work normally, and a decline in social credibility, etc.

Furthermore, operational risks for which the Group understands there has been a recent increase in materiality are as follows.

- Cyber security risks  
The risk of suffering losses due to the suspension of system services, information leaks and data tampering, etc. due to external cyberattacks
- Risks involving money laundering and the financing of terrorism  
Risk that the Group ends up being involved in money laundering because the measures do not function effectively, despite being ready based on the regulations of each country, starting with the Financial Services Agency of Japan's "Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism."
- Risks of managing outsourcer  
Risk of suffering losses due to the inappropriate selection of outsourcer, contractual defects, the outsourcer's withdrawal of operations due to bankruptcy or takeover, etc., fraud or negligence, etc.

(18) Risks related to regulations, etc.

Each Group company is subject to regulations such as laws corresponding to its business type and rules of self-regulatory organizations, etc. The Group's main securities companies such as Daiwa Securities, Daiwa Asset Management Co. Ltd. and Daiwa Corporate Investment Co., Ltd. are subject to the Financial Instruments and Exchange Act and related regulations as financial instruments business operators, while Daiwa Next Bank is subject to regulations such as the Banking Act.

In addition, Daiwa Securities is also covered by regulations under relevant laws and regulations concerning side business operations such as money lending. Furthermore, the Group is subject to restrictions on the delivery, receipt and use of information between parent corporations and subsidiary corporations and restrictions on certain transactions that use the relationship between parent corporations and subsidiary corporations to prevent acts involving parent corporations and subsidiary corporations prescribed by the Financial Instruments and Exchange Act and is required to appropriately manage information and create an internal management system so that the interests of the customer are not unjustly prejudiced. In addition, the Company, as a major shareholder of some Group companies, may be subject to certain regulations such as receiving orders to submit reports and materials when the supervisory authority finds it necessary and appropriate for the public interest or investor protection. However, overseas subsidiaries are also subject to regulations as securities companies and financial institutions under local legislation.

Note that the Company is subject to consolidated regulations and oversight by the supervisory authority as the highest designated parent company of the special financial instruments business operator Daiwa Securities. In addition, the Group corresponds to a "designated parent company group" in the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc." and is subject to oversight on a consolidated basis in relation to certain matters including the appropriateness of consolidated shareholders' equity.

In addition, given the comprehensive progress in strengthening various financial regulations and oversight under the leadership of the G20 (Summit on Financial Markets and the World Economy), these international financial regulations and each country's independent financial regulations could have an impact on the Group's business.

As in the above, much of the Group's business is based on oversight and regulations by administrative and self-regulatory organizations and global financial regulations. Future revisions of laws, rules, policies and regulations could have a negative impact on the Group's business activities and management systems as well as the Group's financial position and operating results.

(19) Risks associated with the suspension of the publication of LIBOR, etc.

Due to interest rate benchmark reforms since the problem of manipulation in the London Inter-bank Offered Rates (LIBOR) became evident in 2012, publication of LIBOR was suspended as of December 31, 2021 (with the publication of key US dollar-denominated tenors scheduled to be suspended on June 30, 2023).

The Group established a project team to respond to the suspension of these publications, which investigated and implemented measures, and we believe the response to customers and the transition procedures, including the model development and system transition for the interest rate benchmarks for which publication was suspended on December 31, 2021, have been completely seamlessly. In addition, even in relation to LIBOR for key US dollar-denominated tenors for which publication is scheduled to be suspended on June 30, 2023, we have already suspended new transactions and the number of relevant contracts and balances remaining are limited.

Therefore, while the risk to the Group associated with the suspension of these publications is thought to be limited, in the event there is an impact on the price and market liquidity of the Group's financial assets and financial liabilities that refer to such interest rate benchmarks when transitioning financial indices, or in the event that there is uncertainty of market trends such as differences in transition timing for alternative indices for bonds and derivatives, or legal disputes due to approval not being obtained from transaction counterparties when revising contracts, or in the event of additional expenses incurred such as overruns on system development and operations, etc., it could have a negative impact on the Group's business, financial position and operating results.

(20) Risk related to compliance with laws and regulations

The Group is focusing on thorough compliance with laws and regulations including insider trading regulations through measures such as strengthening the internal control functions throughout the Group and working to build a more adequate internal management system, while educating and training executives and employees.

However, when promoting business, the possibility of occurring an act in violation of a law or regulation through the bad faith or negligence of the involved executives or employees could not be eliminated, and there is also a possibility that an intentional illegal acts that are carefully concealed, etc. are not be detected for a long period of time, so it is possible that transaction counterparties and others could seek damages of an order that could have negative impact on the Group's performance.

Furthermore, if it is found that the Company or a Group company has violated a law or regulation or caused other problem, or if fraudulent acts by executives or employees are found, it is possible that the Company or the Group will receive instructions or an order from the supervisory authority such as a payment order for charges or restrictions or suspension of operations. In addition, the Group understands that it has a thorough information management system and has laid out a complete system in relation to the response to the "Act on the Protection of Personal Information," but if various types of information such as customer information held by the Group were to leak outside due to negligence or fraudulent acts, etc., this would damage the Group's credibility with a possibility that we would receive claims and compensation claims for damages and instructions from the supervisory authority, etc.

A large portion of the Group's business is based on trust from customers, so if a problem of compliance with laws and regulations arises and the Group's social credibility declines, there could be a decline in transactions with customers and a situation which could have a negative impact on the Group's performance.

(21) Risks related to internal controls for financial reporting

The Company works to create and operate the systems necessary for internal controls for financial reporting associated with provisions related to internal controls for financial reporting in the Financial Instruments and Exchange Act and the enactment of relevant regulations. First, when selecting the business processes, we evaluate internal controls that will have a major impact on overall financial reporting on a consolidated base ("company-level internal control"), and consider the materiality of the impact on the reliability of financial reporting. For determining the scope of assessment of internal controls relating to business processes, we select significant accounts for significant business locations, and take business processes for the significant accounts to be the main evaluation items. For the business processes in the scope of assessment and the financial reporting process that is assessed from a company-level perspective, we evaluate the effectiveness of internal controls by verifying the status of preparation and operation of key points of control that have a major impact on the reliability of financial reporting. However, if such initiatives do not function effectively and significant defects are discovered in the internal controls for financial reporting as a result of the audit of internal controls by the audit corporation, there could be a decline in the Group's social credibility, which could have a negative impact on the Group's business, financial position and operating results.

(22) Litigation risks

The Group has a customer-oriented sales stance in its management policy, etc. and plans to make further efforts to enhance services. However, if customers were to incur losses due to insufficient explanation provided to customers or disagreement in understanding with the customers, the Group could be subject to litigation. If such losses are due to the responsibility of the Group, the Group could be obliged to compensate for damages based on the Civil Code, the Financial Instruments and Exchange Act or other basis. Apart from this, since the Group conducts extensive business and is subject to various regulations, it is engaged with many parties and exposed to various litigation risks including those with large invoice amounts and many parties, and there is a possibility of not only the damages from litigation itself but also a decline in social credibility caused by the content of the litigation that could have a negative impact on the Group's business activities, and its management system, financial position and operating results.

In addition, some trademarks and business models that the Group uses in business are currently in the application process, so the rights are not confirmed. Even if the Group has not been deficient in its confirmation, etc., there is a possibility that the Group has infringed a third party's intellectual property rights and would be subject to compensation claim for damages or a request for injunction.

(23) Reputational risk

The Group's business relies heavily on the trust of corporations, individual customers and market participants. If the events described in "2 Business risks" arise, particularly if there is a violation of laws and regulations due to the responsibility of the

Group and executives and employees and litigation, etc. as described in “(17) Operational risk,” “(20) Risk related to compliance with laws and regulations,” “(21) Risks related to internal controls for financial reporting” and “(22) Litigation risks,” there could be a decline in the Group’s social credibility. In addition, if exposed to the circulation of rumor and gossip based on speculation that is not necessarily based on accurate facts, regardless of whether such details are accurate, there could be a decline in the Group’s social credibility. As a result, there could be a suspension of transactions by customers and a negative impact on the Group’s business, financial position and operating results.

(24) Risks relating to the effectiveness of risk management and procedures

The Group is working to strengthen procedures in light of its risk management policy, but the effectiveness of risk management differs according to the characteristics of the business and each Group company. In addition, this will not necessarily function effectively when operations are rapidly expanded into new areas.

Note that the risk management policy is described in “4 Explanation about corporate governance, etc. (1) Overview of corporate governance (iv) Risk Appetite Framework, and (v) Status of establishment of risk management system.”

Gathering, analyzing and evaluating information about the market and investees are important for risk management assumptions, but if appropriate evaluation is not possible because such information itself is inaccurate, incomplete or out of date, and because some factors are determined by quantitative decisions based on past trends for some risk management methods, they will not necessarily be effective in relation to changes beyond expectations and unexpected events. If risk management does not function effectively, there could be a negative impact on the Group’s financial position and operating results.

(25) Risks of being unable to secure talented human resources

The Group conducts operations that require high-levels of expertise particularly in the securities-related business. To demonstrate high performance in all sectors, there is an assumption of securing talented human resources, so we are working on enhancements and continuous improvements to the personnel system and training system based on the characteristics of the business, and strengthening recruitment activities. However, the competition to acquire human resources is severe inside and outside the financial industry, so if it becomes difficult to recruit talented human resources and there is a large outflow of personnel, particularly to our competitors, this could have a negative impact on the Group’s financial position and operating results.

(26) Risks concerning revisions such as to accounting standards and taxation systems

Progress is being made in the conversion of Japan’s accounting standards to International Financial Reporting Standards (IFRS), and there have been many revisions in recent years, with further revisions planned for the future. In addition, there is a policy to promote voluntary application of IFRS, and there is a possibility that Japan could mandate the application of IFRS in future or the Company may voluntarily apply IFRS. If there is mandatory application or voluntary application of these revisions, there could be a negative impact on the Group’s financial position and operating results due to revisions of the accounting methods pertaining to the recognition of revenue, valuation of assets and liabilities, and revisions to the scope of consolidation for example, even if there is no fluctuation in the Group’s actual business operations and performance, etc. In addition, even in the event of revisions to the taxation systems, etc. there could be a negative impact on the Group’s financial position and operating results.

(27) Other risks

At the Group, the increase in the amortization costs and in the maintenance and operational costs that arise from investing in the acquisition and construction of computer systems could have a negative impact on performance, and if assets become obsolete or the profitability or operating ratio declines for real estate such as branches and offices, and computers systems, etc. or if they are disposed of, it may be necessary to record impairment losses and losses on sale and retirement.

Apart from this, the Group records taxable benefits based on accounting standards related to tax effect accounting as deferred tax assets according to estimates and assumptions relating to future taxable income, etc. Actual taxable income could differ from the estimates and assumptions, and if there is a future decision that all or part of the deferred tax assets cannot be recovered, the deferred tax assets will be reduced, which could have a negative impact on the Group’s financial position and operating results.

Timing of risks becoming evident

The Group sets the anticipated timing for possible risks to become evident as short term, medium to long term, etc., considers the possibility that risks will materialize and the level of impact when materialized, etc., and we reflect them in various stress tests.

### 3 Management analysis of financial position, operating results and cash flows

The matters concerning the future in this section are, unless otherwise noted, those decided by the Group as of the filing date of the Annual Securities Report.

#### (1) Important accounting estimates and the assumptions used in such estimates

The Company's consolidated financial statements are prepared based on Japanese generally accepted accounting principles. In addition, the Company conducts a number of important accounting policy based estimates when preparing the consolidated financial statements and these estimates are based on certain conditions and assumptions. Therefore, if the conditions and assumptions change, the actual result may differ from the estimates and as a result this could have a major impact on the consolidated financial statements. The following four items are those considered particularly important within the significant accounting policies.

##### (i) Valuation of trading products

The Group takes the fair value of securities and derivatives belonging to trading products to be the consolidated balance sheet price, and records the unrealized gain or loss as net trading income on the consolidated statement of income. In addition, we apply "Accounting Standards for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and related standards, and categorize the fair value of trading products in three levels according to the observability and materiality of inputs used in calculating fair value. These fair values are described in "V. Financial Information (Financial instruments) 2. Concerning the fair value and the breakdown of each level for financial instruments."

Details of the evaluation techniques and inputs used in measuring fair value are as follows. These include the Group's assumptions and estimates likely to be considered by market participants when evaluating products.

##### 1) Trading securities and other

This mainly uses the market price of the same or similar products. In addition, for specified debt instruments and asset-backed securities, fair value is measured with evaluation techniques that conform with derivatives or with the discounted cash flow model.

##### 2) Derivatives

We calculate listed derivatives in principle with the market price and over-the-counter derivatives with the theoretical price through evaluation techniques.

The theoretical price of derivatives includes adjustments that take account of credit risk and liquidity risk, and in the measurement of fair value, the present value of expected cash flows under the assumption of risk-neutral measures 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. Inputs that cannot be observed in the market include correlation coefficients, long-term volatility and long-term credit spreads.

Estimates and assumptions are included in the choice of price calculation model, the determination of inputs to enter into such price calculation model, and the valuation adjustments for credit risk and liquidity risk, and in particular, if using inputs that cannot be observed in the market, those estimates and assumptions can have a major impact on the appraised value of trading products.

The price calculation model, including the inputs used in calculation, is approved based in internal policies, and a department independent of the department that developed the price calculation model verifies the assumptions and techniques in the model and the inputs used in calculation. 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.

Management believes the assumptions used in the measurement of fair value are reasonable. However, since these estimates include uncertainty, any change in the estimates that would cause a decline in future cash flows or fair value would have a negative impact on the appraised amount, and as a result, have a major impact on the consolidated financial statements.

##### (ii) Valuation of securities

The Group owns securities other than trading products such as investment securities and operational investment securities, etc.

1) Investment securities

Securities with a market price are impaired when there is a marked decline in the market price, unless there is a deemed likelihood of recovery. Specifically, if the rate of decline in the market price since the end of the current fiscal year is 50% or more of the acquisition cost, it is decided there has been a marked decline without likelihood of recovery and the securities are impaired. If the rate of decline in the market price is 30% or more and less than 50% of the acquisition cost, comprehensive consideration is given to market price trends and the financial position of the issuer, etc. to investigate the likelihood of recovery, and securities are impaired unless a decision is made that there is likelihood of recovery. Securities without a market price are impaired if the actual value has significantly declined and there is not sufficient proof to substantiate the possibility of recovery.

2) Operational investment securities

Operational investment securities comprise unlisted stocks in the Investment Segment and investments in domestic and overseas renewable energy and infrastructure, etc.

For the valuation of operational investment securities, the actual value is estimated based on such appraised value and if such actual value falls below the book value and the possibility of a loss is high, an allowance for investment loss is recorded. Furthermore, if the actual value declines by 50% or more of the book value, the securities are impaired if there is not sufficient proof to substantiate the possibility of recovery. The items that require accounting estimates and decisions that have a serious impact on the Company's financial position or operating results that form the assumptions to calculate the actual value are as follows.

i) Unlisted stocks

The appraised value of stocks is calculated by comparison, etc. of the future cash flows based on the business plans, etc. of investees to examples of similar transactions.

ii) Investments in domestic and overseas renewable energy and infrastructure, etc.

The appraised value is calculated from future cash flows and the financial position, etc. based on the investees' business plan, etc.

The measurement of these appraised values uses estimates and assumptions decided by the management to be appropriate, and these estimates and assumptions could have a major impact on the decision on whether or not to record impairment losses or allowance for investment loss and the amount of recognized loss.

Managers decide that the assumptions used in estimating the actual value are reasonable. However, since these estimates include uncertainty, if there is a change in the estimates relating to these valuations due to change in the unpredictable assumed conditions for the future, etc. would result in the possibility that the Company and consolidated subsidiaries will record impairment or allowance for investment loss in the future.

(iii) Impairment loss of non-current assets

For assets in each asset group that have experienced a significant decline in profitability, the Group reduces the book values of such assets to the recoverable amounts and records such amount of reduction as an impairment loss. Further, assets to be held and used are grouped on an individual property basis for assets that are strongly individualized such as securities branches with other business assets grouped in accordance with classifications used for internal management accounting.

(iv) Deferred tax assets

1) Basis for including deferred tax assets

The Group applies tax effect accounting to net operating tax losses carry-forward, and the temporary difference, which is the difference between the business accounting basis assets and liabilities and the tax basis assets and liabilities and records deferred tax assets and deferred tax liabilities. The decision on the recoverability of deferred tax assets takes the estimated amount of taxable income for a future period that can be reasonably estimated to be the limit and is based on the result of scheduling the temporary differences in such period.

- 2) Taxable income during the past 5 years (actual value for each fiscal year before the use of net operating losses carry-forward)

(Millions of yen)

Term	80th	81st	82nd	83rd	84th
Fiscal year-end	March 2017	March 2018	March 2019	March 2020	March 2021
Taxable income of the consolidated tax group	31,973	97,467	74,613	60,907	92,842

Note) This describes the income of the consolidated tax group, taking the Filing Company to be the parent company paying consolidated taxes. In addition, the stated taxable income is the value before deducting the net operating losses carry-forward in the final corporate tax return, and does not reflect subsequent fluctuations.

Furthermore, 10.2 billion yen of the 11.9 billion yen in deferred tax assets on the consolidated balance sheet at the end of the current fiscal year is the total amount recorded by the consolidated tax company, taking the Filing Company as the parent company.

- 3) The forecast profit before income taxes assumed for the estimates  
Taking the estimated period for taxable income of the consolidated tax group with the Filing Company as the parent company paying consolidated taxes as three years, the estimated profit before income taxes for that period is 269.9 billion yen.
- 4) Main causes of deferred tax assets and liabilities  
As described in “V. Financial Information 1 Consolidated financial statements and other information (1) Consolidated financial statements Notes to the consolidated financial statements Deferred tax accounting 1”

Furthermore, the stagnation and deterioration in economic and corporate activities amid the alternating tightening and easing of restrictions on economic activities due to the impact of COVID-19, and the deterioration in economic and market conditions due to the sharp rise in resource prices attributed to the situation in Russia and Ukraine and the rise in US long-term interest rates do not currently have a serious impact on these estimates. However, if these market, economic and geopolitical risks become evident in future through available information, there could be a negative impact on the assumed conditions used for these accounting estimates.

There is a possibility that the Group could record impairment losses or losses on valuation due to change in estimates concerning the evaluation of assets held in investments and concerns about deterioration in financing details due to a decline in the operating ratio of assets in the real estate asset management business.

- (2) Analysis of financial position as of the end of the current fiscal year

<Asset>

Total assets at the end of the current fiscal year increased by 1,431.7 billion yen (5.5%) from the end of the previous fiscal year to 27,531.0 billion yen. The breakdown shows that current assets increased by 1,363.3 billion yen (5.5%) to 26,009.6 billion yen, including a decline in cash and deposits of 170.8 billion yen (3.6%) to 4,592.3 billion yen, an increase in securities of 181.2 billion yen (18.2%) to 1,177.8 billion yen, an increase in trading products of 170.8 billion yen (2.2%) to 8,004.9 billion yen, and an increase in loans secured by securities of 945.9 billion yen (12.7%) to 8,394.2 billion yen. Non-current assets increased by 68.4 billion yen (4.7%) to 1,521.4 billion yen.

<Liabilities and net assets>

Total liabilities increased by 1,383.7 billion yen (5.6%) from the end of the previous fiscal year to 25,891.2 billion yen. The breakdown shows that current liabilities increased by 1,725.9 billion yen (8.1%) to 22,945.2 billion yen, including an increase in trading products of 578.0 billion yen (13.2%) to 4,945.9 billion yen, a decline in trade date accrual of 771.8 billion yen (58.5%) to 548.4 billion yen, an increase in borrowings secured by securities of 1,287.6 billion yen (15.7%) to 9,463.6 billion yen, a decrease in deposits for banking business of 226.9 billion yen (5.1%) to 4,189.1 billion yen, an increase in short-term borrowings of 747.4 billion yen (53.1%) to 2,155.7 billion yen, and an increase in current portion of bonds payable of 242.9 billion yen (119.2%) to 446.7 billion yen. Non-current liabilities decreased by 342.2 billion yen (10.4%) to 2,942.2 billion yen, including a decrease in long-term borrowings of 349.8 billion yen (22.0%) to 1,237.0 billion yen.

Total net assets increased by 48.0 billion yen (3.0%) to 1,639.8 billion yen. Total share capital and capital surplus was 477.8 billion yen. Retained earnings increased by 31.0 billion yen (3.4%) to 942.7 billion yen, due to the recording of 94.8 billion yen in profit attributable to owners of parent as well as payment of 63.7 billion yen in dividends, etc. Deduction for treasury shares increased by 26.5 billion yen (24.7%) to 134.2 billion yen, valuation difference on available-for-sale securities decreased by 12.0 billion yen (28.9%) to 29.5 billion yen, foreign currency translation adjustment increased by 34.4 billion yen (267.0%) to 47.2 billion yen, and non-controlling interests increased by 8.3 billion yen (3.4%) to 257.4 billion yen.

(3) Analysis of operating results for the current fiscal year

(i) Status of overall business

For FY2021 compared with FY2020, the Group's operating revenue increased by 7.5% to 619.4 billion yen, and net operating revenue increased by 7.6% to 502.0 billion yen.

Commission received was 314.0 billion yen, an increase in revenue of 9.5%. Brokerage commission decreased by 2.7% to 75.9 billion yen due to the decline in stock trading. Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors increased by 2.9% to 39.2 billion yen due to the contribution to revenues from multiple bond underwriting transactions, etc.

Net trading income decreased by 14.6% to 101.5 billion yen due to the decline in bond revenue, etc.

Selling, general and administrative expenses increased by 3.4% to 386.5 billion yen. Trading related expenses increased by 8.6% to 62.5 billion yen due to the increase in commission expenses, etc. paid to investment trust sales companies, personnel expenses increased 3.0% to 198.7 billion yen due to an increase in bonuses, etc., and depreciation increased 2.6% to 34.8 billion yen due to an increase in systems-related expenses, etc.

As a result of the above, ordinary income increased by 17.9% to 135.8 billion yen.

In addition, extraordinary income of 9.0 billion yen (51.6 billion yen in the previous fiscal year) was recorded due to gain on sale of investment securities and gain on sale of shares of subsidiaries and associates, etc., while extraordinary losses of 3.1 billion yen (22.2 billion yen in the previous fiscal year) was recorded due to business restructuring expenses, etc., so the result after deducting income taxes and profit attributable to non-controlling interests was a 12.5% year on year decline of 94.8 billion yen in profit attributable to owners of parent.

(ii) Status by category described in segment information

The status of net operating revenue and ordinary income analyzed by segment is as follows.

(Millions of yen)

	Net operating revenue				Ordinary income (loss)			
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Year-on-year increase (decrease)	Composition ratio	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Year-on-year increase (decrease)	Composition ratio
Retail Segment	169,505	188,879	11.4%	37.6%	20,070	41,807	108.3%	28.8%
Wholesale Segment	215,860	195,863	(9.3)%	39.0%	74,737	50,951	(31.8)%	35.1%
Global Markets	161,730	134,353	(16.9)%	26.8%	62,777	38,301	(39.0)%	26.4%
Global Investment Banking	54,129	61,510	13.6%	12.3%	11,021	10,693	(3.0)%	7.4%
Asset Management Segment	51,145	71,052	38.9%	14.2%	32,775	45,253	38.1%	31.1%
Securities asset management	39,373	45,351	15.2%	9.0%	16,013	21,995	37.4%	15.1%
Real estate asset management	11,772	25,701	118.3%	5.1%	16,761	23,258	38.8%	16.0%
Investment Segment	4,602	11,055	140.2%	2.2%	1,123	7,192	540.0%	5.0%
Other, adjustments, etc.	25,546	35,242	–	7.0%	(13,532)	(9,382)	–	–
Consolidated total	466,660	502,093	7.6%	100.0%	115,175	135,821	17.9%	100.0%

(Note) The composition ratio of ordinary income (loss) displays a percentage of the ordinary income of each segment among the consolidated total ordinary income of segments recording ordinary income in the fiscal year.

Retail Segment:

The main sources of earnings in the Retail Segment are commissions on products and services related to asset management for

individual investors and unlisted companies in Japan. Factors that may have a major impact on operating results include changes in domestic and overseas financial markets and economic conditions that affect investment trends, as well as the development and underwriting status of products to address customer needs, and the type of sales strategies employed.

In the current fiscal year, we conducted the following activities in line with the business plan.

1. Realization of wealth management type business model
2. Provision of products and services that meet customers' needs and expansion of solution business through a total assets approach
3. Expansion of contact points with customers and optimization of costs through the merging of digital and real
4. New business development and improvement of profitability through the use of external channels

The results for each item are as follows.

1. We progressed initiatives to realize a wealth management business model such as upgrading the goal-based approach tool and developing asset-based products. We pursued initiatives to expand asset-based revenue through the expansion of stock-related asset balances such as Fund Wrap and "Asset based fee plan for investment trust."
2. We pursued a number of initiatives, convening a Customer Satisfaction Council semiannually with the aim of improving its products and services with customer feedback as the starting point, expanding the array of foreign equities handled, and reducing the burden on customers by expediting estate procedures. We strived to offer products and services that address our customers' every need such as the "Anshin-Tsunagaru Wrap" wrap account service based on the concepts of asset succession support and asset preservation, and starting to offer a small-lot real estate beneficial interest in trust product created by the Group.
3. We advanced improvements in the efficiency of operations by expanding customer contacts through measures such as the launch of new sales office, and promoting integration, improved efficiency and digitalization of large branches.
4. We considered and promoted collaboration with outside partners for the purpose of expanding our customer base and providing products and services in the field of asset formation, such as by executing an agreement for a comprehensive business alliance with Shikoku Bank.

In the current fiscal year, we pursued initiatives such as transitioning to a wealth management business model and structural reforms of costs. Sales and distribution amount of stock investment trusts increased, with contribution from the increase in sales of asset based fee plan for investment trust, which we commenced offering from October 2020. In addition, Contract AUM reached a record high of 2,957.3 billion yen due to the increase in both the contract amount and net increase in wrap accounts, while investment advisory and trade management fees, which is wrap-related revenue, also increased.

Net operating revenue in the Retail Segment for the current fiscal year increased by 11.4% from the previous fiscal year to 188.8 billion yen, and ordinary income increased by 108.3% to 41.8 billion yen. Net operating revenue and ordinary income in the Retail Segment for the current fiscal year as a proportion of the consolidated net operating revenue and consolidated ordinary income for the entire Group were respectively 37.6% and 28.8%.

#### Wholesale Segment:

The Wholesale Segment comprises the Global Markets, which conducts sales and trading of securities targeted at institutional investors, etc. and Global Investment Banking, which conducts underwriting of securities issued by industrial corporations and financial corporations, etc. and M&A advisory services. Main sources of earnings of Global Markets are trading commissions from the buying and selling of marketable securities for institutional investors and trading income. Those of Global Investment Banking are underwriting and secondary offering commissions from underwriting business and M&A commissions from M&A advisory services. In Global Markets, changing market trends with geopolitical risks and international economic conditions, etc. and the associated change in customer flows are factors that have a major impact on operating results. In Global Investment Banking, in addition to the domestic and overseas economic conditions that affect client companies' decisions on fundraising methods and M&A demand, whether or not the Company can capture corporate demand and secure projects are factors that have a major impact on operating results.

The Wholesale Segment implemented the following business plan.

1. Provision of diverse products and advanced solutions that meet customers' needs
2. Expansion of pan-Asian business base as a regional Asian broker
3. Support for the sustainability of companies through the promotion of finance related to SDGs
4. Improvement of flexibility and service quality utilizing digital technology

The results for each item are as follows.

1 - 2. In terms of M&A business initiatives, the Segment sought to acquire mid-cap cross-border deals overseas. In IPO businesses,

Daiwa Innovation Network, a business-matching event, was held to promote the discovery and development of startup ventures. It also worked to acquire large-scale financing projects.

3. We strived to strengthen initiatives for SDG-related finance such as underwriting SDGs-IPO (Note) 1.
4. We strived to provide services utilizing advanced technologies such as the issuance by the Group of the first asset-backed security token (Note) 2 for real estate beneficiary rights.

In Global Markets, offering timely products that address diverse customer needs and trading equities in response to changing market conditions contributed to earnings. On the other hand, there was a decline in earning opportunities in fixed income revenue mainly due to lower interest rates and volatility in the Americas. As a result, net operating revenue in the current fiscal year declined by 16.9% from the previous fiscal year to 134.3 billion yen and ordinary income declined by 39.0% to 38.3 billion yen.

In Global Investment Banking, apart from serving as global coordinator (Note) 3 for the sale of shares of JAPAN POST HOLDINGS Co., Ltd. and a public offering of shares by Renesas Electronics Corporation, we served as lead manager for many transactions including the SDGs-IPO offered by TESS Holdings Co., Ltd. and for subordinated bonds issued by SoftBank Group Corp. and ENEOS Holdings, Inc. Underwriting and secondary offering commissions in the current fiscal year increased by 2.9% from the previous fiscal year to 39.2 billion yen. In M&A advisory services, there was an increase in revenue due to many transactions executed domestically and overseas, and M&A-related commissions increased by 32.2% to 35.2 billion yen. As a result, net operating revenue for Global Investment Banking in the current fiscal year increased by 13.6% from the previous fiscal year to 61.5 billion yen. Ordinary income declined by 3.0% to 10.6 billion yen.

Net operating revenue for the Wholesale Segment in the current fiscal year declined by 9.3% from the previous fiscal year to 195.8 billion yen, and ordinary income declined by 31.8% to 50.9 billion yen. Net operating revenue and ordinary income in the Wholesale Segment for the current fiscal year as a proportion of the consolidated net operating revenue and consolidated ordinary income for the entire Group were respectively 39.0% and 35.1%.

(Note) 1 SDGs-IPO (initial public offering): The case where a company, at the time of its initial public offering, has obtained evaluation from a third-party evaluating agency of the use of funds and the issuer in terms of its contribution to the SDGs and compliance with the Social Bond Principles.

(Note) 2 Asset-backed security token: Tokens with the characteristics of securities with underlying assets such as real estate and renewable energy, etc. that are financial instruments issued and managed utilizing advanced technologies such as blockchain.

(Note) 3 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.

#### Asset Management Segment:

Revenues in the Asset Management Segment consist mainly of management fees for structuring and managing investment trusts from Group consolidated subsidiary Daiwa Asset Management, and real estate investment income from Group consolidated subsidiary Daiwa Real Estate Asset Management, Daiwa Office Investment Corporation and Samty Residential Investment Corporation. Income of Daiwa Office Investment Corporation is 100% included in the ordinary income from the beginning of the current fiscal year reflecting its consolidation at the end of the previous fiscal year. In addition, income related to structuring and managing of investment trusts and investment advisory services of Sumitomo Mitsui DS Asset Management Company, Limited, an equity method affiliate, as well as the real estate investment income of an equity method affiliate Daiwa Securities Living Investment Corporation are recorded in ordinary income according to the Group's ownership ratio. Factors that have a major impact on operating results are the fluctuation in customer demand for investment trust and investment advisory services caused by the market conditions, the investment performance of the fund relative to market conditions and the appeal of the products themselves such as the development of products with themes that capture the interest of customers. The operating results of Daiwa Real Estate Asset Management, Daiwa Office Investment Corporation, Samty Residential Investment Corporation and Daiwa Securities Living Investment Corporation are affected by trends in the domestic real estate market and office demand.

In the current fiscal year, the Asset Management Segment has implemented the following business plan.

1. Expansion and enhancement of existing business by strengthening management capability, discovery capability and product arrangement capability
2. Research and development, and commercialization of new businesses. Transition to corporate management grounded in ESG
3. Strengthening of asset management capability and establishment of business foundation in the real estate asset management business
4. Promotion of real estate business such as the consideration of new real estate investment products through coordination within

the Group

The results for each item are as follows.

1. Daiwa Asset Management, in addition to developing products to appropriately capture customers' needs and managing funds focused on investor returns, increased assets under management through continuous improvement in performance.
2. We pursued initiatives to create alternative funds such as those investing in venture companies to provide for customers of the Retail Segment.
3. The balance of assets under management at Daiwa Real Estate Asset Management increased, reflecting growth in assets under management at Daiwa Office Investment Corporation, Daiwa Securities Living Investment Corporation, and Daiwa Securities Logistics Private Investment Corporation. The combined balance of assets under management of Daiwa Real Estate Asset Management and Samty Residential Investment Corporation increased by 66.1 billion yen from the end of the previous fiscal year to 1,279.0 billion yen.
4. Daiwa Securities Realty, which was established in April 2021, has developed real estate related products for retail customers utilizing a beneficial interest in trust scheme, and started offering new real estate investment products.

The balance of assets under management in publicly-offered stock investment trusts and publicly-offered public and corporate bond investment trust at Daiwa Asset Management increased 0.7 trillion yen from the end of the previous fiscal year to 21.6 trillion yen due to a net increase in funds. Daiwa Asset Management's operating revenue increased by 13.7% from the previous fiscal year to 74.9 billion yen, and ordinary income increased by 30.6% to 19.0 billion yen.

In real estate asset management, through the acquisition of new properties and the asset replacement, the total of assets under management for Daiwa Real Estate Asset Management and Samty Residential Investment Corporation was 1,279.0 billion yen, with an increase in revenue as well.

As a result, net operating revenue for the Asset Management Segment in the current fiscal year increased by 38.9% from the previous fiscal year to 71.0 billion yen, and ordinary income increased by 38.1% to 45.2 billion yen. Net operating revenue and ordinary income in the Asset Management Segment for the current fiscal year as a proportion of the consolidated net operating revenue and consolidated ordinary income for the entire Group were respectively 14.2% and 31.2%.

#### Investment Segment:

Investment Segment mainly comprises the consolidated subsidiaries Daiwa Corporate Investment, Daiwa PI Partners and Daiwa Energy & Infrastructure. The main sources of earnings in the Investment Segment are gains on sales from IPO and M&A transactions and capital gains from investment partnerships and income gains including management fees and performance fees received from funds based on contracts, dividends on stocks, and electricity sales income.

The Investment Segment implemented the following business plan.

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

The results for each item are as follows.

1. Daiwa PI Partners strengthened its collaboration with the Daiwa Securities Group and captured investment opportunities without missing.
2. Daiwa Energy & Infrastructure promoted capital recycling that effectively uses capital through the establishment of a private fund that specializes in solar power businesses and the sales of its holding assets to the fund.
3. Daiwa Corporate Investment, in addition to steady investing in domestic and overseas growth companies, worked on increasing the corporate value of investees, promoting customer introduction and management consulting.
4. Daiwa PI Partners invested in companies that promote health and welfare and contributed to building the foundations for industrial and technological innovation. Daiwa Energy & Infrastructure invested in renewable energy business, mainly in domestic solar power business, and infrastructure business.

Apart from securing the revenues from investment in monetary claims at Daiwa PI Partners, Daiwa Energy & Infrastructure expanded energy and infrastructure related investment, and recorded capital gains as well as income gains. Net operating revenue for the Investment Segment in the current fiscal year increased 2.4 fold from the previous fiscal year to 11.0 billion yen, and ordinary income increased 6.4 fold to 7.1 billion yen. Net operating revenue and ordinary income in the Investment Segment as a proportion of the consolidated net operating revenue and consolidated ordinary income for the entire Group were respectively 2.2% and 5.0%.

Others:

Other business, apart from the research and consulting business and system operations by Daiwa Institute of Research, includes the banking business operations of Daiwa Next Bank.

In the current fiscal year, the Daiwa Institute of Research Group implemented the following business plan.

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. Acquisition of new customers through the coordination of the divisions of systems, research and consulting, and expansion of sales revenue from non-Daiwa customers through the operation of new businesses
4. Enhancement of research quality by creating a virtuous cycle of communication, information gathering and exchange of opinions

The results for each item in the current fiscal year are as follows.

1. Steady provision of various services that utilize AI and data science to customers such as financial institutions, including the Group. In addition, we created infrastructure that enables the provision of solutions through multi-clouds utilizing the features of multiple cloud services and created organization systems to expand the outsourcing of BPO services for health insurance societies.
2. Reduction of unit cost and man-hours of development in the design and development divisions and integration of system operations and maintenance for the Group and non-Daiwa customers in the operation and maintenance divisions contributed to reducing the Group's IT costs and increased productivity.
3. We pursued initiatives to acquire customers and increase the size of transactions by deepening the relationship through proposals that appropriately capture the needs of customers and to expand the areas of services provided by strengthening collaborations with external companies.
4. We proactively disseminated information in light of the current economic and social trends such as ESG/SDGs, while pursuing initiatives to utilize data science for economic analysis, etc.

In the current fiscal year, Daiwa Next Bank implemented the following business plan.

1. Provision of competitive interest rates and provision of appealing new products and new services
2. Further strengthening of coordination within the Group and execution of new businesses such as financing projects
3. Diversification of investment
4. Expansion of balance of Ouen (Supporting) Term Deposits and efforts to promote ESG investment and lending

The results for each item in the current fiscal year are as follows.

1. While maintaining the industry's highest levels of interest rates for foreign currency deposits, we released basket term deposits as a new product.
- 2-3. While establishing a new loan business department, we pursued initiatives to revise the portfolio and expand the investment balance.
4. We pursued initiatives to expand the balance of Ouen (Supporting) Term Deposits as a sustainability KPI. In addition, we made further improvements in risk management, and continued to prepare a stance towards enhancing countermeasures against money laundering and the funding of terrorism.

The balance of deposits (including negotiable certificates of deposit) at Daiwa Next Bank at the end of the current fiscal year declined by 5.3% from the previous fiscal year to 4.1 trillion yen, and the number of bank accounts increased by 4.2% to 1.56 million. The performance for the current fiscal year was an increase in revenue and an increase in profit as a result of improvements in investment income.

As a result, the net operating revenue pertaining to other adjustments, etc. was 35.2 billion yen (25.5 billion yen in the previous fiscal year) and ordinary loss was 9.3 billion yen (ordinary loss of 13.5 billion yen in the previous fiscal year).

(iii) Achievement status of target management indicators, etc.

The Group has released the Medium-Term Management Plan "Passion for the Best" 2023 covering the period from FY2021 to FY2023, and set numerical goals of return on equity (ROE) and ordinary income as performance KPI and the consolidated total capital ratio as financial base KPI. In addition, we set KPIs with the balance of Daiwa Securities assets under management as well as the Retail Segment asset-based revenue ratio (Note) 1 as indicators of the pursuit of being Quality No. 1 (customer first), and as an indicator of progress in the hybrid strategy to expand into new business areas, we set hybrid-related ordinary income and the hybrid-related ordinary income percentage (Note) 2 as indicators of hybrid KPI.

The current fiscal year, which is the first year of the Medium-Term Management Plan, had a smooth start for the performance KPI with 7.0% ROE compared to the target of at least 10% and 135.8 billion yen of consolidated ordinary income compared to the target of at least 200.0 billion yen. The financial base KPI consolidated total capital ratio was 19.59% (Note) 3, with a trend that exceeds the target of at least 18%. The Quality No. 1 KPI of Daiwa Securities assets under management was 75.1 trillion yen compared to the target of 90 trillion yen or more, while Retail Segment asset-based revenue ratio was 46.1% compared to the target of at least 50%. In addition, for the hybrid KPI, hybrid-related ordinary income was 32.0 billion yen and the hybrid ordinary income percentage was 23%.

Even with the increased uncertainty such as the various constraints during the prolonged COVID-19 pandemic and geopolitical risks, FY2021 was a year in which we moved steadily forward. Progress was made in the shift to a wealth management type business model, a pillar of the Medium-Term Management Plan. At the same time, by promoting a hybrid strategy, the Group was able to create high value-added products and services and diversify its profit structure. In addition, in the promotion of initiatives for SDGs that is incorporated as the foundation of the “2030 Vision,” the medium- to long-term management policy, the Group has evaluated that steady progress has been made in building up a track-record of underwriting SDG bonds, such as by arrangement of the world’s first issuance of transition bonds in the aviation industry, while further strengthening internal systems with the increasingly heightened interest in sustainable finance.

(Note) 1 Asset-based revenue: Trust agency processing fees, investment advisory fees, management fee income for transactions, etc., bank agency fees, and asset-based fee plan for investment trusts, etc.

(Note) 2 Hybrid-related ordinary income: Income from hybrid businesses such as real estate asset management, Daiwa Energy & Infrastructure, and Daiwa Next Bank

(Note) 3 Preliminary results as of the filing date of the Annual Securities Report are described in the consolidated total capital ratio, and final results will be published on the Company’s website once calculations are finalized.

(iv) FY2021 macro economic environment assumed for the operating results

<Overseas>

The global economy, which rapidly deteriorated due to the spread of COVID-19 in the first half of 2020, shifted to a recovery path in the second half of 2020, and the recovery trend has also continued from 2021. According to the World Economic Outlook released by the International Monetary Fund (IMF) in April 2022, there was a rebound from the large slump in 2020 to a global growth rate of +6.1% in 2021, the highest growth rate since the IMF started publishing such growth rates in 1980. Although most countries in the world fell into negative growth in 2020, many of these countries turned to positive growth in 2021. However, in addition to the fact that the COVID-19 situation continues to have a large impact, the global economy is confronting new risks including a rise in the worldwide inflation rate and Russia’s invasion of Ukraine, and the future uncertainty remains strong.

The US economy has continued its steady recovery since late 2020. In addition to the government’s measures to support the economy since the spread of COVID-19, the government’s easing of behavioral regulations amid the steady roll-out of COVID-19 vaccines has led to real GDP growth in the January-March 2021 quarter of an annualized rate of +6.3% compared to the previous quarter. In addition to the further progress in the resumption of the economy in the April-June quarter, the increase in household incomes due to the additional economic measures concluded by the Biden administration in March, which was launched in January 2021, has boosted personal consumption. With the increase in personal consumption as the main factor, the rate of real GDP growth in the April-June quarter accelerated to an annualized rate of +6.7% compared to the previous quarter, and real GDP has recovered to pre-COVID-19 pandemic levels. In the July-September quarter, the resurgence of COVID-19 due to variants, and the impact of supply constraints due to component shortages such as in the automotive industry led to a slump in the growth rate to an annualized rate of +2.3% compared to the previous quarter. However, real GDP growth once again accelerated in the October-December quarter to an annualized rate of +6.9% compared to the previous quarter due to factors such as an increase in personal consumption underpinned by a recovery in the employment conditions, amid stabilization of the spread of infections. Real GDP growth in the January-March 2022 quarter turned negative for the first time since the April-June 2020 quarter at an annualized rate of -1.5% compared to the previous quarter. However, sluggish exports backed by the aforementioned supply constraints, increased imports and inventory adjustments are the main factors, and final domestic demand focused on personal consumption accelerated from the previous quarter and remains firm.

From a financial perspective, the Federal Reserve Board (FRB) continued the accommodative monetary policy it has continued since the COVID-19 pandemic during 2021. However, in addition to the adequate recovery made in the US economy from the slump caused by the COVID-19 pandemic, the inflation rate rose substantially above the target of 2%, so the FRB changed its stance towards one of tapering monetary easing and towards monetary tightening from the end of 2021. The FRB decided to commence scaling back its quantitative easing at the November 2021 Federal Open Markets Committee

(FOMC), and the expansion of the balance sheet by the FRB, which had continued since the COVID-19 pandemic, was suspended in February 2022. Furthermore, policy interest rates were hiked 0.25% points at the March 2022 FOMC, and the virtual zero interest rate policy that had continued since March 2020 came to an end.

European economies (eurozone economy) are greatly affected by COVID-19 trends, but viewed as a whole, the recovery trend is continuing. Many countries including Germany and France were forced to implement second lockdowns due to a resurgence in COVID-19, so real GDP growth in the eurozone for the January-March 2021 quarter recorded a second consecutive quarter of negative growth at an annualized rate of -0.5% compared to the previous quarter, with a slow start for the eurozone economy in 2021. However, the easing of behavioral restrictions amid the steady roll-out of COVID-19 vaccines in the April-June quarter steered the eurozone economy toward a recovery. Real GDP growth in the April-June quarter was an annualized rate of +8.9% compared with the previous quarter and the first positive growth in three quarters. This was followed in the July-September quarter by an annualized rate of +9.6% compared with the previous quarter, the second consecutive quarter of high growth in excess of the potential growth rate. However, there was only a slight increase in real GDP growth at an annualized rate of +1.0% compared to the previous quarter in the October-December quarter due to factors such as the tightening of behavioral regulations amid a resurgence in the number of new COVID-19 cases. In addition, although downward pressures on the economy moderated with the easing of behavioral restrictions from 2022, the rise in energy prices attributed to Russia's invasion of Ukraine that started in late February led to sluggish personal consumption and corporate activities. Real GDP growth in the January-March 2022 quarter grew at an annualized rate of +2.5% compared to the previous fiscal year mainly due to a decrease in imports but domestic demand slowed year on year.

From a financial perspective, the monetary easing by the European Central Bank (ECB) continues. Nevertheless, there is a growing trend towards contraction of monetary easing due to progress of recovery in the eurozone economy. The September 2021 ECB Governing Council meeting indicated a policy to slow the pace of outright purchases of assets under the Pandemic Emergency Purchase Programme (PEPP), which it established because of the COVID-19 pandemic, from the October-December quarter. Then a decision was made at the December 2021 ECB Governing Council meeting to end outright purchases under that program in March 2022. In addition, with the acceleration in inflation, the March 2022 ECB Governing Council meeting also indicated a policy to bring forward the end of its Asset Purchase Program (APP), which it had been conducting since before the COVID-19 pandemic, to conclude as early as the July-September 2022 quarter.

Similar to advanced countries, the economies of emerging countries rapidly deteriorated in the first half of 2020 followed by an ongoing recovery from the second half of 2020. According to the IMF, after real GDP growth of emerging countries slumped to -2.0% in 2020, they recorded high growth of +6.8% in 2021.

Amongst emerging countries, the economic recovery continues in China, the world's second largest economy. In addition to the growth in exports from 2021, mainly due to the acceleration in US growth, the recovery in personal consumption, which had lagged, picked up pace and real GDP growth in the January-March quarter was +18.3% compared with the previous year, the highest growth rate since the release of quarterly data commenced in 1992. However, the pace of China's growth has slowed since the April-June quarter. Real GDP growth in the April-June quarter was also affected by the end of the rebound from the previous year at +7.9% compared with the previous year, which was a significant slowdown from the previous quarter. Furthermore, the sense of slowdown intensified from the July-September quarter, due to factors such as behavioral restrictions following an increase in infections from variants, the rise in resource prices, adjustments to the real estate market and power shortages. Growth in the July-September quarter was +4.9% compared with the previous year while growth in the October-December quarter was +4.0% compared with the previous year. Subsequently, real GDP growth in the January-March 2022 quarter accelerated from the previous quarter to +4.8% compared with the previous year due to factors such as a recovery in personal consumption. However, a surge in the number of COVID-19 cases in March 2022 and lockdowns in many cities such as Shanghai under the zero COVID policy suddenly heightened the concerns of an economic slowdown.

Viewed as a whole, the recovery trend continued in emerging countries other than China. The roll-out of vaccines advanced in many emerging countries and behavioral restrictions were gradually eased. Furthermore, the increase in export demand due to the recovery of major advanced countries including the US and China underpinned the economies of emerging countries. On the other hand, high inflation due to the rise in resource prices, and the controls on cash outflows through the contraction in monetary easing and higher interest rates in the US have forced many countries to hike interest rates and there is growing risk of economic slowdown.

#### <Japan>

The Japanese economy continues to be greatly affected by COVID-19 and the roller coaster trend continued. With the announcement of the second state of emergency declaration on January 7, 2021, real GDP growth turned negative again for the first time in three quarters in the January-March 2021 quarter, declining at an annualized rate of 1.6% compared with the previous quarter. This was a shift to positive growth in the April-June quarter at an annualized rate of +2.6% compared with the previous quarter, but the third state of emergency declaration announced on April 23 continued until the end of September,

resulting in negative growth in the July-September quarter, declining at an annualized rate of 3.2% compared with the previous quarter. With the resumption of economic activities since October, the October-December quarter real GDP growth turned positive at an annualized rate of +4.0% compared with the previous quarter, but the resurgence in the number of COVID-19 cases and the application of key measures to prevent the spread of infection in many regions since the beginning of 2022, resulted in real GDP growth once again turning negative in the January-March 2022 quarter, declining at an annualized rate of 0.5% compared with the previous quarter.

Considering each demand item, personal consumption alternated between rises and falls, greatly affected by the status of infections and the consequent behavioral regulations. Personal consumption in the January-March 2021 quarter declined for the first time in three quarters mainly due to a reduction in the consumption of services such as dining and entertainment services attributed to the impact of the state of emergency declaration. Subsequently, personal consumption recovered due to the recovery in people movement in the April-June quarter, but the resurgence of COVID-19 in the July-September quarter and the third state of emergency declaration led to a decline in personal consumption. After the state of emergency declaration was lifted at the end of September, there was a temporary trend towards recovery in personal consumption in the October-December quarter, but many regions implemented key measures to prevent the spread of infections due to a resurgence of infections from the beginning of 2022, and the recovery in personal consumption, particularly services consumption, was once again at a standstill in the January-March 2022 quarter. There were signs of a recovery in housing investment in the first half of 2021 following a large drop caused by the COVID-19 pandemic. However, the future uncertainty about employment and income conditions and the rise in prices due to the higher price of materials led to a moderate decline from the second half of 2021.

Capital investment, which is in demand in the corporate sector, is generally flat. From October to December 2020 and for the first half of 2021, capital investment had been following an increasing trend. However, capital investment dropped in the July-September 2021 quarter, when supply constraints intensified due to turmoil in the supply chain caused by the spread of infections in overseas markets as well as the state of emergency declaration, etc. Afterwards, a rising trend of exports continued and constraints on supply were loosened amid overseas economic recovery in Europe and China, and from October to December 2021, capital investment once again rose. However, as a result of the uncertainty surrounding new waves of COVID-19 infections, the economic recovery was put on pause from January to March 2022. According to the Bank of Japan's Tankan (Short-Term Economic Survey of Enterprises in Japan) (March 2022 Survey), FY2021 Fixed Investment Plans (including Land Purchasing Expenses) are forecast at +4.6% compared with the previous year, with a forecast for an ongoing increase, albeit small, for FY2022 of +0.8% compared with the previous year.

From a financial perspective, the Bank of Japan maintained monetary easing measures with operations that targeted long-term interest rates as well as short-term interest rates. In addition, with the sudden deterioration of the economy due to the spread of COVID-19, the Bank of Japan strengthened its quantitative easing through measures such as the abolition of the upper limit on outright purchases of Japanese government bonds (JGBs) from April 2020 and expansion of the framework for outright purchases to include corporate bonds, etc. Nevertheless, amid the gradual recovery in the Japanese economy, the Bank of Japan decided at its December 2021 Policy Board meeting to end the increase in outright purchase amount for corporate bonds, etc. in March 2022.

Amid the Bank of Japan's ongoing accommodative monetary policy, the trend for 10-year JGB yields of close to 0% continues. However, the impact of fluctuations in US long-term interest rates since the beginning of 2021 has led to alternating increases and falls in Japanese long-term interest rates, albeit in small increments. Japanese long-term interest rates rose, albeit slightly, at the beginning of 2021 due to the rise in US long-term interest rates prompted by concerns in the US of an overheating and budget deterioration, and temporarily rose above 0.15% for the first time since October 2018 at the end of February. From March, Japanese long-term interest rates were on a downward trend for a while with the decline in US long-term interest rates, but US long-term interest rates continued to rise and Japanese long-term interest rates also shifted towards an upward trend from around July when the FRB reduced quantitative easing and there were heightened expectations that the start of interest rate hikes would be brought forward. In particular, there was heightened expectations that the pace of US interest rate hikes would accelerate due to the high inflation from around the end of 2021. Due to the acceleration in the pace of increases in US long-term interest rates, the upward trend for Japanese long-term interest rates also intensified, with rates temporarily rising above 0.25% at the end of March 2022.

Looking at the foreign exchange market, overall there has been a trend for a weak yen since 2021. The Japan-US interest rate differential has widened due to the substantial rise in long-term interest rates in the US, so the yen continued to depreciate at a rapid pace in the January-March 2021 quarter, and the rate against the dollar, which had been in the 102 yen levels at the beginning of the year reached 110 yen levels at the end of March. Subsequently, the rise in US interest rates stabilized and the trend was generally flat from around April to September. However, the yen declined against the dollar from the end of September as the upward trend for interest rates in the US once again intensified, with the yen depreciating to 124 yen levels for the first time since August 2015 in March 2022. Against the euro, there was a trend for the yen to decline from the

beginning of 2021 until the beginning of June due to expectation for a recovery in the European economy as the roll-out of vaccines proceeded at a faster pace in Europe than Japan. Since mid June, there was a spreading view that the ECB would extend monetary easing as the pace of recovery in the European economy eased and the trend of the yen against the euro was generally flat. On the other hand, the yen temporarily appreciated against the euro with the start of Russia's invasion of Ukraine in February 2022, but growing expectations that the ECB would tighten monetary policy due to higher inflation because of higher energy prices resulted in rapid depreciation of the yen against the euro until the end of the fiscal year.

In the stock market, even though the Nikkei Stock Average rebounded to the 30,000-yen level at one point in February 2021 for the first time since August 1990, there was a moderate downward trend in stock prices from the beginning of FY2021, weighed down by factors such as the repeated state of emergency declarations. Stock prices rose substantially in September due to a sense of hope for the new administration, with the Nikkei Stock Average once again surpassing 30,000 yen at one point. However, there was a roller coaster trend until the end of 2021 weighed down by a resurgence in infections and higher interest rates, etc. The Nikkei Average once again declined from 2022 when there were growing expectations that the US would accelerate its pace of monetary tightening.

The Nikkei Stock Average at the end of March 2022 was 27,821.43 yen (down 1,357.37 yen from the end of March 2021), 10-year JGB yields were 0.218% (up 0.114% points), and the yen fell to 121.64 yen/dollar (down 10.90 yen).

(4) Analysis of cash flows for the current fiscal year

(i) Cash flows from operating activities, investing activities and financing activities, and cash and cash equivalents

The status of cash flows in the current fiscal year is as follows.

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net cash provided by (used in) operating activities	390,979	(353,467)
Net cash provided by (used in) investing activities	(91,641)	(218,534)
Net cash provided by (used in) financing activities	438,067	377,090
Effect of exchange rate change on cash and cash equivalents	6,796	25,760
Net increase (decrease) in cash and cash equivalents	744,201	(169,150)
Cash and cash equivalents at beginning of period	3,933,149	4,723,526
Cash and cash equivalents at end of period	4,723,526	4,554,375

In the current fiscal year, net cash used in operating activities amounted to 353.4 billion yen (compared with 390.9 billion yen provided in the previous fiscal year), mainly due to changes in trading products, loans (borrowings) secured by securities, deposits from banking business and short-term guarantee deposits. Net cash used in investing activities amounted to 218.5 billion yen (compared with 91.6 billion yen used in the previous fiscal year), mainly due to outflows related to the purchase of securities and purchase of investment securities. Net cash provided by financing activities amounted to 377.0 billion yen (compared with 438.0 billion yen provided in the previous fiscal year), mainly due to the net change in short-term borrowings. With the effect of fluctuation in foreign exchange rates, cash and cash equivalents at the end of the current fiscal year fell 169.1 billion yen from the end of the previous fiscal year to 4,554.3 billion yen.

(ii) Information about resources for capital and liquidity

1) Management of liquidity

<Achieving both financial efficiency and stability>

As the Group is engaged in securities-related business that uses many assets and liabilities and in investment and loan business, 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 roll over the existing funds due to a financial crisis.

The Company is required to comply with the minimum standard (100%) of consolidated liquidity coverage ratio (hereinafter “LCR”) and Net Stable Funding Ratio (hereinafter “NSFR”) based on the “Criteria that indicates soundness in relation to liquidity of the soundness in the management of the highest designated parent company and its subsidiary corporations, etc. stipulated as criteria by which the highest designated parent company is to judge the soundness in the management of the highest designated parent company and its subsidiary corporations, etc. based on the provisions of Article 57-17, Paragraph (1) of the Financial Instruments and Exchange Act” (2014 Financial Services Agency Public Notice No. 61.) The Company’s daily average LCR in the fourth quarter of the fiscal year under review was 149.0%. In addition, the NSFR at the end of the fourth quarter of the fiscal year under review was 148.0% for the preliminary results as of the filing date of the Annual Securities Report, and final results will be published on the Company’s website once calculations are finalized. 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 certain period 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.

Daily average LCR in the fourth quarter of the fiscal year under review was as follows.

(100 millions of yen)

		Daily average (From January 2022 to March 2022)
High-quality liquid assets	(A)	26,421
Cash outflows	(B)	35,225
Cash inflows	(C)	17,502
Consolidated liquidity coverage ratio (LCR)		
Total eligible high-quality liquid assets	(D)	26,421
Net cash outflows	(E)	17,723
Consolidated liquidity coverage ratio	(D)/(E)	149.0%

<Managing the Group's entire funds>

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 roll over the existing funds due to the occurrence of some stress, which is specific to the Group 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.

<Contingency funding plan>

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 a part of 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.

2) Shareholders' equity

The Group provides a broad range of financial services focused on securities-related business including trading of stocks, bonds and derivatives, etc., lending transactions, underwriting business, structured finance, M&A, principal investments, and securities-backed loans. It must secure adequate capital for equity and loans to invest in the provision of new value as an integrated securities group with a hybrid business model. In addition, the Group undertakes securities-related business not only in Japan but overseas and must maintain the legally required capital according to the respective regions.

Shareholders' equity at the end of the current fiscal year increased by 4.3 billion from the end of the previous fiscal year to 1,286.4 billion yen. In addition, the total capital stock and capital surplus was 477.8 billion yen. Retained earnings increased by 31.0 billion yen year on year to 942.7 billion yen as a result of 94.8 billion yen recorded as profit

attributable to owners of parent as well as payment of 63.7 billion yen in dividends. Deduction for treasury shares increased by 26.5 billion yen to 134.2 billion yen.

iii) Financial strategy

The basis of the Group's financial strategy is to strive for the optimal balance of investment in growth, capital efficiency, financial health and shareholder returns, to achieve sustainable growth by earning healthy profits.

When achieving sustainable growth, we focus on responding to regulations and systems and maintaining appropriate levels of equity capital. We adopted the consolidated total capital ratio as the financial base KPI to indicate that we were maintaining a sound financial base. This ratio incorporates a capital buffer that can also withstand the impact from the future finalization of Basel regulations and stress scenarios at times of past financial crises, and is set at a minimum level of 18%. In FY2019 we strived to enhance the financial foundation by issuing the Company's first unsecured perpetual subordinated bond with optional-redemption clause and write-down clause in two tranches totaling 150.0 billion yen, which were treated as fundamental items relating to other Tier 1 capital under the regulations.

In regard to investment in growth, we have also executed many investments to strengthen the competitiveness of existing businesses and to diversify the business portfolio in the current fiscal year as well. As a result, the consolidated total capital ratio, which we set as a financial base KPI, rose above 18% on a preliminary basis and we have adequate capital for continuous investment in growth in the future. Therefore, we will always consider investment to expand the customer base for the securities business and investment in periphery areas that have an affinity with our core business as an integrated securities group with a hybrid business model.

Our shareholder return policy is as described in "IV. Information About Reporting Company 3 Dividend policy."

The Company's fundraising methods are as described in "(ii) Information about resources for capital and liquidity."

4 Critical contracts for operation

Not applicable for the current fiscal year.

5 Research and development activities

Not applicable.

## Item 3. Facilities

### 1 Outline of capital expenditures

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

Pursuing the best mix of digital and real, in the IT area we are making investments aimed at combining human and data/digital technology advantages in order to expand profits and make our businesses more sophisticated and efficient.

In FY2021 we pursued initiatives aimed at broadening customer touchpoints by building a new CRM system (Note) 1 to support sales personnel consulting, upgrading Internet services with the intention of configuring screens and menus to be convenient for our customers, and adapting systems for our collaboration with Japan Post Group in the area of discretionary investment services. Along with building a platform for storing and analyzing data that allows all officers and employees of Daiwa Securities Co. Ltd. to make data-driven decisions, we worked to improve the efficiency of middle- and back-office operations, and to deploy a zero trust (Note) 2 security platform. As a result of these measures, the Group made 22.7 billion yen in IT-related capital investments.

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

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

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

## 2 Main facilities

Main facilities of the Group (the Company and its consolidated subsidiaries) are as follows:

### (1) Reporting company

Name of office	Location	Segment name	Book value of building (Note) 1 (Millions of yen)	Land		Total book value (Millions of yen)	Number of employees (Note) 4	Description (Note) 5
				Book value (Millions of yen)	Area (m <sup>2</sup> )			
Daiwa Securities Group Inc.								
Head Office (Note) 3	Chiyoda-ku, Tokyo	Other	390	–	–	390	557	Rented
Tokiwabashi Tower	Chiyoda-ku, Tokyo		18,831	28,976	–	47,808	–	Owned

### (2) Domestic subsidiaries

Name of office	Location	Segment name	Book value of building (Note) 1 (Millions of yen)	Land		Total book value (Millions of yen)	Number of employees	Description (Note) 5
				Book value (Millions of yen)	Area (m <sup>2</sup> )			
Daiwa Securities								
Head Office (Note) 3	Chiyoda-ku, Tokyo	Retail Segment	1,812	–	–	1,812	2,858	Rented
Osaka Branch (Note) 3	Kita-ku, Osaka	Wholesale Segment	0	–	–	0	318	Rented
Nagoya Branch	Nakamura-ku, Nagoya	Other	122	–	–	122	233	Rented
Kyoto Branch	Shimogyo-ku, Kyoto	Retail Segment	134	–	–	134	116	Rented
Kobe Branch	Chuo-ku, Kobe		143	–	–	143	90	Rented
Hiroshima Branch	Naka-ku, Hiroshima		65	821	433	887	52	Owned
Omiya Branch	Omiya-ku, Saitama		16	–	–	16	64	Rented
Sapporo Branch	Chuo-ku, Sapporo		43	–	–	43	85	Rented
Sendai Branch	Aoba-ku, Sendai		924	3,646	1,504	4,570	59	Owned
Yokohama Branch	Nishi-ku, Yokohama		144	–	–	144	174	Rented

Name of office	Location	Segment name	Book value of building (Note) 1 (Millions of yen)	Land		Total book value (Millions of yen)	Number of employees	Description (Note) 5
				Book value (Millions of yen)	Area (m <sup>2</sup> )			
Daiwa Securities								
Namba Branch	Chuo-ku, Osaka	Retail Segment	108	–	–	108	66	Rented
Ginza Branch	Chuo-ku, Tokyo		70	–	–	70	57	Rented
Umeda Branch	Kita-ku, Osaka		43	–	–	43	68	Rented
Shizuoka Branch	Aoi-ku, Shizuoka		147	1,787	358	1,934	51	Owned
Shinjuku Branch	Shinjuku-ku, Tokyo		82	–	–	82	87	Rented
Shibuya Branch	Shibuya-ku, Tokyo		52	–	–	52	83	Rented
Ikebukuro Branch	Toshima-ku, Tokyo		54	–	–	54	81	Rented
Chiba Branch	Chuo-ku, Chiba		126	–	–	126	58	Rented
Fukuoka Branch (Note) 6	Chuo-ku, Fukuoka		558	1,478	131	2,037	113	Owned
Daiwa Office Investment Corporation								
Investment property (Note) 7	Tokyo, etc.	Asset Management Segment	93,024	479,020	–	572,044	–	Owned
Samty Residential Investment Corporation								
Investment property (Note) 7	Tokyo, etc.	Asset Management Segment	69,621	82,863	–	152,484	–	Owned

### (3) Overseas subsidiaries

Name of office	Location	Segment name	Book value of building (Note) 1 (Millions of yen)	Land		Total book value (Millions of yen)	Number of employees	Description (Note) 5
				Book value (Millions of yen)	Area (m <sup>2</sup> )			
Daiwa Capital Markets Europe Limited	London, U.K.	Wholesale Segment Other	1,226	–	–	1,226	432	Rented
Daiwa Capital Markets Hong Kong Limited	Hong Kong, China		13	–	–	13	276	Rented
Daiwa Capital Markets America Holdings Inc.	New York, U.S.A., and others		428	–	–	428	337	Rented

- (Notes) 1 For rental properties, the amount associated with the finishing carpentry work for the building is listed.  
2 For facilities owned by consolidated companies, the book value is listed in the field for the main user.  
3 Where the same property is used by multiple consolidated companies, a pro-rated amount for the floorspace used by each company is listed for the property's book value, and the book value of the land and the floorspace is listed in the field for the main user.  
4 The number of employees reflects the number of the people who actually work in the Company. 557 employees work for both the Company and Daiwa Securities Co. Ltd.  
5 The amount of rent expenses paid for the above properties in the current consolidated fiscal year (including properties, structures, and facilities) was 7,471 million yen.

- 6 Part of the book value of the land is made up of leasehold interests in land.
- 7 With certain exceptions, the book value of building and land is the beneficial interests in trust. Furthermore, with certain exceptions, these properties are lent to parties other than consolidated companies.

### 3 Planned additions, retirements, etc. of facilities

Plans for the new construction and retirement of important facilities as of the end of the current consolidated fiscal year are as follows.

#### (1) Additions, etc.

Company Name	Location	Segment name	Description of facility	Size	Planned investment amount		Method of financing	Scheduled start and completion
					Total amount (Millions of yen)	Amount already paid (Millions of yen)		
The Company	Chiyoda-ku, Tokyo	Other	Tokiwabashi Urban Redevelopment Project	[Building B] Occupied area: Approx. 5,400 m <sup>2</sup>	To be confirmed	1,432	Internally generated funds	FY2023-FY2027

(Note) This is an integrated reconstruction plan that includes the Daiwa Gofukubashi Building and other buildings owned by the Company. The total amount of planned investment is undecided, because the construction costs have not yet been determined. This business is a joint business, and the amount of funds already paid associated with the Company's stake is listed.

#### (2) Retirement, etc.

Not applicable.

## Item 4. Information About Reporting Company

### 1 Status of Shares

#### (1) Total number of shares, etc.

##### (i) Total number of shares

Type of Shares	Total number of authorized 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
Total	4,000,000,000

(Note) In the field for the “total number of authorized shares” for each class of shares, the total number of authorized class shares for each class of shares provided by the Articles of Incorporation is listed, and in the total field, the total number of authorized shares provided by the Articles of Incorporation is listed.

##### (ii) Issued shares

Type of Shares	Number of shares issued (as of March 31, 2022) (Shares)	Number of shares issued as of issuance date of this report (as of June 29, 2022) (Shares)	Stock Exchange	Description
Common Stock	1,699,378,772	1,569,378,772	Tokyo Stock Exchange 1st Section (As of March 31, 2022) Prime Market (As of June 29, 2022) Nagoya Stock Exchange 1st Section (As of March 31, 2022) Premier Market (As of June 29, 2022)	The number of shares to constitute a unit share of the Company is 100 shares.
Total	1,699,378,772	1,569,378,772	–	–

(Note) Through a resolution at the Executive Management Committee on April 27, 2022, treasury shares were cancelled on May 10, 2022, to reduce the total shares outstanding as of the day of submission by 130,000,000 shares to 1,569,378,772 shares.

(2) Status of Share Acquisition Rights, etc.

(i) Description of stock option plan

1) According to a resolution at the Ordinary General Meeting of Shareholders in 2005

The Company has issued share acquisition rights without contribution to provide stock options based on the provisions of Article 280.20 and Article 280.21 of the “Act for Partial Revision of the Commercial Code” (2001, Law No. 128, “Former Commercial Code Revised in 2001”). This issuance was resolved at the Shareholders’ Meeting and Executive Management Committee meeting held on June 24, 2005.

Date of resolution	June 24, 2005
Category and number of grantees	Directors and Corporate Executive Officers of the Company: 15 Directors and Senior Managing Directors of the Company’s subsidiaries and affiliates: 76
Number of Rights (units)*	Common Stock: 84 [79]
Class and number of shares subject to share acquisition rights (shares)*	Common Stock: 84,000 [79,000]
Amount to be paid in upon exercise of share acquisition rights*	1 yen per share
Exercise period of share acquisition rights*	From July 1, 2005 to June 30, 2025
Issuance price of shares and additional paid-in capital in the event that shares are issued upon exercise of share acquisition rights*	Issuance price: 1 yen Additional paid-in capital: 1 yen
Exercise condition of share acquisition rights*	<ol style="list-style-type: none"> <li>1 Each share acquisition right may not be exercised in part.</li> <li>2 Each holder of these share acquisition rights may exercise his/her 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, and its subsidiaries 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.</li> <li>3 Regardless of above condition 2, he/she can exercise his/her rights from June 1, 2025, subject to other conditions for exercise of such rights.</li> <li>4 Other conditions are stipulated in the agreement for granting share acquisition rights that is concluded between the Company and the person who will receive the allotment of share acquisition rights.</li> </ol>
Transfer of share acquisition rights*	Approval of the Board of Directors is required.
Delivery of share acquisition rights in association with reorganization*	—

\* The information is as of the end of the fiscal year (March 31, 2022). For items with information that has changed from the end of the fiscal year to the end of the month (May 31, 2022) before the filing date, the information as of the end of the month before the filing date is presented in brackets [ ]. The information for other items has not changed since the end of the fiscal year.

(Note) The above paid-in capital is the amount obtained by multiplying the share issuance price of 1 yen by 0.5 (fractional amounts of less than 1 yen are rounded up).

2) According to a resolution at the Ordinary General Meeting of Shareholders in 2006

The Company has issued the following share acquisition rights without contribution for the purpose of providing stock options based on the provisions of Article 236, Article 238 and Article 239 of the Companies Act. This issuance was resolved at the Shareholders' Meeting and Executive Management Committee meeting held on June 24, 2006.

Date of resolution	June 24, 2006
Category and number of grantees	Directors and Corporate Executive Officers of the Company: 15 Directors and Senior Managing Directors of the Company's subsidiaries: 77
Number of Rights (units)*	Common Stock: 61 [58]
Class and number of shares subject to share acquisition rights (shares)*	Common Stock: 61,000 [58,000]
Amount to be paid in upon exercise of share acquisition rights*	1 yen per share
Exercise period of share acquisition rights*	From July 1, 2006 to June 30, 2026
Issuance price of shares and additional paid-in capital in the event that shares are issued upon exercise of share acquisition rights*	Issuance price: 1 yen Additional paid-in capital: 1 yen
Exercise condition of share acquisition rights*	<ol style="list-style-type: none"> <li>1 Each share acquisition right may not be exercised in part.</li> <li>2 Each holder of these share acquisition rights may exercise his/her 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, and its subsidiaries 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.</li> <li>3 Regardless of above condition 2, he/she can exercise his/her rights from May 31, 2026, subject to other conditions for exercise of such rights.</li> <li>4 Other conditions are stipulated in the agreement for granting share acquisition rights that is concluded between the Company and the person who will receive the allotment of share acquisition rights.</li> </ol>
Transfer of share acquisition rights*	Approval of the Board of Directors is required.
Delivery of share acquisition rights in association with reorganization*	—

\* The information is as of the end of the fiscal year (March 31, 2022). For items with information that has changed from the end of the fiscal year to the end of the month (May 31, 2022) before the filing date, the information as of the end of the month before the filing date is presented in brackets [ ]. The information for other items has not changed since the end of the fiscal year.

(Note) The above paid-in capital is the amount obtained by multiplying the share issuance price of 1 yen by 0.5 (fractional amounts of less than 1 yen are rounded up). Additional paid-in capital amounts to 682 yen obtained from the book value of share acquisition rights of 1,363 yen added to the issuance price of the shares.

3) According to a resolution at the Ordinary General Meeting of Shareholders in 2007

The Company has issued the following share acquisition rights without contribution for the purpose of providing stock options based on the provisions of Article 236, Article 238 and Article 239 of the Companies Act. This issuance was resolved at the Shareholders' Meeting and Executive Management Committee meeting held on June 23, 2007.

Date of resolution	June 23, 2007
Category and number of grantees	Directors and Corporate Executive Officers of the Company: 16 Directors and Senior Managing Directors of the Company's subsidiaries: 79
Number of Rights (units)*	Common Stock: 79 [73]
Class and number of shares subject to share acquisition rights (shares)*	Common Stock: 79,000 [73,000]
Amount to be paid in upon exercise of share acquisition rights*	1 yen per share
Exercise period of share acquisition rights*	From July 1, 2007 to June 30, 2027
Issuance price of shares and additional paid-in capital in the event that shares are issued upon exercise of share acquisition rights*	Issuance price: 1 yen Additional paid-in capital: 1 yen
Exercise condition of share acquisition rights*	<ol style="list-style-type: none"> <li>1 Each share acquisition right may not be exercised in part.</li> <li>2 Each holder of these share acquisition rights may exercise his/her 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, and its subsidiaries 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.</li> <li>3 Regardless of above condition 2, he/she can exercise his/her rights from May 31, 2027, subject to other conditions for exercise of such rights.</li> <li>4 Other conditions are stipulated in the agreement for granting share acquisition rights that is concluded between the Company and the person who will receive the allotment of share acquisition rights.</li> </ol>
Transfer of share acquisition rights*	Approval of the Board of Directors is required.
Delivery of share acquisition rights in association with reorganization*	—

\* The information is as of the end of the fiscal year (March 31, 2022). For items with information that has changed from the end of the fiscal year to the end of the month (May 31, 2022) before the filing date, the information as of the end of the month before the filing date is presented in brackets [ ]. The information for other items has not changed since the end of the fiscal year.

(Note) The above paid-in capital is the amount obtained by multiplying the share issuance price of 1 yen by 0.5 (fractional amounts of less than 1 yen are rounded up). Additional paid-in capital amounts to 657 yen obtained from the book value of share acquisition rights of 1,312 yen added to the issuance price of the shares.

4) According to a resolution at the Ordinary General Meeting of Shareholders in 2008

The Company has issued the following share acquisition rights without contribution for the purpose of providing stock options based on the provisions of Article 236, Article 238 and Article 239 of the Companies Act. This issuance was resolved at the Shareholders' Meeting and Executive Management Committee meeting held on June 21, 2008.

Date of resolution	June 21, 2008
Category and number of grantees	Directors and Corporate Executive Officers of the Company: 15 Directors and Senior Managing Directors of the Company's subsidiaries: 83
Number of Rights (units)*	Common Stock: 105 [96]
Class and number of shares subject to share acquisition rights (shares)*	Common Stock: 105,000 [96,000]
Amount to be paid in upon exercise of share acquisition rights*	1 yen per share
Exercise period of share acquisition rights*	From July 1, 2008 to June 30, 2028
Issuance price of shares and additional paid-in capital in the event that shares are issued upon exercise of share acquisition rights*	Issuance price: 1 yen Additional paid-in capital: 1 yen
Exercise condition of share acquisition rights*	<ol style="list-style-type: none"> <li>1 Each share acquisition right may not be exercised in part.</li> <li>2 Each holder of these share acquisition rights may exercise his/her 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, and its subsidiaries 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.</li> <li>3 Regardless of above condition 2, he/she can exercise his/her rights from May 31, 2028, subject to other conditions for exercise of such rights.</li> <li>4 Other conditions are stipulated in the agreement for granting share acquisition rights that is concluded between the Company and the person who will receive the allotment of share acquisition rights.</li> </ol>
Transfer of share acquisition rights*	Approval of the Board of Directors is required.
Delivery of share acquisition rights in association with reorganization*	—

\* The information is as of the end of the fiscal year (March 31, 2022). For items with information that has changed from the end of the fiscal year to the end of the month (May 31, 2022) before the filing date, the information as of the end of the month before the filing date is presented in brackets [ ]. The information for other items has not changed since the end of the fiscal year.

(Note) The above paid-in capital is the amount obtained by multiplying the share issuance price of 1 yen by 0.5 (fractional amounts of less than 1 yen are rounded up). Additional paid-in capital amounts to 487 yen obtained from the book value of share acquisition rights of 972 yen added to the issuance price of the shares.

5) According to a resolution at the Ordinary General Meeting of Shareholders in 2009

The Company has issued the following share acquisition rights without contribution for the purpose of providing stock options based on the provisions of Article 236, Article 238 and Article 239 of the Companies Act. This issuance was resolved at the Shareholders' Meeting and Executive Management Committee meeting held on June 20, 2009.

Date of resolution	June 20, 2009
Category and number of grantees	Directors and Corporate Executive Officers of the Company: 16 Directors and Senior Managing Directors of the Company's subsidiaries: 90
Number of Rights (units)*	Common Stock: 299 [288]
Class and number of shares subject to share acquisition rights (shares)*	Common Stock: 299,000 [288,000]
Amount to be paid in upon exercise of share acquisition rights*	1 yen per share
Exercise period of share acquisition rights*	From July 1, 2009 to June 30, 2029
Issuance price of shares and additional paid-in capital in the event that shares are issued upon exercise of share acquisition rights*	Issuance price: 1 yen Additional paid-in capital: 1 yen
Exercise condition of share acquisition rights*	<ol style="list-style-type: none"> <li>1 Each share acquisition right may not be exercised in part.</li> <li>2 Each holder of these share acquisition rights may exercise his/her 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, and its subsidiaries 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.</li> <li>3 Regardless of above condition 2, he/she can exercise his/her rights from May 31, 2029, subject to other conditions for exercise of such rights.</li> <li>4 Other conditions are stipulated in the agreement for granting share acquisition rights that is concluded between the Company and the person who will receive the allotment of share acquisition rights.</li> </ol>
Transfer of share acquisition rights*	Approval of the Board of Directors is required.
Delivery of share acquisition rights in association with reorganization*	—

\* The information is as of the end of the fiscal year (March 31, 2022). For items with information that has changed from the end of the fiscal year to the end of the month (May 31, 2022) before the filing date, the information as of the end of the month before the filing date is presented in brackets [ ]. The information for other items has not changed since the end of the fiscal year.

(Note) The above paid-in capital is the amount obtained by multiplying the share issuance price of 1 yen by 0.5 (fractional amounts of less than 1 yen are rounded up). Additional paid-in capital amounts to 291 yen obtained from the book value of share acquisition rights of 580 yen added to the issuance price of the shares.

6) According to a resolution at the Ordinary General Meeting of Shareholders in 2010

The Company has issued the following share acquisition rights without contribution for the purpose of providing stock options based on the provisions of Article 236, Article 238 and Article 239 of the Companies Act. This issuance was resolved at the Shareholders' Meeting and Executive Management Committee meeting held on June 26, 2010.

Date of resolution	June 26, 2010
Category and number of grantees	Directors and Corporate Executive Officers of the Company: 15 Directors and Senior Managing Directors of the Company's subsidiaries: 102
Number of Rights (units)*	Common Stock: 589 [587]
Class and number of shares subject to share acquisition rights (shares)*	Common Stock: 589,000 [587,000]
Amount to be paid in upon exercise of share acquisition rights*	1 yen per share
Exercise period of share acquisition rights*	From July 1, 2010 to June 30, 2030
Issuance price of shares and additional paid-in capital in the event that shares are issued upon exercise of share acquisition rights*	Issuance price: 1 yen Additional paid-in capital: 1 yen
Exercise condition of share acquisition rights*	<ol style="list-style-type: none"> <li>1 Each share acquisition right may not be exercised in part.</li> <li>2 Each holder of these share acquisition rights may exercise his/her 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 associates 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.</li> <li>3 Regardless of above condition 2, he/she can exercise his/her rights from May 31, 2030, subject to other conditions for exercise of such rights.</li> <li>4 Other conditions are stipulated in the agreement for granting share acquisition rights that is concluded between the Company and the person who will receive the allotment of share acquisition rights.</li> </ol>
Transfer of share acquisition rights*	Approval of the Board of Directors is required.
Delivery of share acquisition rights in association with reorganization*	—

\* The information is as of the end of the fiscal year (March 31, 2022). For items with information that has changed from the end of the fiscal year to the end of the month (May 31, 2022) before the filing date, the information as of the end of the month before the filing date is presented in brackets [ ]. The information for other items has not changed since the end of the fiscal year.

(Note) The above paid-in capital is the amount obtained by multiplying the share issuance price of 1 yen by 0.5 (fractional amounts of less than 1 yen are rounded up). Additional paid-in capital amounts to 188 yen obtained from the book value of share acquisition rights of 375 yen added to the issuance price of the shares.

7) According to a resolution at the Ordinary General Meeting of Shareholders in 2011

The Company has issued the following share acquisition rights without contribution for the purpose of providing stock options based on the provisions of Article 236, Article 238 and Article 239 of the Companies Act. This issuance was resolved at the Shareholders' Meeting and Executive Management Committee meeting held on June 25, 2011.

Date of resolution	June 25, 2011
Category and number of grantees	Directors and Corporate Executive Officers of the Company: 15 Directors and Senior Managing Directors of the Company's subsidiaries: 96
Number of Rights (units)*	Common Stock: 896
Class and number of shares subject to share acquisition rights (shares)*	Common Stock: 896,000
Amount to be paid in upon exercise of share acquisition rights*	1 yen per share
Exercise period of share acquisition rights*	From July 1, 2011 to June 30, 2031
Issuance price of shares and additional paid-in capital in the event that shares are issued upon exercise of share acquisition rights*	Issuance price: 1 yen Additional paid-in capital: 1 yen
Exercise condition of share acquisition rights*	<ol style="list-style-type: none"> <li>1 Each share acquisition right may not be exercised in part.</li> <li>2 Each holder of these share acquisition rights may exercise his/her 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, and its subsidiaries 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.</li> <li>3 Regardless of above condition 2, he/she can exercise his/her rights from May 31, 2031, subject to other conditions for exercise of such rights.</li> <li>4 Other conditions are stipulated in the agreement for granting share acquisition rights that is concluded between the Company and the person who will receive the allotment of share acquisition rights.</li> </ol>
Transfer of share acquisition rights*	Approval of the Board of Directors is required.
Delivery of share acquisition rights in association with reorganization*	—

\* The information is as of the end of the fiscal year (March 31, 2022). As of the end of the month (May 31, 2022) before the filing date, the information for these items has not changed.

(Note) The above paid-in capital is the amount obtained by multiplying the share issuance price of 1 yen by 0.5 (fractional amounts of less than 1 yen are rounded up). Additional paid-in capital amounts to 180 yen obtained from the book value of share acquisition rights of 358 yen added to the issuance price of the shares.

- 8) According to a resolution at the Ordinary General Meeting of Shareholders in 2012
- i) The Company has issued the following share acquisition rights without contribution for the purpose of providing stock options based on the provisions of Article 236, Article 238 and Article 239 of the Companies Act, resolved at the Shareholders' Meeting on June 27, 2012 and the Executive Management Committee meeting on February 1, 2013.

Date of resolution	June 27, 2012
Category and number of grantees	Directors, Corporate Executive Officers, and Senior Managing Directors of the Company: 18 Directors and Senior Managing Directors of the Company's subsidiaries: 85
Number of Rights (units)*	Common Stock: 677 [672]
Class and number of shares subject to share acquisition rights (shares)*	Common Stock: 677,000 [672,000]
Amount to be paid in upon exercise of share acquisition rights*	1 yen per share
Exercise period of share acquisition rights*	From February 12, 2013 to June 30, 2032
Issuance price of shares and additional paid-in capital in the event that shares are issued upon exercise of share acquisition rights*	Issuance price: 1 yen Additional paid-in capital: 1 yen
Exercise condition of share acquisition rights*	<ol style="list-style-type: none"> <li>1 Each share acquisition right may not be exercised in part.</li> <li>2 Each holder of these share acquisition rights may exercise his/her 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, and its subsidiaries 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.</li> <li>3 Regardless of above condition 2, he/she can exercise his/her rights from May 31, 2032, subject to other conditions for exercise of such rights.</li> <li>4 Other conditions are stipulated in the agreement for granting share acquisition rights that is concluded between the Company and the person who will receive the allotment of share acquisition rights.</li> </ol>
Transfer of share acquisition rights*	Approval of the Board of Directors is required.
Delivery of share acquisition rights in association with reorganization*	—

\* The information is as of the end of the fiscal year (March 31, 2022). For items with information that has changed from the end of the fiscal year to the end of the month (May 31, 2022) before the filing date, the information as of the end of the month before the filing date is presented in brackets [ ]. The information for other items has not changed since the end of the fiscal year.

(Note) The above paid-in capital is the amount obtained by multiplying the share issuance price of 1 yen by 0.5 (fractional amounts of less than 1 yen are rounded up). Additional paid-in capital amounts to 285 yen obtained from the book value of share acquisition rights of 568 yen added to the issuance price of the shares.

- ii) The Company has issued the following share acquisition rights without contribution for the purpose of providing stock options based on the provisions of Article 236, Article 238 and Article 239 of the Companies Act, resolved at the Shareholders' Meeting on June 27, 2012 and the Executive Management Committee meeting on February 1, 2013.

Date of resolution	June 27, 2012
Category and number of grantees	Directors, Senior Managing Directors and employees of subsidiaries and affiliates: 2,719
Number of Rights (units)*	Common Stock: 3,961 [3,633]
Class and number of shares subject to share acquisition rights (shares)*	Common Stock: 3,961,000 [3,633,000]
Amount to be paid in upon exercise of share acquisition rights*	598 yen per share
Exercise period of share acquisition rights*	From July 1, 2017 to June 26, 2022
Issuance price of shares and additional paid-in capital in the event that shares are issued upon exercise of share acquisition rights*	Issuance price: 598 yen Additional paid-in capital: 299 yen
Exercise condition of share acquisition rights*	1 Each share acquisition right may not be exercised in part. 2 Other conditions are stipulated in the agreement for allotting share acquisition rights that is concluded between the Company and the person who will receive the allotment of share acquisition rights.
Transfer of share acquisition rights*	Approval of the Board of Directors is required.
Delivery of share acquisition rights in association with reorganization*	—

\* The information is as of the end of the fiscal year (March 31, 2022). For items with information that has changed from the end of the fiscal year to the end of the month (May 31, 2022) before the filing date, the information as of the end of the month before the filing date is presented in brackets [ ]. The information for other items has not changed since the end of the fiscal year.

(Note) The above paid-in capital is the amount obtained by multiplying the share issuance price of 598 yen by 0.5 (fractional amounts of less than 1 yen are rounded up). Additional paid-in capital amounts to 396 yen obtained from the addition of the book value of share acquisition rights of 193 yen added to the issuance price of the shares.

9) According to a resolution at the Ordinary General Meeting of Shareholders in 2013

i) The Company has issued the following share acquisition rights without contribution for the purpose of providing stock options based on the provisions of Article 236, Article 238 and Article 239 of the Companies Act, resolved at the Shareholders' Meeting on June 26, 2013 and the Executive Management Committee meeting on January 31, 2014.

Date of resolution	June 26, 2013
Category and number of grantees	Directors, Corporate Executive Officers, and Senior Managing Directors of the Company: 22 Directors and Senior Managing Directors of the Company's subsidiaries: 81
Number of Rights (units)*	Common Stock: 343
Class and number of shares subject to share acquisition rights (shares)*	Common Stock: 343,000
Amount to be paid in upon exercise of share acquisition rights*	1 yen per share
Exercise period of share acquisition rights*	From February 10, 2014 to June 30, 2033
Issuance price of shares and additional paid-in capital in the event that shares are issued upon exercise of share acquisition rights*	Issuance price: 1 yen Additional paid-in capital: 1 yen
Exercise condition of share acquisition rights*	<ol style="list-style-type: none"> <li>1 Each share acquisition right may not be exercised in part.</li> <li>2 Each holder of these share acquisition rights may exercise his/her 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, and its subsidiaries 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.</li> <li>3 Regardless of above condition 2, he/she can exercise his/her rights from May 31, 2033, subject to other conditions for exercise of such rights.</li> <li>4 Other conditions are stipulated in the agreement for granting share acquisition rights that is concluded between the Company and the person who will receive the allotment of share acquisition rights.</li> </ol>
Transfer of share acquisition rights*	Approval of the Board of Directors is required.
Delivery of share acquisition rights in association with reorganization*	—

\* The information is as of the end of the fiscal year (March 31, 2022). As of the end of the month (May 31, 2022) before the filing date, the information for these items has not changed.

(Note) The above paid-in capital is the amount obtained by multiplying the share issuance price of 1 yen by 0.5 (fractional amounts of less than 1 yen are rounded up). Additional paid-in capital amounts to 479 yen obtained from the book value of share acquisition rights of 956 yen added to the issuance price of the shares.

- ii) The Company has issued the following share acquisition rights without contribution for the purpose of providing stock options based on the provisions of Article 236, Article 238 and Article 239 of the Companies Act, resolved at the Shareholders' Meeting on June 26, 2013 and the Executive Management Committee meeting on January 31, 2014.

Date of resolution	June 26, 2013
Category and number of grantees	Directors, Senior Managing Directors and employees of subsidiaries and affiliates: 2,881
Number of Rights (units)*	Common Stock: 3,963
Class and number of shares subject to share acquisition rights (shares)*	Common Stock: 3,963,000
Amount to be paid in upon exercise of share acquisition rights*	1,062 yen per share
Exercise period of share acquisition rights*	From July 1, 2018 to June 25, 2023
Issuance price of shares and additional paid-in capital in the event that shares are issued upon exercise of share acquisition rights*	Issuance price: 1,062 yen Additional paid-in capital: 531 yen
Exercise condition of share acquisition rights*	1 Each share acquisition right may not be exercised in part. 2 Other conditions are stipulated in the agreement for allotting share acquisition rights that is concluded between the Company and the person who will receive the allotment of share acquisition rights.
Transfer of share acquisition rights*	Approval of the Board of Directors is required.
Delivery of share acquisition rights in association with reorganization*	—

\* The information is as of the end of the fiscal year (March 31, 2022). As of the end of the month (May 31, 2022) before the filing date, the information for these items has not changed.

(Note) The above paid-in capital is the amount obtained by multiplying the share issuance price of 1,062 yen by 0.5 (fractional amounts of less than 1 yen are rounded up). Additional paid-in capital amounts to 679 yen obtained from the book value of share acquisition rights of 295 yen added to the issuance price of the shares.

10) According to a resolution at the Ordinary General Meeting of Shareholders in 2014

- i) The Company has issued the following share acquisition rights without contribution for the purpose of providing stock options based on the provisions of Article 236, Article 238 and Article 239 of the Companies Act, resolved at the Shareholders' Meeting on June 26, 2014 and the Executive Management Committee meeting on January 30, 2015.

Date of resolution	June 26, 2014
Category and number of grantees	Directors, Corporate Executive Officers, and Senior Managing Directors of the Company: 21 Directors and Senior Managing Directors of the Company's subsidiaries: 85
Number of Rights (units)*	Common Stock: 422
Class and number of shares subject to share acquisition rights (shares)*	Common Stock: 422,000
Amount to be paid in upon exercise of share acquisition rights*	1 yen per share
Exercise period of share acquisition rights*	From February 9, 2015 to June 30, 2034
Issuance price of shares and additional paid-in capital in the event that shares are issued upon exercise of share acquisition rights*	Issuance price: 1 yen Additional paid-in capital: 1 yen
Exercise condition of share acquisition rights*	<ol style="list-style-type: none"> <li>1 Each share acquisition right may not be exercised in part.</li> <li>2 Each holder of these share acquisition rights may exercise his/her 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 associates 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.</li> <li>3 Regardless of above condition 2, he/she can exercise his/her rights from May 31, 2034, subject to other conditions for exercise of such rights.</li> <li>4 Other conditions are stipulated in the agreement for granting share acquisition rights that is concluded between the Company and the person who will receive the allotment of share acquisition rights.</li> </ol>
Transfer of share acquisition rights*	Approval of the Board of Directors is required.
Delivery of share acquisition rights in association with reorganization*	—

\* The information is as of the end of the fiscal year (March 31, 2022). As of the end of the month (May 31, 2022) before the filing date, the information for these items has not changed.

(Note) The above paid-in capital is the amount obtained by multiplying the share issuance price of 1 yen by 0.5 (fractional amounts of less than 1 yen are rounded up). Additional paid-in capital amounts to 426 yen obtained from the book value of share acquisition rights of 850.7 yen added to the issuance price of the shares.

- ii) The Company has issued the following share acquisition rights without contribution for the purpose of providing stock options based on the provisions of Article 236, Article 238 and Article 239 of the Companies Act, resolved at the Shareholders' Meeting on June 26, 2014 and the Executive Management Committee meeting on January 30, 2015.

Date of resolution	June 26, 2014
Category and number of grantees	Employees of the Company and Directors, Senior Managing Directors and employees of subsidiaries and affiliates: 3,072
Number of Rights (units)*	Common Stock: 5,418
Class and number of shares subject to share acquisition rights (shares)*	Common Stock: 5,418,000
Amount to be paid in upon exercise of share acquisition rights*	931 yen per share
Exercise period of share acquisition rights*	From July 1, 2019 to June 25, 2024
Issuance price of shares and additional paid-in capital in the event that shares are issued upon exercise of share acquisition rights*	Issuance price: 931 yen Additional paid-in capital: 466 yen
Exercise condition of share acquisition rights*	1 Each share acquisition right may not be exercised in part. 2 Other conditions are stipulated in the agreement for allotting share acquisition rights that is concluded between the Company and the person who will receive the allotment of share acquisition rights.
Transfer of share acquisition rights*	Approval of the Board of Directors is required.
Delivery of share acquisition rights in association with reorganization*	—

\* The information is as of the end of the fiscal year (March 31, 2022). As of the end of the month (May 31, 2022) before the filing date, the information for these items has not changed.

(Note) The above paid-in capital is the amount obtained by multiplying the share issuance price of 931 yen by 0.5 (fractional amounts of less than 1 yen are rounded up). Additional paid-in capital amounts to 560 yen obtained from the book value of share acquisition rights 188.6 yen added to the issuance price of the shares.

11) According to a resolution at the Ordinary General Meeting of Shareholders in 2015

- i) The Company has issued the following share acquisition rights without contribution for the purpose of providing stock options based on the provisions of Article 236, Article 238 and Article 239 of the Companies Act, resolved at the Shareholders' Meeting on June 25, 2015 and the Executive Management Committee meeting on February 5, 2016.

Date of resolution	June 25, 2015
Category and number of grantees	Directors, Corporate Executive Officers, and Senior Managing Directors of the Company: 21 Directors and Senior Managing Directors of the Company's subsidiaries: 85
Number of Rights (units)*	Common Stock: 552
Class and number of shares subject to share acquisition rights (shares)*	Common Stock: 552,000
Amount to be paid in upon exercise of share acquisition rights*	1 yen per share
Exercise period of share acquisition rights*	From February 16, 2016 to June 30, 2035
Issuance price of shares and additional paid-in capital in the event that shares are issued upon exercise of share acquisition rights*	Issuance price: 1 yen Additional paid-in capital: 1 yen
Exercise condition of share acquisition rights*	<ol style="list-style-type: none"> <li>1 Each share acquisition right may not be exercised in part.</li> <li>2 Each holder of these share acquisition rights may exercise his/her 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, and its subsidiaries and affiliates 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.</li> <li>3 Regardless of above condition 2, he/she can exercise his/her rights from May 31, 2035, subject to other conditions for exercise of such rights.</li> <li>4 Other conditions are stipulated in the agreement for granting share acquisition rights that is concluded between the Company and the person who will receive the allotment of share acquisition rights.</li> </ol>
Transfer of share acquisition rights*	Approval of the Board of Directors is required.
Delivery of share acquisition rights in association with reorganization*	—

\* The information is as of the end of the fiscal year (March 31, 2022). As of the end of the month (May 31, 2022) before the filing date, the information for these items has not changed.

(Note) The above paid-in capital is the amount obtained by multiplying the share issuance price of 1 yen by 0.5 (fractional amounts of less than 1 yen are rounded up). Additional paid-in capital amounts to 333 yen obtained from the book value of share acquisition rights of 663.4 yen added to the issuance price of the shares.

- ii) The Company has issued the following share acquisition rights without contribution for the purpose of providing stock options based on the provisions of Article 236, Article 238 and Article 239 of the Companies Act, resolved at the Shareholders' Meeting on June 25, 2015 and the Executive Management Committee meeting on February 5, 2016.

Date of resolution	June 25, 2015
Category and number of grantees	Employees of the Company and Directors, Senior Managing Directors and employees of subsidiaries and affiliates: 3,238
Number of Rights (units)*	Common Stock: 4,479 [4,478]
Class and number of shares subject to share acquisition rights (shares)*	Common Stock: 4,479,000 [4,478,000]
Amount to be paid in upon exercise of share acquisition rights*	733 yen per share
Exercise period of share acquisition rights*	From July 1, 2020 to June 24, 2025
Issuance price of shares and additional paid-in capital in the event that shares are issued upon exercise of share acquisition rights*	Issuance price: 733 yen Additional paid-in capital: 367 yen
Exercise condition of share acquisition rights*	1 Each share acquisition right may not be exercised in part. 2 Other conditions are stipulated in the agreement for allotting share acquisition rights that is concluded between the Company and the person who will receive the allotment of share acquisition rights.
Transfer of share acquisition rights*	Approval of the Board of Directors is required.
Delivery of share acquisition rights in association with reorganization*	—

\* The information is as of the end of the fiscal year (March 31, 2022). For items with information that has changed from the end of the fiscal year to the end of the month (May 31, 2022) before the filing date, the information as of the end of the month before the filing date is presented in brackets [ ]. The information for other items has not changed since the end of the fiscal year.

(Note) The above paid-in capital is the amount obtained by multiplying the share issuance price of 733 yen by 0.5 (fractional amounts of less than 1 yen are rounded up). Additional paid-in capital amounts to 424 yen obtained from the book value of share acquisition rights of 113.2 yen added to the issuance price of the shares.

12) According to a resolution at the Ordinary General Meeting of Shareholders in 2016

- i) The Company has issued the following share acquisition rights without contribution for the purpose of providing stock options based on the provisions of Article 236, Article 238 and Article 239 of the Companies Act, resolved at the Shareholders' Meeting on June 28, 2016 and the Executive Management Committee meeting on January 30, 2017.

Date of resolution	June 28, 2016
Category and number of grantees	Directors, Corporate Executive Officers, and Senior Managing Directors of the Company: 19 Directors and Senior Managing Directors of the Company's subsidiaries: 90
Number of Rights (units)*	Common Stock: 556
Class and number of shares subject to share acquisition rights (shares)*	Common Stock: 556,000
Amount to be paid in upon exercise of share acquisition rights*	1 yen per share
Exercise period of share acquisition rights*	From February 8, 2017 to June 30, 2036
Issuance price of shares and additional paid-in capital in the event that shares are issued upon exercise of share acquisition rights*	Issuance price: 1 yen Additional paid-in capital: 1 yen
Exercise condition of share acquisition rights*	<ol style="list-style-type: none"> <li>1 Each share acquisition right may not be exercised in part.</li> <li>2 Each holder of these share acquisition rights may exercise his/her 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, and its subsidiaries and affiliates 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.</li> <li>3 Regardless of above condition 2, he/she can exercise his/her rights from May 31, 2036, subject to other conditions for exercise of such rights.</li> <li>4 Other conditions are stipulated in the agreement for granting share acquisition rights that is concluded between the Company and the person who will receive the allotment of share acquisition rights.</li> </ol>
Transfer of share acquisition rights*	Approval of the Board of Directors is required.
Delivery of share acquisition rights in association with reorganization*	—

\* The information is as of the end of the fiscal year (March 31, 2022). As of the end of the month (May 31, 2022) before the filing date, the information for these items has not changed.

(Note) The above paid-in capital is the amount obtained by multiplying the share issuance price of 1 yen by 0.5 (fractional amounts of less than 1 yen are rounded up). Additional paid-in capital amounts to 355 yen obtained from the book value of share acquisition rights of 707.9 yen added to the issuance price of the shares.

- ii) The Company has issued the following share acquisition rights without contribution for the purpose of providing stock options based on the provisions of Article 236, Article 238 and Article 239 of the Companies Act, resolved at the Shareholders' Meeting on June 28, 2016 and the Executive Management Committee meeting on January 30, 2017.

Date of resolution	June 28, 2016
Category and number of grantees	Employees of the Company and Directors, Senior Managing Directors and employees of subsidiaries and affiliates: 3,482
Number of Rights (units)*	Common Stock: 7,447
Class and number of shares subject to share acquisition rights (shares)*	Common Stock: 7,447,000
Amount to be paid in upon exercise of share acquisition rights*	767 yen per share
Exercise period of share acquisition rights*	From July 1, 2021 to June 27, 2026
Issuance price of shares and additional paid-in capital in the event that shares are issued upon exercise of share acquisition rights*	Issuance price: 767 yen Additional paid-in capital: 384 yen
Exercise condition of share acquisition rights*	1 Each share acquisition right may not be exercised in part. 2 Other conditions are stipulated in the agreement for allotting share acquisition rights that is concluded between the Company and the person who will receive the allotment of share acquisition rights.
Transfer of share acquisition rights*	Approval of the Board of Directors is required.
Delivery of share acquisition rights in association with reorganization*	—

\* The information is as of the end of the fiscal year (March 31, 2022). As of the end of the month (May 31, 2022) before the filing date, the information for these items has not changed.

(Note) The above paid-in capital is the amount obtained by multiplying the share issuance price of 767 yen by 0.5 (fractional amounts of less than 1 yen are rounded up). Additional paid-in capital amounts to 445 yen obtained from the book value of share acquisition rights of 122.1 yen added to the issuance price of the shares.

13) According to a resolution at the Ordinary General Meeting of Shareholders in 2017

- i) The Company has issued the following share acquisition rights without contribution for the purpose of providing stock options based on the provisions of Article 236, Article 238 and Article 239 of the Companies Act, resolved at the Shareholders' Meeting on June 28, 2017 and the Executive Management Committee meeting on January 30, 2018.

Date of resolution	June 28, 2017
Category and number of grantees	Directors, Corporate Executive Officers, and Senior Managing Directors of the Company: 21 Directors and Senior Managing Directors of the Company's subsidiaries: 97
Number of Rights (units)*	Common Stock: 585
Class and number of shares subject to share acquisition rights (shares)*	Common Stock: 585,000
Amount to be paid in upon exercise of share acquisition rights*	1 yen per share
Exercise period of share acquisition rights*	From February 8, 2018 to June 30, 2037
Issuance price of shares and additional paid-in capital in the event that shares are issued upon exercise of share acquisition rights*	Issuance price: 1 yen Additional paid-in capital: 1 yen
Exercise condition of share acquisition rights*	<ol style="list-style-type: none"> <li>1 Each share acquisition right may not be exercised in part.</li> <li>2 Each holder of these share acquisition rights may exercise his/her 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, and its subsidiaries and affiliates 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.</li> <li>3 Regardless of above condition 2, he/she can exercise his/her rights from May 31, 2037, subject to other conditions for exercise of such rights.</li> <li>4 Other conditions are stipulated in the agreement for granting share acquisition rights that is concluded between the Company and the person who will receive the allotment of share acquisition rights.</li> </ol>
Transfer of share acquisition rights*	Approval of the Board of Directors is required.
Delivery of share acquisition rights in association with reorganization*	—

\* The information is as of the end of the fiscal year (March 31, 2022). As of the end of the month (May 31, 2022) before the filing date, the information for these items has not changed.

(Note) The above paid-in capital is the amount obtained by multiplying the share issuance price of 1 yen by 0.5 (fractional amounts of less than 1 yen are rounded up). Additional paid-in capital amounts to 365 yen obtained from the book value of share acquisition rights of 727.2 yen added to the issuance price of the shares.

- ii) The Company has issued the following share acquisition rights without contribution for the purpose of providing stock options based on the provisions of Article 236, Article 238 and Article 239 of the Companies Act, resolved at the Shareholders' Meeting on June 28, 2017 and the Executive Management Committee meeting on January 30, 2018.

Date of resolution	June 28, 2017
Category and number of grantees	Employees of the Company, its subsidiaries and affiliates, and Directors and Senior Managing Directors of subsidiaries and affiliates: 3,621
Number of Rights (units)*	Common Stock: 7,462
Class and number of shares subject to share acquisition rights (shares)*	Common Stock: 7,462,000
Amount to be paid in upon exercise of share acquisition rights*	815 yen per share
Exercise period of share acquisition rights*	From July 1, 2022 to June 27, 2027
Issuance price of shares and additional paid-in capital in the event that shares are issued upon exercise of share acquisition rights*	Issuance price: 815 yen Additional paid-in capital: 408 yen
Exercise condition of share acquisition rights*	1 Each share acquisition right may not be exercised in part. 2 Other conditions are stipulated in the agreement for allotting share acquisition rights that is concluded between the Company and the person who will receive the allotment of share acquisition rights.
Transfer of share acquisition rights*	Approval of the Board of Directors is required.
Delivery of share acquisition rights in association with reorganization*	—

\* The information is as of the end of the fiscal year (March 31, 2022). As of the end of the month (May 31, 2022) before the filing date, the information for these items has not changed.

(Note) The above paid-in capital is the amount obtained by multiplying the share issuance price of 815 yen by 0.5 (fractional amounts of less than 1 yen are rounded up). Additional paid-in capital amounts to 469 yen obtained from the book value of share acquisition rights of 122.8 yen added to the issuance price of the shares.

14) According to a resolution at the Ordinary General Meeting of Shareholders in 2018

The Company has issued the following share acquisition rights without contribution for the purpose of providing stock options based on the provisions of Article 236, Article 238 and Article 239 of the Companies Act, resolved at the Shareholders' Meeting on June 27, 2018 and the Executive Management Committee meeting on July 30, 2018.

Date of resolution	June 27, 2018
Category and number of grantees	Employees of the Company, its subsidiaries and affiliates, and Directors and Senior Managing Directors of subsidiaries and affiliates: 3,841
Number of Rights (units)*	Common Stock: 74,695
Class and number of shares subject to share acquisition rights (shares)*	Common Stock: 7,469,500
Amount to be paid in upon exercise of share acquisition rights*	686 yen per share
Exercise period of share acquisition rights*	From July 1, 2023 to June 26, 2028
Issuance price of shares and additional paid-in capital in the event that shares are issued upon exercise of share acquisition rights*	Issuance price: 686 yen Additional paid-in capital: 343 yen
Exercise condition of share acquisition rights*	1 Each share acquisition right may not be exercised in part. 2 Other conditions are stipulated in the agreement for allotting share acquisition rights that is concluded between the Company and the person who will receive the allotment of share acquisition rights.
Transfer of share acquisition rights*	Approval of the Board of Directors is required.
Delivery of share acquisition rights in association with reorganization*	—

\* The information is as of the end of the fiscal year (March 31, 2022). As of the end of the month (May 31, 2022) before the filing date, the information for these items has not changed.

(Note) The above paid-in capital is the amount obtained by multiplying the share issuance price of 686 yen by 0.5 (fractional amounts of less than 1 yen are rounded up). Additional paid-in capital amounts to 395 yen obtained from the book value of share acquisition rights of 104.0 yen added to the issuance price of the shares.

15) According to a resolution by the Executive Management Committee in 2019

The Company has issued the following share acquisition rights without contribution for the purpose of providing stock options based on the provisions of Article 236, Article 238, Article 240, and Article 416 of the Companies Act, resolved at the Executive Management Committee meeting on August 9, 2019.

Date of resolution	August 9, 2019
Category and number of grantees	Employees of the Company and its subsidiaries, and Directors and Senior Managing Directors of subsidiaries: 3,826
Number of Rights (units)*	Common Stock: 84,625
Class and number of shares subject to share acquisition rights (shares)*	Common Stock: 8,462,500
Amount to be paid in upon exercise of share acquisition rights*	502 yen per share
Exercise period of share acquisition rights*	From July 1, 2024 to July 30, 2029
Issuance price of shares and additional paid-in capital in the event that shares are issued upon exercise of share acquisition rights*	Issuance price: 502 yen Additional paid-in capital: 251 yen
Exercise condition of share acquisition rights*	1 Each share acquisition right may not be exercised in part. 2 Other conditions are stipulated in the agreement for allotting share acquisition rights that is concluded between the Company and the person who will receive the allotment of share acquisition rights.
Transfer of share acquisition rights*	Approval of the Board of Directors is required.
Delivery of share acquisition rights in association with reorganization*	—

\* The information is as of the end of the fiscal year (March 31, 2022). As of the end of the month (May 31, 2022) before the filing date, the information for these items has not changed.

(Note) The above paid-in capital is the amount obtained by multiplying the share issuance price of 502 yen by 0.5 (fractional amounts of less than 1 yen are rounded up). Additional paid-in capital amounts to 278 yen obtained from the book value of share acquisition rights of 53.7 yen added to the issuance price of the shares.

16) According to a resolution by the Executive Management Committee in 2020

The Company has issued the following share acquisition rights without contribution for the purpose of providing stock options based on the provisions of Article 236, Article 238, Article 240, and Article 416 of the Companies Act, resolved at the Executive Management Committee meeting on July 31, 2020.

Date of resolution	July 31, 2020
Category and number of grantees	Employees of the Company and its subsidiaries, and Directors and Senior Managing Directors of subsidiaries: 4,046
Number of Rights (units)*	Common Stock: 79,200
Class and number of shares subject to share acquisition rights (shares)*	Common Stock: 7,920,000
Amount to be paid in upon exercise of share acquisition rights*	508 yen per share
Exercise period of share acquisition rights*	From July 1, 2025 to July 30, 2030
Issuance price of shares and additional paid-in capital in the event that shares are issued upon exercise of share acquisition rights*	Issuance price: 508 yen Additional paid-in capital: 254 yen
Exercise condition of share acquisition rights*	1 Each share acquisition right may not be exercised in part. 2 Other conditions are stipulated in the agreement for allotting share acquisition rights that is concluded between the Company and the person who will receive the allotment of share acquisition rights.
Transfer of share acquisition rights*	Approval of the Board of Directors is required.
Delivery of share acquisition rights in association with reorganization*	—

\* The information is as of the end of the fiscal year (March 31, 2022). As of the end of the month (May 31, 2022) before the filing date, the information for these items has not changed.

(Note) The above paid-in capital is the amount obtained by multiplying the share issuance price of 508 yen by 0.5 (fractional amounts of less than 1 yen are rounded up). Additional paid-in capital amounts to 292 yen obtained from the book value of share acquisition rights of 74.8 yen added to the issuance price of the shares.

17) According to a resolution by the Executive Management Committee in 2021

The Company has issued the following share acquisition rights without contribution for the purpose of providing stock options based on the provisions of Article 236, Article 238, Article 240, and Article 416 of the Companies Act, resolved at the Executive Management Committee meeting on July 29, 2021.

Date of resolution	July 29, 2021
Category and number of grantees	Employees of the Company and its subsidiaries, and Directors and Senior Managing Directors of subsidiaries: 4,026
Number of Rights (units)*	Common Stock: 79,465
Class and number of shares subject to share acquisition rights (shares)*	Common Stock: 7,946,500
Amount to be paid in upon exercise of share acquisition rights*	633 yen per share
Exercise period of share acquisition rights*	From July 1, 2026 to July 28, 2031
Issuance price of shares and additional paid-in capital in the event that shares are issued upon exercise of share acquisition rights*	Issuance price: 633 yen Additional paid-in capital: 317 yen
Exercise condition of share acquisition rights*	1 Each share acquisition right may not be exercised in part. 2 Other conditions are stipulated in the agreement for allotting share acquisition rights that is concluded between the Company and the person who will receive the allotment of share acquisition rights.
Transfer of share acquisition rights*	Approval of the Board of Directors is required.
Delivery of share acquisition rights in association with reorganization*	—

\* The information is as of the end of the fiscal year (March 31, 2022). As of the end of the month (May 31, 2022) before the filing date, the information for these items has not changed.

(Note) The above paid-in capital is the amount obtained by multiplying the share issuance price of 633 yen by 0.5 (fractional amounts of less than 1 yen are rounded up). Additional paid-in capital amounts to 347 yen obtained from the book value of share acquisition rights of 60.4 yen added to the issuance price of the shares.

(ii) Details of Rights Plan

Not applicable.

(iii) Status of other share acquisition rights, etc.

Not applicable.

(3) Exercise of corporate bonds with share acquisition rights with attached clauses to amend the exercise price

Not applicable.

(4) Trends in total number of shares issued, share capital, etc.

Date	Change in the total number of shares issued (Thousands of shares)	Balance of total number of shares issued (Thousands of shares)	Change in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Change in legal capital reserve surplus (Millions of yen)	Balance of legal capital reserve surplus (Millions of yen)
March 31, 2017 (Note) 1	(50,000)	1,699,378	—	247,397	—	226,751

(Notes) 1 Reduced due to the cancellation of treasury shares.

2 Through a resolution at the Executive Management Committee on April 27, 2022, treasury shares were cancelled on May 10, 2022, to reduce the total shares outstanding by 130,000 thousand shares.

## (5) Shareholder composition

(As of March 31, 2022)

Category	Status of shares (Number of shares constituting one unit: 100)								Status of shares less than one unit (shares)
	Govern-mental organiza-tions	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individuals and other	Total	
					Other than individuals	Individuals			
Number of shareholders (persons)	1	145	36	1,252	718	198	136,686	139,036	–
Number of shares held (units)	1	4,903,264	721,040	852,175	4,028,802	11,652	6,471,120	16,988,054	573,372
Ratio to total shares (%)	0.00	28.86	4.24	5.02	23.72	0.07	38.09	100.00	–

(Notes) 1 The shares registered in the name of the Japan Securities Depository Center, Incorporated are included in “Other corporations” in the above table. The amount is 30 units (3,000 shares).

2 The “Individuals and Others” field includes 2,160,664 units (216,066,400 shares), and the “Status of shares less than one unit” field includes 85 shares held under own name.

## (6) Status of major shareholders

(As of March 31, 2022)

Name / Company Name	Address	Number of shares held (thousands of shares)	Ownership percentage to the total number of issued shares (excluding treasury shares, %)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-Chome, Minato-ku, Tokyo	238,102	16.05
Custody Bank of Japan, Ltd. (Trust Account)	8-12 Harumi 1-Chome, Chuo-ku, Tokyo	74,814	5.04
Taiyo Life Insurance Company	7-1 Nihombashi 2-Chome, Chuo-ku, Tokyo	41,140	2.77
Barclays Securities Japan limited	10-1, Roppongi 6-Chome, Minato-ku, Tokyo	34,391	2.31
Northern Trust Co. (AVFC) Re Silchester International Investors International Value Equity Trust (Standing proxy: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo branch)	50 BANK STREET CANARY WHARF LONDON E14 5NT, UK (11-1 Nihombashi 3-Chome, Chuo-ku, Tokyo)	31,662	2.13
Nippon Life Insurance Company	6-6, Marunouchi 1-Chome, Chiyoda-ku, Tokyo	31,164	2.10
JAPAN POST HOLDINGS Co., Ltd.	3-1, Otemachi 2-Chome, Chiyoda-ku, Tokyo	30,000	2.02
STATE STREET BANK WEST CLIENT – TREATY 505234 (Standing proxy: Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (15-1, Konan 2-Chome, Minato-ku, Tokyo)	24,262	1.63
Daiwa’s Employee Stock Ownership Association	9-1, Marunouchi 1-Chome, Chiyoda-ku, Tokyo	22,083	1.48
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS (Standing proxy: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo branch)	50 BANK STREET CANARY WHARF LONDON E14 5NT, UK (11-1 Nihombashi 3-Chome, Chuo-ku, Tokyo)	20,297	1.36
Total	–	547,918	36.93

(Note) 1 Although the Company holds 216,066 thousand shares of its own shares as treasury shares as of March 31, 2022, it is

excluded from the above list of major shareholders.

- 2 In the Change Report on the status of large-volume holdings of shares, etc. provided for public viewing on September 19, 2019, although it is listed that BlackRock Japan Co., Ltd. and six other companies jointly held the following shares as of September 13, 2019, the Company cannot confirm the actual number of shares held as of March 31, 2022, and as such, these are not included in the above status of major shareholders.

The contents of the Statement of Changes are as follows.

Name / Company Name	Address	Number of shares, etc. held (thousands of shares)	Holding ratio of shares, etc. (%)
BlackRock Japan Co., Ltd.	8-3, Marunouchi 1-Chome, Chiyoda-ku, Tokyo	24,386	1.44
Blackrock Financial Management, Inc.	55 East 52nd Street, New York, NY, United States	1,878	0.11
BLACKROCK FUND MANAGERS LIMITED	12 Throgmorton Avenue, London, UK	2,247	0.13
BlackRock Asset Management Ireland Limited	1st Floor2 Ballsbridge Park Ballsbridge, Dublin, Ireland	6,337	0.37
BlackRock Fund Advisors	400 Howard Street, San Francisco, CA, United States	22,235	1.31
BlackRock Institutional Trust Company, N.A.	400 Howard Street, San Francisco, CA, United States	24,918	1.47
BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED	12 Throgmorton Avenue, London, UK	5,944	0.35
Total	—	87,948	5.18

- 3 In the Statement of Changes on the status of large-volume holdings of shares, etc. provided for public viewing on October 6, 2020, the Company received a report that Sumitomo Mitsui Trust Bank, Limited and two other companies jointly held the following shares as of September 30, 2020. As of March 31, 2022, the Company cannot confirm the actual number of shares held, and as such, these are not included in the above status of major shareholders.

The contents of the Statement of Changes are as follows.

Name / Company Name	Address	Number of shares, etc. held (thousands of shares)	Holding ratio of shares, etc. (%)
Sumitomo Mitsui Trust Bank, Limited	4-1, Marunouchi 1-Chome, Chiyoda-ku, Tokyo	12,445	0.73
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1, Shiba-koen 1-Chome, Minato-ku, Tokyo	63,966	3.76
Nikko Asset Management Co., Ltd.	7-1, Akasaka 9-Chome, Minato-ku, Tokyo	31,002	1.82
Total	—	107,413	6.32

## (7) Status of voting rights

## (i) Issued shares

(As of March 31, 2022)

Category	Number of shares (shares)	Number of voting rights (units)	Description
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury shares)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares)	(Shares in treasury) Common Stock 216,066,400	–	–
	(Reciprocally held shares) Common Stock 286,200	–	–
Shares with full voting rights (Other)	Common Stock 1,482,452,800	14,824,528	–
Shares less than one unit	Common Stock 573,372	–	Shares less than one unit (100 shares)
Total shares outstanding	1,699,378,772	–	–
Total number of voting rights	–	14,824,528	–

- (Notes) 1 The shares registered in the name of the Japan Securities Depository Center, Incorporated are included in “Shares with full voting rights (Other)” in the above table. The amount is 3,000 shares (30 units of voting rights).
- 2 The number of shares in the “shares less than one unit” field includes 85 treasury shares owned by the Company.
- 3 Through a resolution at the Executive Management Committee on April 27, 2022, treasury shares were cancelled on May 10, 2022, to reduce the total shares outstanding by 130,000,000 shares.

## (ii) Treasury shares, etc.

(As of March 31, 2022)

Name / Company Name of shareholder	Address of shareholder	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
(Shares in treasury) Daiwa Securities Group Inc.	9-1, Marunouchi 1-Chome, Chiyoda-ku, Tokyo	216,066,400	–	216,066,400	12.71
Total	–	216,066,400	–	216,066,400	12.71

- (Notes) 1 The Company owns 85 treasury shares of less than one unit.
- 2 In addition to the above, the Company’s subsidiaries own 286,200 shares held under own name as shares held for their securities service.
- 3 Through a resolution at the Executive Management Committee on April 27, 2022, treasury shares were cancelled on May 10, 2022, to reduce the total shares outstanding by 130,000,000 shares.

## 2 Acquisitions, etc. of treasury shares

Classes of shares, etc. Acquisition of common stock which falls under Article 155, item (iii) and Article 155, item (vii) of the Companies Act

### (1) Acquisitions by a resolution of the General Meeting of Shareholders

Not applicable.

### (2) Acquisitions by a resolution of the Board of Directors

Category	Number of shares (shares)	Total value (thousands of yen)
Resolution by the Board of Directors meeting (April 28, 2021) (Acquisition period: From May 19, 2021 to March 24, 2022)	Up to 45,000,000	Up to 30,000,000
Treasury shares acquired before the fiscal year ended March 31, 2022	–	–
Treasury shares acquired during the fiscal year ended March 31, 2022	45,000,000	29,285,583
Total number and total value of remaining shares under resolution	–	714,416
Ratio of exercisable shares as of March 31, 2022 (%)	–	2.38
Treasury shares acquired during the period from April 1, 2022 until the filing date of this Annual Securities Report	–	–
Ratio of exercisable shares as of the filing date of this Annual Securities Report (%)	–	2.38

Category	Number of shares (shares)	Total value (thousands of yen)
Resolution by the Board of Directors meeting (April 27, 2022) (Acquisition period: From May 18, 2022 to March 24, 2023)	Up to 33,000,000	Up to 25,000,000
Treasury shares acquired before the fiscal year ended March 31, 2022	–	–
Treasury shares acquired during the fiscal year ended March 31, 2022	–	–
Total number and total value of remaining shares under resolution	–	–
Ratio of exercisable shares as of March 31, 2022 (%)	–	–
Treasury shares acquired during the period from April 1, 2022 until the filing date of this Annual Securities Report	–	–
Ratio of exercisable shares as of the filing date of this Annual Securities Report (%)	100.00	100.00

### (3) Items not based on resolutions of the General Meeting of Shareholders or Board of Directors

Category	Number of shares (shares)	Total value (thousands of yen)
Treasury shares acquired during the fiscal year ended March 31, 2022	19,100	12,291
Treasury shares acquired during the period from April 1, 2022 until the filing date of this Annual Securities Report	756	490

(Note) The number of treasury shares acquired in the current period does not include the number of shares acquired through the repurchase of shares of less than one unit from June 1, 2022 through the date the annual securities report was submitted.

(4) Status of disposal and ownership of acquired treasury shares

Category	Fiscal year ended March 31, 2022		From April 1, 2022 until the filing date of this Annual Securities Report	
	Number of shares (shares)	Total disposal value (Thousands of yen)	Number of shares (shares)	Total disposal value (Thousands of yen)
Acquired treasury shares offered for subscription	–	–	–	–
Acquired treasury shares that were canceled	–	–	130,000,000	80,744,428
Acquired treasury shares transferred for merger, share exchange and company split	–	–	–	–
Other				
(Sales resulting from requests for sale of shares less than one unit)	250	154	–	–
(Exercise of share acquisition rights)	2,934,000	1,810,428	376,000	233,537
(Disposal of treasury shares associated with restricted stock compensation)	1,520,100	932,373	–	–
Treasury shares held	216,066,485	–	85,691,241	–

- (Notes) 1 Disposal of treasury shares during the period does not include sales resulting from requests for sale of shares of less than one unit or the number of shares disposed of through the exercise of share acquisition rights from June 1, 2022 through the date that the annual securities report is submitted.
- 2 Treasury shares owned during the period does not include the repurchase or sales of shares of less than one unit or the number of shares disposed of through the exercise of share acquisition rights from June 1, 2022 through the date that the annual securities report is submitted.

### 3 Dividend policy

Daiwa Securities Group Inc. strives to continuously enhance shareholder value, including profit distribution.

In principle, dividends are paid semiannually (interim and year-end dividends) at a payout ratio of 50% or more based on consolidated financial performance. However, after taking stability into account, when we can secure a sufficient amount of internal reserves required for future business development, we intend to increase returns to our shareholders, including share buybacks.

Furthermore, the Company's Articles of Incorporation establish the record date and that dividends of surplus shall be paid through a resolution by the Board of Directors.

The year-end dividend for the fiscal year ended March 31, 2022 was 16 yen per share. Based on a resolution by the Board of Directors on October 27, 2021, the Company paid the mid-term dividend of 17 yen per share in December 2021. Accordingly, the annual dividend is 33 yen per share.

(Note) Dividends of surplus for the record date belonging to the current fiscal year are as follows.

Date of resolution	Total amount of dividends (Millions of yen)	Dividend per share (Yen)
October 27, 2021 Resolution of Board of Directors	25,693	17
April 27, 2022 Resolution of Board of Directors	23,732	16

## 4 Explanation about corporate governance, etc.

### (1) Overview of corporate governance

#### (i) Basic views on corporate governance

The Company will respect the rights and interests of the shareholders, consider the position of all stakeholders and strive for sustainable growth and improvement of medium to long term corporate value through realization of our corporate principles “Building trust”, “Placing importance on personnel”, “Contributing to society” and “Maintaining healthy earnings results”. For that purpose, the Company practices group management based on a holding company structure, establishes a highly transparent and objective governance environment that conforms to international standards, realizes highly efficient oversight of Group companies and builds a unified group management system that elicits synergies among Group companies. To achieve that, the Company has established “Daiwa Securities Group Inc. Corporate Governance Guidelines” to define the basic framework and policies of the Daiwa Securities Group’s corporate governance.

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

- (a) Making swift and decisive decisions by having the Board of Directors assign wide-ranging authority to Corporate Executive Officers and clarifying the division of duties among Corporate Executive Officers.
- (b) 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.

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

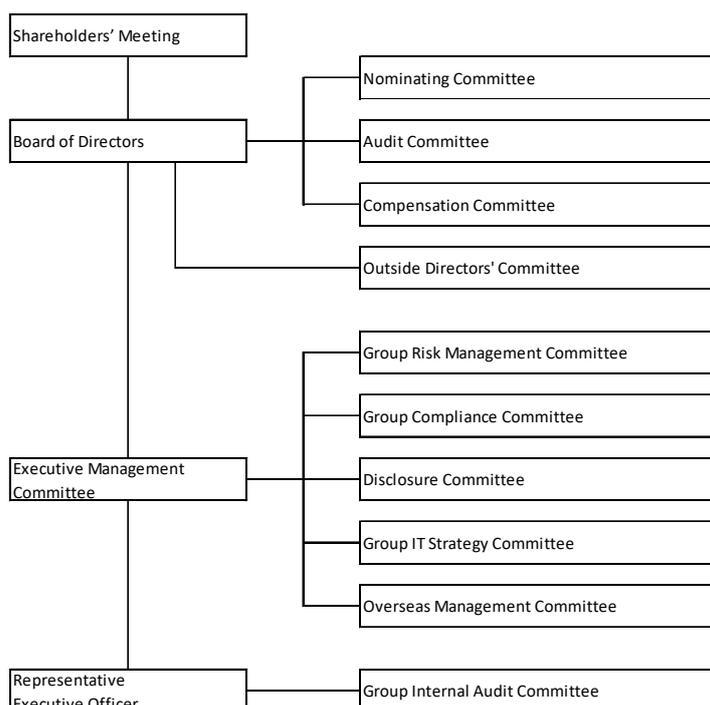
The Company believes that these approaches, together with a strengthened corporate governance system which emphasizes transparency, mobility and efficiency will lead to the sustainable improvement of the corporate value.

#### (ii) Organization of the Company

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

In order to have a variety of views in group management, the Company has assigned five females as its Director and Corporate Executive Officer (Shikkoyaku). The Group has also assigned 13 females as its Directors, Corporate Executive Officers (Shikkoyaku), Executive Officers (Shikkoyakuin).

<The Corporate Governance System of the Company>



1) Board of Directors

The Board of Directors, in which Chairperson of the Board served as a chair, is held once or more than once every three months. In FY2021, there were ten meetings in total. The Board of Directors consists of fourteen members, seven of whom are Outside Directors and four of whom are females. Furthermore, the Articles of Incorporation stipulate that there shall be up to 20 Directors.

The Board of Directors determine core management matters such as basic management policy, matters related to election and dismissal of Corporate Executive Officers (Shikkoyaku), division of duties, command system, etc., among Corporate Executive Officers (Shikkoyaku), internal control systems and risk management systems. In order to make management decisions promptly and to enhance efficient group management, the Board of Directors delegates decision-making powers to the Corporate Executive Officers (Shikkoyaku) as much as possible. In addition, by supervising the execution of duties of the Directors and the Corporate Executive Officers (Shikkoyaku), the Company aims to ensure the fairness and transparency of the Group management and to achieve sustainable growth and maximization of corporate value over the medium to long term based on the corporate philosophy.

i) Nominating Committee

The meetings of the Nominating Committee are held once or more a year. In FY2021, there were six meetings in total.

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

Composition of the Nominating Committee as of the filing date of this Annual Securities Report is as described below:

Chair	Michiaki Ogasawara Takashi Hibino Seiji Nakata	(Outside Director)
	Hiroataka Takeuchi	(Outside Director)
	Eriko Kawai	(Outside Director)
	Katsuyuki Nishikawa	(Outside Director)
	Toshio Iwamoto	(Outside Director)

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

The Nominating Committee examines the composition of the Board of Directors and the basic idea of candidates

for Director in consideration of corporate governance, selection of candidates for Director, the succession plan of the CEO, etc.

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

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

- Able to exert maximum effort to actualize the Daiwa Securities Group's Corporate Principles.
- Have a high sense of ethics and morals and take the initiative to set a good example.
- Have experience in the course of business or have expert knowledge in law, accounting, or management, etc.

Outside Directors must also fulfill the requirements for independence listed below, in addition to the requirements above:

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

< Composition of the Board of Directors >

Composition of the Board of Directors is described below:

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

## ii) Audit Committee

In principle, meetings of Audit Committee are held once a month. In FY2021, there were sixteen meetings in total. Audit Committee consists of seven Directors who do not serve as Corporate Executive Officers (Shikkoyaku). Five members, including the chair, are Outside Directors and other two members are full-time Internal Director. Ikuo Nishikawa, the chair of the Audit Committee, is a Certified Public Accountant and served as Chair of Accounting Standards Board of Japan, etc., and has considerable knowledge of finance and accounting. Katsuyuki Nishikawa, the member of the Audit Committee, served as the prosecutor general, etc. and is a qualified attorney at law, and has considerable knowledge of law.

Composition of the Audit Committee as of the filing date of this Annual Securities Report is as described below:

Chair	Ikuo Nishikawa	(Outside Director)
	Sachiko Hanaoka	
	Hiromasa Kawashima	
	Michiaki Ogasawara	(Outside Director)
	Eriko Kawai	(Outside Director)
	Katsuyuki Nishikawa	(Outside Director)
	Yumiko Murakami	(Outside Director)

The Audit Committee is in charge of auditing the execution of duties by the Directors and Corporate Executive Officers (Shikkoyaku), auditing business reports and financial statements, etc., preparing audit reports, and determining the content of proposals to be submitted at shareholders meetings regarding the election or dismissal and non-reappointment of the Accounting Auditor.

Audit Committee members attend meetings of the Board of Directors, and two Audit Committee members selected by Audit Committee attend the Executive Management Committee as well as other important meetings, browse important documents and have report hearings from Directors and employees to share the information with other Audit Committee members, in order for the Company to create an environment for the effective audit by the Audit Committee.

The Company has established Audit Committee's Office as a full-time post to support the duties of the Audit Committee.

iii) Compensation Committee

The meetings of the Compensation Committee are held once or more a year. In FY2021 there were four meetings in total.

Compensation Committee consists of four Outside Directors including a chair and two Internal Directors.

The specialized expertise of the Outside Directors is taken into consideration so that the Compensation Committee can plan, operate, and verify rational Remuneration system. Furthermore, Member of the Compensation Committee Hiroataka Takeuchi has considerable knowledge of management strategy and the remuneration system obtained through his career.

Composition of the Compensation Committee as of the filing date of this Annual Securities Report is as described below:

Chair	Hiroataka Takeuchi	(Outside Director)
	Takashi Hibino	
	Seiji Nakata	
	Ikuo Nishikawa	(Outside Director)
	Toshio Iwamoto	(Outside Director)
	Yumiko Murakami	(Outside Director)

The Compensation Committee discusses issues related to Director remuneration policy and decisions upon individual remuneration, as well as the incentive plan of the Group, to ensure the enhancement of consolidated earnings, etc.

iv) Outside Directors' Committee

The primary purpose of Outside Directors' Committee is sharing information among the Outside Directors and aims to exchange their opinions on the issues including the contents of the proposal of the Board of Directors.

The meetings of the Committee are held once or more a year. In FY2021 there were four meetings.

2) Executive Management Committee

The meetings of the Executive Management Committee are held once every three months or more. In FY2021 there were eighteen meetings. The Executive Management Committee consists of twelve Corporate Executive Officers (Shikkoyaku).

The Executive Management Committee deliberates and determines important business matters and the Group's business strategy and the basic policy on the structural problems between the Group companies.

In order to make the management decisions promptly, the Board of Directors delegated decision-making powers to the Executive Management Committee as much as possible. Furthermore, to have more expert deliberation, the Company established five subcommittees (Group Risk Management Committee, Group Compliance Committee, Disclosure Committee, Group IT Strategy Committee, and Overseas Management Committee) each of which consists of certain Corporate Executive Officers (Shikkoyaku), etc.

The Corporate Executive Officers (Shikkoyaku) of the Company hold main posts of Directors in Group companies to have unity among group management and enable efficient and effective implementation of the divisional strategies based on the Group's strategy.

i) Group Risk Management Committee

Group Risk Management Committee deals with the group risk management system and the status of the risk of the Group, deliberates and decides upon policy and concrete measures on risk management.

The Committee consists of nine Corporate Executive Officers (Shikkoyaku) and two Executive Officers (Shikkoyakuin). The CEO is the chair of the Committee; the meetings are held once or more than once every three months. In FY2021 there were nine meetings in total.

ii) Group Compliance Committee

Group Compliance Committee deliberates and decides general policies and specific measures on the compliance with the laws and regulations, establishment of corporate ethics, internal control, etc. of the Group.

The Committee consists of ten Corporate Executive Officers (Shikkoyaku) and two Executive Officers (Shikkoyakuin). The CEO is the chair of the Committee; The meetings of the Committee are held once every three months or more. In FY2021 there were five meetings in total.

iii) Disclosure Committee

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

The Committee consists of seven Corporate Executive Officers (Shikkoyaku), who are in charge of the sections which have close relations to the above decision making and who have jurisdiction over such section and one other member, a total of eight members. In principle, the chair of the Committee is CFO. In FY2021 there were fourteen meetings in total.

iv) Group IT Strategy Committee

Group IT Strategy Committee deliberates and decides to integrate management strategy and IT strategy, enhance speed of the decision-making related to IT investment and improve IT investment efficiency

The Committee consists of six Corporate Executive Officers (Shikkoyaku) and three Executive Officers (Shikkoyakuin), nine members in total. The CEO is the chair of the Committee; The meetings are in principle held once every six months. In FY2021 there were two meetings of the Group IT Strategy Committee in total.

v) Overseas Management Committee

The Overseas Management Committee deliberates and makes decisions on the management administration of overseas subsidiaries, etc. and other related matters.

The Committee consists of 11 Corporate Executive Officers (Shikkoyaku), 10 Executive Officers (Shikkoyakuin), and three Senior Managing Directors, 24 members in total. The CEO is the chair of the Committee; The meetings are held once or more than once every three months. In FY2021 there were five meetings of the Overseas Management Committee in total.

3) Group Internal Audit Committee

Group Internal Audit Committee deliberates and determines various matters of the business of the Group related to the development of the internal audit system and verification of internal controls to secure suitability and effectiveness of the Group's business operations, internal audit system and internal control.

The Committee consists of eleven Corporate Executive Officers (Shikkoyaku) and two Executive Officers (Shikkoyakuin). The CEO is the chair of the Committee; The meetings are held once or more than once every three months. In FY2021 there were five meetings of the Group Internal Audit Committee in total.

(iii) Status of establishment, etc. of internal control system

<Internal control system>

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

Based on the recognition that establishment of a sound and efficient internal audit system enhances the value of the Group, and having concluded that the internal audit plays an important role in such a system, the Company has positioned a full-time Internal Audit Corporate Executive Officer (Shikkoyaku) in charge, and has the Internal Audit Department, which is independent from other sections, verify the internal control system.

As a Group-wide system to promptly identify and correct acts that may damage the corporate value of the Group, including violations of laws and regulations, we have introduced the "Corporate Ethics Hotline" (whistleblowing system). In managing the system, we work to ensure the protection and anonymity of whistleblowers. Furthermore, to increase awareness of the system, we provide notifications through internal newsletters and the intranet and continuously implement surveys on the level of awareness and trust of our employees. Furthermore, we have worked to create an environment in which anyone can use the system without hesitation, including allowing whistleblowers to file reports not only with the in-house contact, but

also with external law firms.

In addition, we strive to clarify the measures for information gathering and the matters to be approved and reported from Group companies, by establishing the rules for management of Group companies and overseas offices, etc., for the purpose of proper management of business activities of Group companies in Japan and overseas.

(iv) Risk Appetite Framework

1) Risk Appetite Framework

Against the backdrop of the 2008 global financial crisis, international financial regulations were enhanced, and globally active financial institutions are required to ensure sufficient soundness to exercise their financial intermediary capabilities even in times of economic or market stress. The Group, for the purpose of strengthening of risk governance at the management level, has introduced a Risk Appetite Framework.

The “Risk Appetite Framework” is a management framework that defines the type and total amount of risk, which should be willingly accepted for achieving business strategy, as a risk appetite and uses it as a common language within the Company about the risk-taking policy in general. On risk appetite, the Company selects the risk appetite index from the viewpoint of liquidity, equity capital, etc., sets the level of risk to accept, and manages and monitors the risk appetite. The Group promotes the penetration of the risk appetite into the Group and the improvement of the standard of the business management systems and the risk management systems, and strives to foster the risk culture by documenting such framework as a risk appetite statement.

2) Risk Appetite Framework operating system

At the Group, the CEO, COO, CFO, CRO, and CDO cooperate to build the Risk Appetite Framework.

In the Risk Appetite Statement, the Board of Directors deliberates and makes decisions on such matters as the quantitative risk appetite index with regards to liquidity and equity.

Risk Appetite Framework-related audits of the Board of Directors and management business execution are conducted by the Audit Committee.

(v) Status of establishment of risk management system

1) Risk management of the Group

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, in order to conduct risk management of the entire Group in accordance with Risk Appetite Framework. Furthermore, in order to establish an effective risk governance system, the Group has created guidelines for Three Defensive Lines and a comprehensive structure for risk management. The Three Defensive Lines of Defense is an approach to clarify the functions, roles, and responsibilities in risk management and to ensure sound management. The First Defensive Line is front offices, where various operational risks are identified and managed autonomously. The Second Defensive Line is Group-wide risk management, which is conducted mainly by the risk management and compliance divisions. The internal audit division constitutes the Third Defensive Line by verifying and evaluating whether or not the other two lines of defense are functioning effectively.

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 risk management system and risk status of subsidiaries. Also, the Group Risk Management Committee as a sub-committee of the Executive Committee of the Company receives reports, collected and assembled by the CRO, 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.

2) Risks to be managed

<Market risk>

Market risk refers to the risk of incurring losses due to market fluctuations, which affect the value of stock prices, interest rates, foreign exchange rates, and commodity prices.

In terms of the Group’s trading business, by providing market liquidity the Group acquires compensation while at the same time taking on market risk through the holding of a certain amount of financial assets. The Group implements suitable hedges to curtail fluctuations in profits and losses. However, as hedges may fail to function effectively in times of stress, the Group sets limits on Value at Risk (VaR: Maximum expected loss under certain confidence level) and loss estimates under various types of stress test to ensure that they are within the scope of equity capital, after taking into consideration financial conditions and such factors as the business plans and budgets of subject departments. The Group

also sets limits on such facets as position and sensitivity. The departments in charge of the Group's trading services calculate positions and sensitivity for the purpose of assessing their own market risk, and monitor such. Meanwhile, risk management departments also monitor the status of market risk, confirm whether risk falls within the established limits, and report on such to management on a daily basis.

#### <Credit risk>

Credit risk refers to the risk of losses caused in cases where a counterparty of a trade or the issuer of a financial product held by the Group suffers a default, or credibility deteriorates. The credit risk of the Group's trading activities involves counterparty risk and issuer risk.

In regards to counterparty risk, the Group assigns an upper allowable credit amount for each counterparty group and monitors it on a regular basis. In addition, the Group measures total counterparty risk. The Group also monitors issuer credit risk for financial instruments held through market-making activities.

When the Group provides products and engages in asset management and investments, there exists a risk that its exposure to various products and transactions could be concentrated on specific counterparty groups. If the credit situation at such counterparty groups should worsen, large-scale losses could be generated. For this reason, the Group sets limits on its total exposure to individual counterparty groups and monitors this exposure regularly.

#### <Liquidity risk>

Liquidity risk refers to the risk of suffering losses due to cash management difficulties or having to finance at markedly higher costs than usual as a result of a change in market conditions or a deterioration of Group companies' finance. Regarding this item, please see "II. Overview of Business 3 Management analysis of financial position, operating results and cash flows (4) Analysis of cash flows for the current fiscal year (ii) Information about resources for capital and liquidity."

#### <Operational risk>

Operational risk is the risk of losses that occur when internal processes, people, and systems do not perform adequately or do not function; it can also arise from external events. The Group classifies operational risks into the categories of operations risk, systems risk, information security risk, compliance risk, legal risk, human resources risk, tangible assets risk, and monitors them by assigning departments responsible for individual risks

As the Group's business becomes more sophisticated, diversified, and systemized, the accompanying risks become more varied. As a result, the importance of managing operational risk has grown each year.

Major Group companies strive to appropriately manage operational risk by measures including risk control self-assessments (RCSAs), in accordance with rules on operational risk management set by the Company. Additionally, we have enacted the necessary policies including the tightening of authority, the machine automating of office functions to reduce human errors, and creating operational manuals, working to reduce operational risk in response to the business characteristics of each Group company.

#### <Model risk>

Model risk refers to the risk of direct and indirect losses resulting from errors in the development and implementation of models, or from their misuse.

In order to effectively manage model risk, the Group has clarified the roles and responsibilities of those involved in the models, and has established a system to manage models throughout their lifecycle. Specifically, the Group has model validation and approval processes before use or significant change, and conducts monitoring and regular checks to manage model risk.

#### <Investment risk>

Investment risk refers to the risk that the value of an investment made by the Group will be damaged, or that additional funding will be required, and to the risk that the return on investment will be lower than expected due to deterioration of the business performance and credit status of the investee, and to changes in the market environment. This risk is managed at the portfolio level and at the individual investment level.

In terms of portfolio level management, the Group has set Group-wide risk limits on a per industry basis in order to appropriately manage the investment concentration condition, and regularly monitors this situation. In terms of individual investment level management, along with verifying risk prior to making the investment based on a certain standard, the Group monitors the risk condition following investment on an ongoing basis.

<Reputational risk>

Reputational risk refers to the possibility of the Group sustaining unforeseen losses and the Group's counterparties being adversely affected due to a deterioration of its reliability, reputation, and assessment caused by the spread of rumors or erroneous information. There are no uniform procedures for managing reputational risk because it can emanate from a variety of sources.

The Group has established various regulations under its Disclosure Policy, with particular emphasis on the management and provision of information. It has also set up the Disclosure Committee within the Company.

Each Group company is obligated to report information that could turn into reputational risk to the Disclosure Committee. That way, the Company can obtain and centrally manage information, and it disseminates accurate information in a prompt manner according to the decisions of the Disclosure Committee.

The Group strives to keep abreast of problems and occurrences that may affect its reputation so that if and when such problems occur, their impact on the Group can be minimized. It also acts to ensure that erroneous and inaccurate information is properly corrected, and that it responds appropriately to libel and other issues. The Group has public relations and investor relations systems in place to prevent and minimize risks regarding its reputation.

<Accounting and tax risk>

Accounting and tax risk is the risk of not conducting appropriate accounting treatment and disclosure in accordance with accounting or taxation standards, laws, and regulations, or of not filing or paying taxes appropriately, as well as the risk of losses arising as a result.

The Group strives to reduce accounting risk by operating in accordance with fundamental regulations related to internal controls on financial reporting, and by establishing, putting into practice, and striving to improve its internal controls on financial reporting.

In addition, by notifying principal Group companies of necessary reporting items related to tax risk management and receiving such items in a timely manner, the Group endeavors to appropriately determine the tax risk management status and risk conditions for the entire Group, thereby reducing its tax risk.

(vi) Decision-making body of dividends of surplus

Based on Article 459 of the Companies Act, for each item stipulated in Paragraph 1. of the same article on dividends of surplus, excluding cases otherwise stipulated by laws and regulations, the Articles of Incorporation stipulate which items are stipulated by resolutions by the Board of Directors not requiring a resolution by the Shareholders' Meeting. The purpose of this provision is to give the Board of Directors the authority to decide matters relating to dividends of surplus to allow the flexible return of profits to shareholders.

(vii) Requirements for a resolution to elect Directors

As determined by the Articles of Incorporation, Directors are elected by majority vote at which shareholders holding one-third or more of voting rights of shareholders eligible to exercise the voting rights must be present.

In addition, according to the Articles of Incorporation, accumulative voting is not adopted for the election of Directors.

(viii) Requirements of special resolution of a General Meeting of Shareholders

As determined by the Article of Incorporation, to facilitate the smooth operation of the Shareholders' Meeting, special resolutions by the Shareholders' Meeting provided by Article 309, Paragraph 2 of the Companies Act must be passed with shareholders holding one-third or more of voting rights of shareholders eligible to exercise the voting rights present and two thirds of more of those voting rights voting in favor of the resolution.

(ix) Exemption from liability of Directors and Corporate Executive Officers

So that the expected roles of Directors and Corporate Executive Officers in the performance of their duties can be sufficiently exercised, according to Article 426, Paragraph 1 of the Companies Act, through a resolution by the Board of Directors, the responsibilities of Directors (including past Directors) and Corporate Executive Officers (including past Corporate Executive Officers) stipulated in Article 423, Paragraph 1 of the Companies Act may be exempted to the extent allowed by laws and regulations.

(x) Agreement to limit liability of Outside Directors

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.

(xi) Outline of Directors and Officers liability insurance agreement

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, with Directors and Senior Managing Directors of the Company and important Group companies as the insureds. This policy covers an insured's losses and such costs as court expenses incurred from claims for damages arising from an act (including nonfeasance) carried out by an insured. 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 an insured.

(xii) Class shares

At the Ordinary General Meeting of Shareholders held on June 26, 2014, based on trends in Japanese and overseas legal and regulatory reform, to respond to the newly created "Framework for the Orderly Disposal by Financial Institutions," the Company resolved to amend the Articles of Incorporation to allow the issuance of Class 1 Preferred Stock, Class 2 Preferred Stock, and Class 3 Preferred Stock, but as of the submission date of the Annual Securities Report, preferred stock has not yet been issued. Class 1 Preferred Stock, Class 2 Preferred Stock, and Class 3 Preferred Stock are prioritized over common stock in terms of dividends of surplus and distribution of residual assets, and excluding cases specifically provided for by laws and regulations, shareholders of these types of preferred stock do not have voting rights at the Shareholders' Meeting. However, where preferred dividends are not paid according to issuing conditions, voting rights are created until the payment of dividends reopens. Shareholders of Class 1 Preferred Stock and Class 2 Preferred Stock hold put options for which the consideration is common stock. During the put option period, the Company may acquire all Class 1 Preferred Stock and Class 2 Preferred Stock for which put options have not been called with common stock as the consideration. Furthermore, in certain cases, the Company stipulates that it can acquire Class 1 Preferred Stock and Class 3 Preferred Stock with cash as the consideration. Moreover, where certain conditions stipulated for each type of preferred stock occur, the Company stipulates that it can acquire all of the preferred stock in question either with common stock as the consideration or without contribution.

(xiii) Promotion of health management

The Group has established "Placing importance on personnel" as one of our corporate principles. Based on the belief that personnel are the source of our competitiveness, the Company is focused on increasing our productivity by improving the wellbeing (Note) of our employees in the future, aiming to continue to exercise high-level organizational performance, and promoting the maintenance and improvement of employee health (health management) strategically. Each year, the Group produces a "Health White Paper" that analyzes the health conditions of all our Group officers and employees, and at a Group-wide "Health Management Promotion Meeting" led by the CHO (Chief Health Officer, who is the officer in charge of Human Resources), which is attended by all officers and held quarterly, we create awareness about issues of health management, evaluate and share our initiatives, conduct health management PDCA. As a result of these initiatives, for eight consecutive years, the Company has been selected as a "Health & Productivity Stock Selection," which is a joint initiative by METI and the Tokyo Stock Exchange to encourage companies to strategically consider the health management of employees from a corporate management perspective.

(Note) Wellbeing: a positive physical, psychological, and social state of being.

(2) Status of the Company's officers

(i) List of officers

There are 16 male officers and five female officers (23.8% of the officers are women).

1) Status of Directors

Position	Name	Date of Birth	Brief personal history		Term	Number of shares held (thousand shares)
Chairperson of the Board	Takashi Hibino	September 27, 1955	Apr. 1979	Joined the Company	(Note) ii	368
			Apr. 2002	Head 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 Executive Office and Head of Human Resources Dept. of the Company		
			June 2004	Member of the Board, Executive Managing Director, Head of Corporate Planning, Human Resources and Legal, and Head of Human Resources Dept. of the Company		
			July 2004	Head of Corporate Planning, Human Resources and Legal of the Company		
			Apr. 2005	Head of Corporate Planning and Human Resources of the Company		
			Apr. 2007	Member of the Board, Senior Executive Managing Director of the Company		
			July 2008	Head of Corporate 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	Deputy President, Member of the Board and Deputy Head of Wholesale of the Company; and Representative Director and Deputy President, Member of the Board 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, Member of the Board of Daiwa Securities Co. Ltd.; and Representative Director and President, Member of the Board 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; and Representative Director and Chairperson of the Board of Daiwa Securities Co. Ltd.		
			Apr. 2020	Chairperson of the Board of Daiwa Securities Co. Ltd.		
			[Major concurrent positions]	Chairperson of the Board of Daiwa Securities Co. Ltd. Outside Director of Imperial Hotel, Ltd.		

Position	Name	Date of Birth	Brief personal history		Term	Number of shares held (thousand shares)
Directors	Seiji Nakata	July 16, 1960	Apr. 1983 Apr. 1999  Apr. 2005 Apr. 2006 Apr. 2007  Oct. 2008 Apr. 2009 June 2009  Apr. 2010  June 2010  Apr. 2011  Apr. 2012  Apr. 2015 Apr. 2016  June 2016  Apr. 2017  Apr. 2020 [Major concurrent positions]	<p>Joined the Company</p> <p>Transferred to Daiwa Securities SB Capital Markets Co., Ltd.</p> <p>Head of Product Strategy Dept. of Daiwa Securities SMBC Co. Ltd.</p> <p>Senior Managing Director and Head of Corporate Planning of the above company</p> <p>Corporate Executive Officer, Deputy Head of Corporate Planning and Human Resources, and Head of Corporate Planning Dept. of the Company</p> <p>Deputy Head of Corporate Planning and Human Resources of the Company</p> <p>Executive Managing Director of the Company</p> <p>Member of the Board and Executive Managing Director of the Company</p> <p>Member of the Board of the Company; and Member of the Board and Executive Managing Director of Daiwa Securities Capital Markets Co. Ltd.</p> <p>Member of the Board, Executive Managing Director, Senior Head of Corporate Sales, Corporate Institution Sales and Head of Corporate Division Planning of Daiwa Securities Capital Markets Co. Ltd.</p> <p>Senior Head of Corporate Institution Sales and Head of Corporate Sales and Corporate Presiding of the above company</p> <p>Member of the Board, Senior Executive Managing Director and Head of Corporate Institution of Daiwa Securities Co. Ltd.</p> <p>Senior Executive Managing Director and Deputy Head of Retail of the Company</p> <p>Deputy President, Representative Corporate Executive Officer, COO and Head of Retail of the Company; and Representative Director and Deputy President of Daiwa Securities Co. Ltd.</p> <p>Member of the Board, and Deputy President, Representative Corporate Executive Officer of the Company</p> <p>Member of the Board, President, Representative Corporate Executive Officer, CEO and Head of Retail of the Company; and Representative Director and President, Member of the Board of Daiwa Securities Co. Ltd.</p> <p>CEO of the Company</p> <p>Representative Director and President, Member of the Board of Daiwa Securities Co. Ltd.</p>	(Note) ii	304

Position	Name	Date of Birth	Brief personal history		Term	Number of shares held (thousand shares)
Directors	Toshihiro Matsui	April 27, 1962	Apr. 1985 Apr. 1999  Sept. 2007 Oct. 2008 Apr. 2009  Apr. 2010  Apr. 2011   Jan. 2012   Apr. 2012  Apr. 2014   Apr. 2016  June 2016  Apr. 2018   Apr. 2019  Apr. 2020 Apr. 2022 [Major concurrent positions]	<p>Joined the Company</p> <p>Transferred to Daiwa Securities SB Capital Markets Co., Ltd.</p> <p>Transferred to the Company</p> <p>Head of Corporate Planning Dept. of the Company</p> <p>Corporate Executive Officer, Head of Legal, Deputy Head of Corporate Planning and Head of Corporate Planning Dept. of the Company</p> <p>Deputy Head of Corporate Planning and Human Resources of the Company</p> <p>Executive Managing Director, Corporate Executive Officer, Head of Legal, Deputy Head of Corporate Planning and Human Resources of the Company; and Senior Managing Director of Daiwa Securities Co. Ltd.</p> <p>Executive Managing Director, Corporate Executive Officer, of the Company; Senior Managing Director of Daiwa Securities Co. Ltd.; and Senior Managing Director of Daiwa Securities Capital Markets Co. Ltd.</p> <p>Head of Corporate Planning and Legal and Deputy Head of Human Resources of the Company; and Executive Managing Director of Daiwa Securities Co. Ltd.</p> <p>Senior Executive Managing Director, Corporate Executive Officer and Head of Corporate Planning and Human Resources of the Company; and Senior Executive Managing Director, Member of the Board of Daiwa Securities Co. Ltd.</p> <p>Head of Corporate Planning and Deputy Head of Wholesale of the Company</p> <p>Member of the Board, Senior Executive Managing Director, Corporate Executive Officer of the Company</p> <p>Member of the Board, Deputy President, Representative Corporate Executive Officer, COO and Head of Corporate Planning and Wholesale of the Company; and Representative Director and Deputy President, Member of the Board of Daiwa Securities Co. Ltd.</p> <p>COO and Head of Wholesale of the Company</p> <p>COO of the Company</p> <p>COO and Head of Wholesale of the Company</p> <p>Representative Director and Deputy President, Member of the Board of Daiwa Securities Co. Ltd.</p>	(Note) ii	240

Position	Name	Date of Birth	Brief personal history		Term	Number of shares held (thousand shares)
Directors	Keiko Tashiro	August 5, 1963	Apr. 1986 Apr. 1999 July 1999 Sept. 2005 Apr. 2009 June 2009 Apr. 2011 Apr. 2012 Apr. 2013 Apr. 2014 June 2014 Apr. 2016 Apr. 2019 Apr. 2020 Apr. 2022 [Major concurrent positions]	<p>Joined the Company</p> <p>Transferred to Daiwa Securities SB Capital Markets Co., Ltd.</p> <p>Transferred to the Company</p> <p>Head of Daiwa Direct Planning Dept. of Daiwa Securities Co. Ltd.</p> <p>Senior Managing Director, Head of PTS and Daiwa Direct Business of the above company</p> <p>Head of Online Product and Daiwa Direct Business of the above company</p> <p>Senior Managing Director, Head of Fixed Income, Currency and Commodities of Daiwa Securities Capital Markets Co. Ltd.</p> <p>Senior Managing Director, Head of Fixed Income, Currency and Commodities of Daiwa Securities Co. Ltd.</p> <p>Executive Managing Director and Head of Americas of the Company; and Chairperson of the Board of Daiwa Capital Markets America Holdings Inc.</p> <p>Executive Managing Director, Corporate Executive Officer, Deputy Head of Overseas Operations and Head of Americas of the Company</p> <p>Member of the Board and Executive Managing Director, Corporate Executive Officer of the Company</p> <p>Member of the Board, Senior Executive Managing Director, Corporate Executive Officer and Head of Overseas Operations of the Company; and Senior Executive Managing Director, Member of the Board of Daiwa Securities Co. Ltd.</p> <p>Member of the Board, Deputy President, Corporate Executive Officer, and Head of Overseas Operations of the Company; and Representative Director and Deputy President, Member of the Board of Daiwa Securities Co. Ltd.</p> <p>Head of Overseas Operations and SDGs of the Company</p> <p>Executive Head of Overseas Operations, Head of SDGs and Think Tank of the Company</p> <p>Representative Director and Deputy President, Member of the Board of Daiwa Securities Co. Ltd.</p> <p>Member of the Board of Daiwa Institute of Research Ltd.</p>	(Note) ii	133

Position	Name	Date of Birth	Brief personal history		Term	Number of shares held (thousand shares)
Directors	Akihiko Ogino	January 28, 1966	Apr. 1989 Apr. 2010 Apr. 2014  Apr. 2015 Apr. 2016 Apr. 2017  Apr. 2019  June 2020  Apr. 2022  [Major concurrent positions]	Joined the Company Head of Corporate Planning Dept. of the Company Senior Managing Director, Head of Legal and Deputy Head of Corporate Planning of the Company; and Senior Managing Director of Daiwa Securities Co. Ltd. Head of Legal and Deputy Head of Corporate Planning and Overseas Operations of the Company Head of Legal and Deputy Head of Corporate Planning of the Company Executive Managing Director, Corporate Executive Officer of the Company; and Executive Managing Director of Daiwa Securities Co. Ltd. Senior Executive Managing Director, Corporate Executive Officer and Head of Corporate Planning and Legal, and Executive Head of Human Resources of the Company; and Member of the Board, Senior Executive Managing Director, Corporate Executive Officer of Daiwa Securities Co. Ltd. Member of the Board, Senior Executive Managing Director, Corporate Executive Officer of the Company Member of the Board, Deputy President, Corporate Executive Officer, Executive Head of Corporate Planning and Human Resources of the Company; and Representative Director and Deputy President, Member of the Board of Daiwa Securities Co. Ltd. Representative Director and Deputy President, Member of the Board of Daiwa Securities Co. Ltd. Representative Director of DG Daiwa Ventures	(Note) ii	165



Position	Name	Date of Birth	Brief personal history		Term	Number of shares held (thousand shares)
Directors	Michiaki Ogasawara	January 29, 1954	Apr. 1976 Jan. 2003  Jan. 2004 Feb. 2005 Aug. 2005  July 2006  July 2007  July 2008  Jan. 2010 Sept. 2012 Oct. 2013 June 2015 [Major concurrent positions]	Entered Ministry of Posts and Telecommunications Director-General of Tohoku Bureau of Telecommunication, Ministry of Internal Affairs and Communications Director-General of Kanto Bureau of Telecommunication, the above Ministry Deputy Director-General of the above Ministry Director-General of Local Public Service Personnel Dept., Local Administration Bureau, the above Ministry Director-General of Civil Protection and Disaster Management Dept., Fire and Disaster Management Agency, the above Ministry Director-General of the Information and Communications Policy, the above Ministry Director-General of the Global ICT Strategy Bureau, the above Ministry Assistant Vice-Minister of the above Ministry Vice-Minister of the above Ministry Advisor of Daiwa Institute of Research Ltd. Member of the Board of the Company Advisor of Sumitomo Corporation Director of Tsushinbunka Association Advisor of Fujitsu Future Studies Center Ltd. Outside Director of Koei Tecmo Holdings Co., Ltd. President of Yu-cho Foundation	(Note) ii	20
Directors	Hiroataka Takeuchi	October 16, 1946	Sept. 1976 Dec. 1977 Apr. 1983  Apr. 1987  Apr. 1998  Apr. 2010 July 2010 June 2016 [Major concurrent positions]	Lecturer of Harvard Business School Assistant Professor of Harvard Business School Assistant Professor of Hitotsubashi University, Faculty of Commerce and Management Professor of Hitotsubashi University, Faculty of Commerce and Management Dean of Hitotsubashi University, the Graduate School of International Corporate Strategy Professor Emeritus of Hitotsubashi University Professor of the Harvard Business School Member of the Board of the Company Professor of the Harvard Business School Outside Director of Integral Corporation 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 Trustee of International Christian University Senior Advisor of P&E Directions, Inc.	(Note) ii	22

Position	Name	Date of Birth	Brief personal history		Term	Number of shares held (thousand shares)
Directors	Ikuo Nishikawa	July 1, 1951	Sept. 1990 Jan. 1993 July 1995 Aug. 2001 Apr. 2007 Apr. 2012 June 2016 Apr. 2017 [Major concurrent positions]	Representative Partner of Century Audit Corporation (currently known as Ernst & Young ShinNihon LLC) Representative of JICPA in International Accounting Standards Committee Executive Director of the Japanese Institute of Certified Public Accountants Deputy Chair of Accounting Standards Board of Japan Chair of Accounting Standards Board of Japan Professor of Keio University, Faculty of Business & Commerce Member of the Board of the Company Guest Professor of Graduate School of Keio University, Faculty of Business & Commerce 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.	(Note) ii	12
Directors	Eriko Kawai	April 28, 1958	Oct. 1981 Sept. 1985 Oct. 1986 Nov. 1995 July 1998 Oct. 2004 Mar. 2008 Apr. 2012 Apr. 2013 Apr. 2014 June 2018 Apr. 2021 [Major concurrent positions]	Joined Nomura Research Institute, Ltd Management Consultant at McKinsey & Company, Inc. Fund Manager of Mercury Asset Management / SG Warburg plc CIO of Yamaichi Regent ABC Polska, Head of Investment Pension Funds Administrator of Bank for International Settlements (BIS) Senior Pension Funds Administrator of Organization for Economic Cooperation and Development (OECD) Representative of Kawai Global Intelligence Professor of Institute for the Promotion of Excellence in Higher Education, Kyoto University Professor of Institute for Liberal Arts and Sciences, Kyoto University Professor of Graduate School of Advanced Integrated Studies in Human Survivability, Kyoto University Member of the Board of the Company Emeritus Professor of Kyoto University Specially Appointed Professor of Graduate School of Advanced Integrated Studies in Human Survivability, Social Innovation Center, Kyoto University Outside Director of CMIC HOLDINGS Co., Ltd. Outside Audit & Supervisory Board Member of Yamaha Motor Co., Ltd. Senior Advisor of International Management Forum Co., Ltd. Outside Director of Mitsui Fudosan Co., Ltd.	(Note) ii	10

Position	Name	Date of Birth	Brief personal history		Term	Number of shares held (thousand shares)
Directors	Katsuyuki Nishikawa	February 20, 1954	Apr. 1979 Jan. 2008 July 2008 July 2009 Aug. 2011 Jan. 2014 Dec. 2015 Sept. 2016 July 2018 Sept. 2018 June 2019 [Major concurrent positions]	Prosecutor of Osaka District Public Prosecutors Office Director-General of the Rehabilitation Bureau of the Ministry of Justice Director-General of the Immigration Bureau of the Ministry of Justice Director-General of the Criminal Affairs Bureau of the Ministry of Justice Vice-Minister of the Ministry of Justice Superintending Prosecutor of the Sapporo High Public Prosecutors Office Superintending Prosecutor of the Tokyo High Public Prosecutors Office Prosecutor General Retired as Prosecutor General Attorney at law Member of the Board of the Company Attorney at Nishikawa Katsuyuki Law Office Outside Audit & Supervisory Board Member of Aeon Hokkaido Corporation	(Note) ii	3
Directors	Toshio Iwamoto	January 5, 1953	Apr. 1976 June 2004 June 2005 June 2007 June 2009 June 2012 June 2018 June 2020 [Major concurrent positions]	Joined Nippon Telegraph and Telephone Public Corporation Member of the Board of NTT DATA Corporation Senior Managing Director of the above company Member of the Board and Executive Managing Director of the above company Representative Director and Deputy President of the above company Representative Director and President of the above company Advisor of the above company (current position) Member of the Board of the Company Advisor of NTT DATA Corporation Outside Audit & Supervisory Board Member of IHI Corporation Outside Director of East Japan Railway Company	(Note) ii	3
Directors	Yumiko Murakami	February 6, 1965	Aug. 1989 Jan. 1991 Sept. 1991 Aug. 1994 May 1997 Apr. 2008 Sept. 2009 Sept. 2013 June 2021 [Major concurrent positions]	United Nations Development Programme (Barbados) United Nations Secretariat (New York) United Nations Transitional Authority in Cambodia (Phnom Penh) Vice President of Goldman Sachs International (London) Managing Director of Goldman Sachs and Co. (New York) Managing Director of Goldman Sachs Japan Co., Ltd. (Tokyo) Managing Director of Credit Suisse Securities (Japan) Limited (Tokyo) Head of Organization for Economic Cooperation and Development (OECD) Tokyo Centre Member of the Board of the Company General Partner of MPower KK Outside Director of Raksul Inc.	(Note) ii	1
Total						1,418

(Notes) (i) Michiaki Ogasawara, Hirotaka Takeuchi, Ikuo Nishikawa, Eriko Kawai, Katsuyuki Nishikawa, Toshio Iwamoto and Yumiko Murakami are “Outside Directors.”

(ii) The term of these Directors is from the end of the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2022 through the end of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2023.

(iii) The Company is a company with Three Committees. The committee structure is as follows.

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

2) Status of Corporate Executive Officers

Position	Name	Date of Birth	Brief personal history		Term	Number of shares held (Thousands of shares)
President, Representative Corporate Executive Officer and Chief Executive Officer (CEO)	Seiji Nakata	July 16, 1960	Refer to 1) Status of Directors		(Note) i	304
Deputy President, Representative Corporate Executive Officer, COO and Head of Wholesale	Toshihiro Matsui	April 27, 1962	Refer to 1) Status of Directors		(Note) i	240
Deputy President, Corporate Executive Officer, Executive Head of Overseas Operations, Head of SDGs and Think Tank	Keiko Tashiro	August 5, 1963	Refer to 1) Status of Directors		(Note) i	133
Deputy President, Corporate Executive Officer, Executive Head of Corporate Planning and Human Resources	Akihiko Ogino	January 28, 1966	Refer to 1) Status of Directors		(Note) i	165
Deputy President, Corporate Executive Officer, Head of Retail	Shinsuke Niizuma	September 19, 1965	Apr. 1988 Oct. 1999 May 2014 Apr. 2015  Apr. 2016  Apr. 2018  Apr. 2019  Apr. 2020 Apr. 2022  [Major concurrent positions]	Joined the Company Transferred to Daiwa Securities Co. Ltd. Head of Nagoya Branch of the above company Senior Managing Director and Head of Regional Marketing, and Head of Nagoya Branch of the above company Head of Retail Marketing Strategy of the above company Executive Managing Director, Chief Customer Officer (CCO) and Head of Retail Marketing Strategy of the above company Senior Executive Managing Director and Deputy Head of Retail of the Company; and Senior Executive Managing Director, Member of the Board of Daiwa Securities Co. Ltd. Head of Retail of the Company Deputy President, Corporate Executive Officer and Head of Retail of the Company; and Representative Director and Deputy President, Member of the Board of Daiwa Securities Co. Ltd. Representative Director and Deputy President, Member of the Board of Daiwa Securities Co. Ltd.	(Note) i	119

Position	Name	Date of Birth	Brief personal history		Term	Number of shares held (Thousands of shares)
Senior Executive Managing Director, Corporate Executive Officer, Head of Compliance	Atsushi Mochizuki	June 11, 1965	Apr. 1988 Dec. 1999 Oct. 2011  Apr. 2013  Apr. 2016  Apr. 2019 Apr. 2020  [Major concurrent positions]	Joined the Company Transferred to Daiwa Securities Co. Ltd. Head of Yokohama Branch of the above company Senior Managing Director and Deputy Head of Human Resources of the Company; and Senior Managing Director of Daiwa Securities Co. Ltd. Executive Managing Director, Corporate Executive Officer and Head of Human Resources of the Company; and Executive Managing Director of Daiwa Securities Co. Ltd. Executive Managing Director, Member of the Board of Daiwa Securities Co. Ltd. Senior Executive Managing Director, Corporate Executive Officer and Head of Compliance of the Company; and Senior Executive Managing Director, Member of the Board of Daiwa Securities Co. Ltd. Senior Executive Managing Director, Member of the Board of Daiwa Securities Co. Ltd.	(Note) i	100
Senior Executive Managing Director, Corporate Executive Officer, Chief Risk Management Officer (CRO) and Chief Data Officer (CDO)	Junichi Arihara	May 7, 1964	Apr. 1987 Oct. 2008  Apr. 2012 Apr. 2013  Apr. 2014  Oct. 2017 Apr. 2018  Apr. 2019 Apr. 2022  [Major concurrent positions]	Joined the Company Transferred to Daiwa Securities SMBC Co. Ltd. Transferred to Daiwa Securities Co. Ltd. President and COO of Daiwa Capital Markets Europe Limited, Head of Frankfurt Branch and Head of Paris Representative Office of Daiwa Capital Markets Europe Limited of the above company Senior Managing Director and Head of Europe & Middle East of the Company; and Chairperson of Daiwa Capital Markets Europe Limited Head of Group Risk Management of the Company; and Senior Managing Director of Daiwa Securities Co. Ltd. Executive Managing Director, Corporate Executive Officer, Chief Risk Management Officer (CRO) and Chief Data Officer (CDO) of the Company; and Executive Managing Director of Daiwa Securities Co. Ltd. Executive Managing Director, Member of the Board of Daiwa Securities Co. Ltd. Senior Executive Managing Director, Corporate Executive Officer of the Company; and Senior Executive Managing Director, Member of the Board of Daiwa Securities Co. Ltd. Senior Executive Managing Director, Member of the Board of Daiwa Securities Co. Ltd.	(Note) i	144

Position	Name	Date of Birth	Brief personal history		Term	Number of shares held (Thousands of shares)
Senior Executive Managing Director, Corporate Executive Officer, Chief Information Officer (CIO)	Tomoyuki Murase	September 29, 1963	Apr. 1987 Apr. 1999  Oct. 2011 Dec. 2013  Apr. 2015  Apr. 2016  Apr. 2019  Apr. 2020  Apr. 2022  [Major concurrent positions]	Joined the Company Transferred to Daiwa Securities SB Capital Markets Co., Ltd. Transferred to Daiwa Institute of Research Ltd. Head of System Integration Division II of Daiwa Institute of Research Business Innovation Ltd. Senior Managing Director and Deputy Head of Operations & IT of the Company; and Senior Managing Director of Daiwa Securities Co. Ltd. Senior Managing Director and Head of Operations & IT of the Company; and Senior Managing Director of Daiwa Securities Co. Ltd. Executive Managing Director of the Company; and Executive Managing Director of Daiwa Securities Co. Ltd. Executive Managing Director, Corporate Executive Officer and Chief Information Officer (CIO) of the Company; and Executive Managing Director, Member of the Board of Daiwa Securities Co. Ltd. Senior Executive Managing Director, Corporate Executive Officer of the Company; and Senior Executive Managing Director, Member of the Board of Daiwa Securities Co. Ltd. Senior Executive Managing Director, Member of the Board of Daiwa Securities Co. Ltd.	(Note) i	86
Executive Managing Director, Corporate Executive Officer, Head of Human Resources and Chief Health Officer (CHO)	Kana Shirakawa	July 2, 1966	Apr. 1989 Apr. 1999  Oct. 2010 Apr. 2013 Apr. 2015  Apr. 2016  Dec. 2016  Apr. 2017  Apr. 2019  Apr. 2020  [Major concurrent positions]	Joined the Company Transferred to Daiwa Securities SB Capital Markets Co., Ltd. Transferred to Daiwa Securities Group Inc. Head of Corporate Communication Dept. Senior Managing Director, Deputy Head of Corporate Communication and Head of Corporate Communication of the Company; and Senior Managing Director of Daiwa Securities Co. Ltd. Senior Managing Director, Head of Daiwa Direct Business and Deputy Head of Sales Planning of Daiwa Securities Co. Ltd. Head of Daiwa Direct Business, Deputy Head of Sales Planning and Head of Daiwa Direct Planning Dept. of the above company Head of Daiwa Direct Business and Deputy Head of Retail Marketing Strategy of the above company Executive Managing Director, Corporate Executive Officer, Head of Human Resources and Chief Health Officer (CHO) of the Company; and Executive Managing Director of Daiwa Securities Co. Ltd. Executive Managing Director, Member of the Board of Daiwa Securities Co. Ltd. Executive Managing Director, Member of the Board of Daiwa Securities Co. Ltd.	(Note) i	120

Position	Name	Date of Birth	Brief personal history		Term	Number of shares held (Thousands of shares)
Executive Managing Director, Corporate Executive Officer, Head of Internal Audit	Shiko Yanagisawa	December 11, 1964	Apr. 1987 Apr. 1999 Apr. 2012 Apr. 2015 Oct. 2015 Apr. 2017 Oct. 2017 Apr. 2019 Nov. 2019 Apr. 2021 Apr. 2022 [Major concurrent positions]	Joined the Company Transferred to Daiwa Securities SB Capital Markets Co., Ltd. President of Daiwa Capital Markets Singapore Limited Senior Managing Director and Deputy Head of Asia & Oceania of the Company President of Daiwa Capital Markets Hong Kong Limited Senior Managing Director and Deputy Head of Europe & Middle East of the Company Head of Europe & Middle East of the Company; and Chairperson of Daiwa Capital Markets Europe Limited Executive Managing Director of the Company Director of Daiwa Capital Markets Europe Limited Deputy Head of Internal Audit of the Company; and Executive Managing Director, Member of the Board of Daiwa Securities Co. Ltd. Executive Managing Director, Corporate Executive Officer and Head of Internal Audit of the Company Executive Managing Director, Member of the Board of Daiwa Securities Co. Ltd.	(Note) i	77
Executive Managing Director, Corporate Executive Officer, Chief Financial Officer (CFO), Head of Planning and Deputy Head of Overseas	Eiji Sato	February 14, 1969	Apr. 1991 Oct. 2005 Oct. 2014 Apr. 2017 Apr. 2019 Apr. 2020 Apr. 2022 [Major concurrent positions]	Joined the Company Transferred to Daiwa Securities SMBC Co. Ltd. Head of Corporate Planning Dept. of the Company Senior Managing Director, Deputy Head of Corporate Planning and Head of Corporate Planning Dept. of the Company; and Senior Managing Director of Daiwa Securities Co. Ltd. Corporate Executive Officer, Chief Financial Officer (CFO) and Deputy Head of Corporate Planning and Overseas Operations Executive Managing Director, Corporate Executive Officer of the Company; and Executive Managing Director of Daiwa Securities Co. Ltd. Chief Financial Officer (CFO), Head of Corporate Planning and Deputy Head of Overseas of the Company Executive Managing Director, Member of the Board of Daiwa Securities Co. Ltd.	(Note) i	88
Corporate Executive Officers	Takashi Hibino	September 27, 1955	Refer to 1) Status of Directors		(Note) i	368
Total (Note) ii						735

(Notes) (i) The term of these Corporate Executive Officers is from the end of the first Board of Directors Meeting held after the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2022 through the end of the first Board of Directors Meeting held after the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2023.

(ii) The total number of shares owned includes the number of shares held by Corporate Executive Officers concurrently serving as Directors.

(ii) Status of Outside Directors

The Outside Directors being appointed are Michiaki Ogasawara, who has served as a Vice-Minister of Ministry of Internal Affairs and Communications, Hirotaka Takeuchi, a Professor of the Harvard Business School, Ikuo Nishikawa, Guest Professor of Graduate School of Keio University, Faculty of Business & Commerce, Eriko Kawai, Emeritus Professor of Kyoto University, attorney Katsuyuki Nishikawa, Toshio Iwamoto, Advisor of NTT Data Corporation, and Yumiko Murakami, who has served as the head of the OECD Tokyo Centre. The number of shares owned is provided in “4. Explanation about corporate governance, etc. (2) Status of the Company’s officers (i) List of officers.”

There are no personnel-related, capital-related, or other transaction-related concerns between the Company and its Outside Directors in the performance of their duties as Directors that would create serious conflicts of interest or damage their independence.

Because the Outside Directors do not come from the Company or any entity that has a special relationship with the Company, and because there are no matters that would create a serious conflict of interest in the performance of their duties as Outside Directors, the Company considers they are highly independent and has registered each Outside Director as an Independent Officer with both the Tokyo Stock Exchange and the Nagoya Stock Exchange. Furthermore, because each of the Outside Directors possesses the specialized knowledge and experience related to law, management, or accounting, the Company believes that they are suitable as Outside Directors. Furthermore, the Company’s policy for the selection of Outside Directors is provided in “4 Explanation about corporate governance, etc. (1) Overview of corporate governance (ii) Organization of the Company 1) Board of Directors 1) Nominating Committee.”

Outside Directors oversee the execution of duties of Corporate Executive Officers acting as Directors who are constituent members of the Board of Directors from an independent, neutral standpoint and provide opinions and decisions as committee members of the Nominating Committee, Audit Committee, and Compensation Committee. During this process, it is expected that the Outside Directors provide recommendations to management based on their knowledge and experience.

Furthermore, when Directors of the Company are appointed as officers of other companies, the Company will evaluate the possibility of competitive transactions and take other appropriate measures including approval by the Board of Directors.

(iii) Mutual collaboration of oversight performed by Outside Directors with internal audit, the Audit Committee audit and accounting audit, as well as relationship with the internal control department

The Company’s Audit Committee is made up of five of the seven Outside Directors and two Internal Directors. Members of the Audit Committee selected by the Audit Committee may attend meetings of the Group Internal Audit Committee that creates the internal auditing framework for the Group’s operations and deliberates and decides on matters relating to the evaluation of internal control, may request explanations and provide opinions, and may attend meetings of the Executive Management Committee and its subcommittees. The Selected Members of the Audit Committee hear reports from officers and employees at these meetings and provide information to other Members of the Audit Committee, working to create an environment for effective auditing by the Audit Committee. In addition, the Audit Committee periodically receives reports from Accounting Auditor as to the status of accounting audit.

(3) Status of audit

(i) Status of Audit Committee audit

a. Organization, personnel, and procedures of the Audit Committee audit

The Company has adopted Three Committees System as its organization and established an Audit Committee. Audit Committee consists of five Outside Directors and two Internal Directors. Among Outside Directors, Ikuo Nishikawa is a Certified Public Accountant and served as Chair of Accounting Standards Board of Japan, etc., and has considerable knowledge of finance and accounting. Katsuyuki Nishikawa served as the prosecutor general, etc. and is a qualified attorney at law, and has considerable knowledge of law. Furthermore, full-time internal Directors Sachiko Hanaoka and Hiromasa Kawashima are designated as Audit Committee Members selected by the Audit Committee (hereinafter, "Selected Audit Committee Members").

The duties of the Audit Committee include auditing the execution of duties of Directors and Corporate Executive Officers, auditing documents including business reports, financial statements, etc., and preparing audit reports. The Audit Committee, in compliance with audit standards of Audit Committee established by the Audit Committee and in accordance with the policy of audit, division of duties and the like, conducts audits in cooperation with the internal audit division and Accounting Auditors.

Audit Committee members attend meetings of the Board of Directors, and Selected Audit Committee members attend the Executive Management Committee as well as other important meetings, browse important documents and have report hearings from Directors and employees to share the information with other Audit Committee members, in order for the Company to create an environment for the effective audit by the Audit Committee.

The Company established the Audit Committee Office as a full-time post to support the duties of Audit Committee. Personnel decision for those working in the Audit Committee Office (personnel rotations, evaluation, etc.) and organizational changes, etc. require the prior agreement of the Audit Committee or the Selected Audit Committee Members to ensure the independence of the Audit Committee Office from Corporate Executive Officers.

b. Status of the activities of the Audit Committee in the current fiscal year

As its audit policy for fiscal year 2021, following the stipulations of the Companies Act, other laws and regulations, the Articles of Incorporation, and internal regulations, etc., the Audit Committee conducted audits centered on verification of the status of the creation and operation of internal control at the Company and Group. Through this process, the Audit Committee acts as one branch of corporate governance, contributes to the maximization of corporate value to fulfill the mandate from the Company's shareholders, and contributes to the execution of the Company's social mission.

In principle, meetings of Audit Committee are held once a month. In FY2021, there were sixteen meetings in total. The attendance rate of individual Audit Committee Members is as follows.

Name	Number of meetings held	Number of times of attendance	Description
Ikuo Nishikawa	16	16	
Sachiko Hanaoka	16	16	
Hiromasa Kawashima	16	16	
Michiaki Ogasawara	16	16	
Eriko Kawai	16	16	
Katsuyuki Nishikawa	16	16	
Yumiko Murakami	12	12	Yumiko Murakami was appointed in June 2021.

Audit Committee Meetings in fiscal year 2021 required an average of two hours and 14 minutes per meeting.

The Audit Committee conducted audits with three key themes in fiscal year 2021: 1) initiatives aimed at pursuing customers' best interests, 2) progress and management of the hybrid strategy, and 3) internal control of domestic and overseas Group companies. In auditing key themes, in addition to hearing reports from employees and officers of the Company and domestic and overseas subsidiaries, the Audit Committee Members inspected facilities in which subsidiaries invest.

In addition to conducting audits of each fiscal year's key themes, according to the annual audit plan, the Audit Committee holds regular meetings with the Chairperson of the Board, Representative Corporate Executive Officer, President, and CFO (once yearly) and with the Accounting Auditors (three times yearly). Furthermore, in addition to the above, the full-time Selected Audit Committee Members hold regular meetings with the Chairperson of the Board and Representative

Corporate Executive Officer, President (twice yearly) and with the Accounting Auditors (three times yearly). The Selected Audit Committee Members also hold annual meetings with all officers at the Corporate Executive Officer level and above (14 officers) and with the Directors and Senior Managing Directors of Daiwa Securities (28 officers) to confirm issues and the state of operational executive in each division.

c. Mutual collaboration of the Audit Committee audit, with the internal audit, and the accounting audit

The Audit Committee receives regular reports on the state of internal auditing at the Group from the Company's Internal Audit Department, and the Selected Audit Committee Members attend the Group's internal audit meetings and provide opinions as necessary. Audit Committee is also able to delegate investigative duties to the Internal Audit Department as necessary.

The Audit Committee holds regular meetings with the Accounting Auditors, receives reports on audit plans and the state and results of audits from the Accounting Auditors, and exchanges opinions with the Accounting Auditors on Key Audit Matters ("KAM"). The Audit Committee evaluates Accounting Auditor's independence and quality control system. Furthermore, the Selected Audit Committee Members have been conducting hearings with Accounting Auditors as necessary.

The Audit Committee receives regular reports from the Compliance Control Department, Compliance Department, Finance Department, and Risk Management Department responsible for internal control functions. The Selected Audit Committee Members attend Executive Management Committee Meetings, Group Risk Management Meetings, and Group Compliance Meetings, etc., collecting broad-based information and auditing the state of the execution of duties of the Directors and Corporate Executive Officers.

(ii) Status of internal audits

The Group has established offices of full-time internal audit staff made up of approximately 100 personnel in total, which work at the Company and the major subsidiaries in Japan and overseas and under the leadership of the Company's Internal Audit Department, strive to improve corporate value through effective internal auditing.

Focus items in the internal audits of the Group's business include the state of internal control at Daiwa Securities and overseas locations as a global financial instruments business operator, the state of business at Group companies, and the state of control from the Company.

Coordination with the internal audit divisions of Group companies is carried out through regular meetings, monitoring, and audit activities.

Internal audit plans are also subject to approval by and results of the audits are presented to the Group Internal Audit Committee. Furthermore, internal audit plans shall be consented by the Audit Committee or the Selected Audit Committee Members, and the results of the audits are also reported to the Audit Committee.

The Company's Internal Audit Department is in close liaison with the Audit Committee and Accounting Auditors and make adjustments with them in order to carry out auditing efficiently. As mentioned above, it may also be delegated investigative duties from the Audit Committee.

(iii) Status of accounting audit

a. Name of audit corporation

KPMG AZSA LLC

b. Continuous auditing period

48 years

c. Certified Public Accountants involved in auditing

Kanako Ogura

Tomomi Mase

Koji Fukai

d. Composition of assistants in auditing activities

Assistants for the accounting audit work conducted at the Company include eighteen Certified Public Accountants, thirteen persons who have passed an accountant examination, etc., and other twenty-six persons.

e. Policy and reason for selecting audit corporation

The same Audit Corporation serves as both the Company’s Certified Public Accountant and its Accounting Auditor. The Audit Committee has confirmed Accounting Auditor KPMG AZSA LLC’s independence and quality management system through the “Accounting Auditor Evaluation Standards” provided in “f. Evaluation of the auditing corporation by the Audit Committee.” Referencing the results of that evaluation, based on the policies for determination of discharge or refusal of reappointment, at the Audit Committee Meeting held on May 12, 2022, the Audit Committee deemed that it was valid not to submit a proposal at the Shareholders’ Meeting on not reappointing KPMG AZSA LLC as the Accounting Auditor, and adopted a resolution to that effect.

Furthermore, the policies for determination of discharge or refusal of reappointment are as follows.

<Policies for determination of discharge or refusal of reappointment>

i) Discharge in the cases stipulated in law

The Audit Committee shall discharge Accounting Auditor with the consent of all members of the committee, in the case where the Accounting 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 Accounting 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 Accounting Auditor is questionable or deems it reasonable to retain another Accounting Auditor from the viewpoint of efficacy, etc., the Audit Committee will determine the content of the proposal regarding the discharge or refusal of reappointment of the accounting auditor to be submitted to the Shareholders’ Meeting.

f. Evaluation of the audit corporation by the Audit Committee

The Audit Committee has prepared “Accounting Auditor Evaluation Standards” and evaluates the Audit Corporation using these standards. That evaluation is conducted in principle twice yearly. The evaluation standards include the four fields of “1. General Competency,” “2. Independence and Professional Ethics,” “3. Audit Quality and Quality Management,” and “4. Effectiveness and Validity of Audit Implementation,” and a total of 44 evaluation items and is reviewed as necessary. At Audit Committee Meetings held on November 30, 2021 and May 12, 2022, the evaluation of the Accounting Auditor was conducted, resulting in no issues in any of the evaluation items.

(iv) Details of audit fees, etc.

a. Details of fees to Certified Public Accountants, etc. for audits

(Millions of yen)

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Fees for audit certification services	Fees for non-audit services	Fees for audit certification services	Fees for non-audit services
Reporting company	118	65	122	3
Consolidated subsidiaries	352	61	372	66
Total	470	126	495	69

(Note) The non-audit services for the Company involve creation of comfort letters.

Furthermore, non-audit services at consolidated subsidiaries include assurance engagements related to legal and regulatory compliance in the separate management of customer assets and assurance engagements in internal control.

- b. Details of fees to organizations which belongs to the same network as the Certified Public Accountants, etc. for audits (KPMG Group) (excluding a.)

(Millions of yen)

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Fees for audit certification services	Fees for non-audit services	Fees for audit certification services	Fees for non-audit services
Reporting company	–	8	–	5
Consolidated subsidiaries	430	86	459	47
Total	430	94	459	53

(Note) The non-audit services for the Company involve services relating to tax filing.

The non-audit services for the consolidated subsidiaries involve services relating to tax filing.

- c. Details of other material fees for audit certification services

Not applicable.

- d. Policy for determining audit fees

While there are no corresponding items, fees to the Company's Certified Public Accountants, etc. for audits are decided considering the number of audit days and the details of the work.

- e. Basis of consent to the fees, etc. for Accounting Auditors by the Audit Committee

The Audit Committee consented to the audit fees in accordance with Article 399, Paragraph 1 of the Companies Act, after reviewing the adequacy of the fees, etc. for Accounting Auditors in fiscal year under review, by examining the appropriateness of the audit plan explained by the Accounting Auditors 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.

(4) Remuneration for Directors and Corporate Executive Officers (Shikkoyaku)

(i) Policies for Determination of the Amount of Remuneration of Directors and Corporate Executive Officers and Calculation Method Thereof

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

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

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

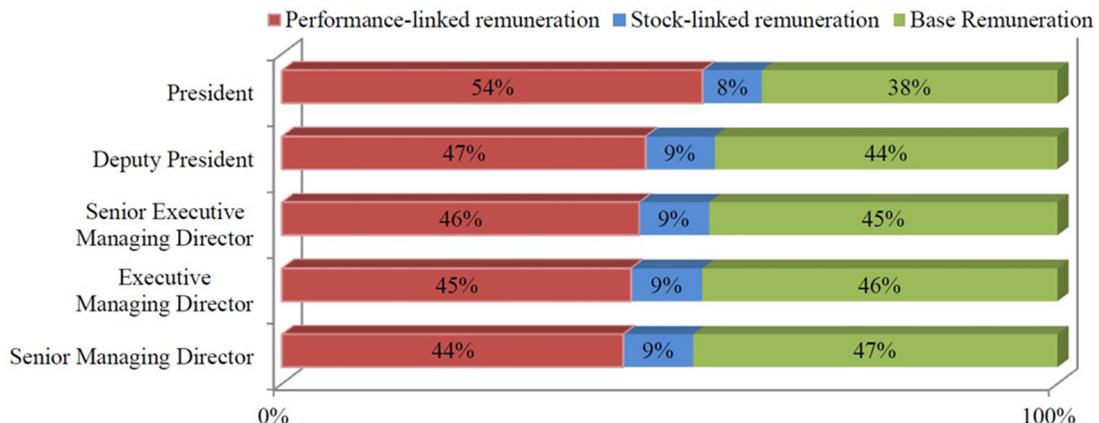
Remuneration of Directors and Corporate Executive Officers consists of Base remuneration, Performance-linked remuneration and Stock-linked remuneration, and determined at the Compensation Committee which are specifically as below.

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

Regarding remuneration, etc. of Directors and Corporate Executive Officers (Shikkoyaku) for the current fiscal year, the Compensation Committee has determined that the remuneration, etc. conforms with “Policies for Determination of Remuneration of Directors and Corporate Executive Officers”

because such remuneration, etc. was decided by the Compensation Committee only after confirming its consistency with such policies.

(ii) Ratio of performance-linked remuneration and other



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

- (iii) Indicators for Performance-linked remuneration, reasons for choosing the indicators, how to determine Performance-linked remuneration, and targets and results

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

The performance 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. The Financial Performance Evaluation and the Quality Evaluation are determined by the Compensation Committee.

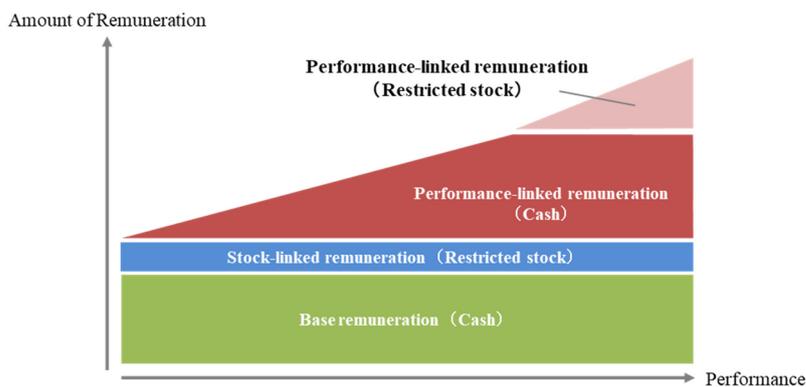
Performance-linked remuneration is calculated by multiplying the reference amount determined for each position and the performance evaluation, and reflecting the degree of individual contribution. The same calculation formula is applied to all positions for performance evaluation.

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

(Notes) 1 Reference Value is determined at Compensation Committee, based on Medium-Term Management Plan.

2 The figure of consolidated total capital adequacy ratio is as of the end of December 2021.

(Image of remuneration)



In order to foster a system that incentives long-term performance improvement and sustainable growth better, if Performance-linked remuneration exceeds a certain limit, the excess amount will be paid in the form of by restricted stock.

(Restricted Stock Compensation Plan)

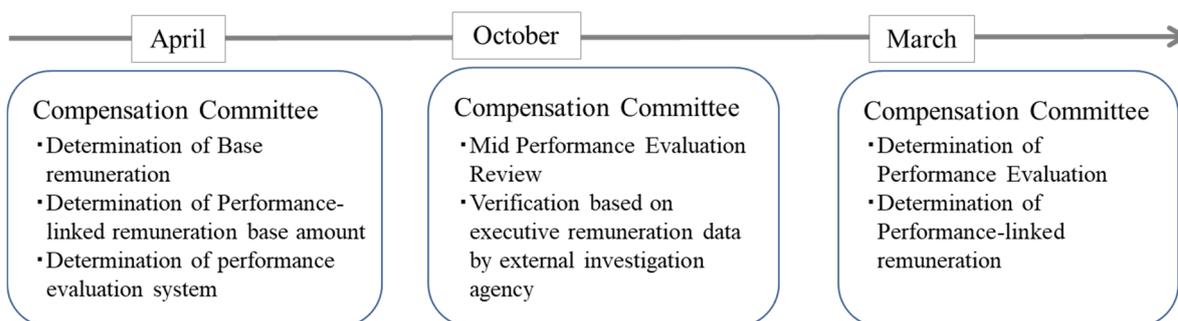
The Company introduced the Restricted Stock Compensation Plan to increase incentives for the Company and its subsidiaries' Directors, Corporate Executive Officers (Shikkoyaku), and Executive Officers (Shikkoyakuin), etc., to enhance performance in the medium and long term and strengthen values shared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

<p>Stock Remuneration I (Stock-linked remuneration)</p>	<p>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.</p>
<p>Stock Remuneration II (Performance-linked remuneration)</p>	<p>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.</p>

(iv) Summary of procedure on decision of remuneration for Directors or its policy of calculation method

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

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



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

(v) Details of the activities of the committee in the process of deciding the amounts of compensation for officers of reporting companies in the current fiscal year.

The Compensation Committee is composed of four Outside Directors including the Chair and two Inside Directors and decides the policy for officer compensation and the amount of individual compensation for Directors and Corporate Executive Officers.

In fiscal year under review, 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.

(vi) Compensation by type of officer, remuneration, and number of eligible officers

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

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

2 Performance-linked remuneration does not include the amount granted as Restricted Stock.

## (vii) Consolidated Compensation, etc., by officer

(Millions of yen)

Name	Total consolidated compensation, etc.	Type of officer	Company name	Value of consolidated compensation, etc., by type			
				Base remuneration	Restricted stocks	Performance-linked remuneration	Retirement benefits
Takashi Hibino	223	Corporate Executive Officers	Reporting company	69	23	83	–
			Daiwa Securities	46	–	–	–
Seiji Nakata	260	Corporate Executive Officers	Reporting company	69	23	121	–
			Daiwa Securities	46	–	–	–
Toshihiro Matsui	179	Corporate Executive Officers	Reporting company	61	17	75	–
			Daiwa Securities	25	–	–	–
Keiko Tashiro	132	Corporate Executive Officers	Reporting company	46	13	51	–
			Daiwa Securities	20	–	–	–
Kazuo Takahashi	129	Corporate Executive Officers	Reporting company	19	13	–	–
			Daiwa Securities	46	–	50	–
Mikita Komatsu	129	Corporate Executive Officers	Reporting company	19	13	–	–
			Daiwa Securities	46	–	50	–
Akihiko Ogino	108	Corporate Executive Officers	Reporting company	44	10	41	–
			Daiwa Securities	11	–	–	–
Shinsuke Niizuma	106	Corporate Executive Officers	Reporting company	10	10	–	–
			Daiwa Securities	43	–	40	–
Atsushi Mochizuki	106	Corporate Executive Officers	Reporting company	10	10	–	–
			Daiwa Securities	43	–	40	–

- (Notes) 1 The persons, each of whose total remuneration, etc., paid is equal to or more than 100 million yen, are listed above.
- 2 Type of officer refers to the officer categories used by the reporting company.
- 3 Officers serving as both Directors and Corporate Executive Officers are listed as Corporate Executive Officers in the type of officer column.
- 4 Performance-linked remuneration does not include the amount granted as Restricted Stock.

(5) Status on stockholdings

(i) Criteria and approach for the classification of investment shares

The Company classifies investment stocks held with the objective of receiving profit through stock price fluctuations or dividends as stocks held purely for investment purposes.

However, the Company is a holding company, established for the purpose of holding and managing Group companies, and maintains shares of companies with the aim of expanding its securities-related business through the maintenance and strengthening of the relationship between Daiwa Securities Group and the companies that issued those shares. All stocks held by the Company are investment stocks held for purposes other than pure investment.

The status of the Company for which held shares accounted for the largest portion of investment stock on the balance sheets of the Company and its consolidated subsidiaries is as follows.

(ii) Investment stocks held for purposes other than purely investment purposes

a. Verification by the Board of Directors, etc., regarding the suitability of holding individual stocks, the method for determining the rationality of holdings stocks and the Company's holding policy

The Company has established qualitative and quantitative standards for the holding of listed shares for purposes other than pure investment purposes (hereinafter, "strategic shareholdings"). The Company will hold the strategic shareholding shares only when they determine that such shareholding is of significance. Furthermore, the Company regularly verifies the significance of such shareholdings under qualitative and quantitative standards and will sell shares which are determined to be insignificant, factoring in the impact on the market and other matters which should be taken into consideration.

In verifying the significance of the shareholdings, the Company checks whether a given shareholding contributes to the enhancement of medium- to long-term corporate value of the Group on a quantitative basis from the viewpoint of economic rationality (i.e., whether the returns from the shares, such as revenues related to client companies or dividend income, exceed the standard capital cost) and from a qualitative basis in line with the objectives for the shareholding (e.g., potential for growth and enhancement of business relationships, etc.). Moreover, the Board of Directors regularly verifies the significance of each of the listed strategic shareholdings.

The results of the quantitative verification at the end of March 2022 are as follows:

Of the Company's strategic shareholdings of listed companies, excluding stocks that are held for the purpose of tie-ups, around 80% exceeded the target value of the quantitative standards. For the other approximately 20% of strategic shareholdings, which were below the target value, the Company will verify qualitative aspects of the shareholding, such as the maintenance and enhancement of future business relationships with these companies, and aim to improve the profitability of the shareholding. However, if the profitability of the shareholding does not improve in a certain period, the Company will consider selling such shares.

b. Number of companies and amount booked on the balance sheet of which shares are held

	Number of companies Issue name	Amount on the balance sheet (Millions of yen)
Unlisted stocks	114	17,601
Stocks other than unlisted stocks	104	110,406

(Companies for which shares were added in fiscal year ended March 31, 2022)

	Number of companies Issue name	Total amount acquired as added shares (Millions of yen)	Reasons for adding shares
Unlisted stocks	3	547	Focusing on expanding its securities business, the Company acquired shares in two new company with the goal of collaborating with and bolstering its relationship with new business partners. Furthermore, one issue name was acquired through the return of investments associated with the dissolution of a silent partnership.
Stocks other than unlisted stocks (Note)	2	1,367	To maintain and strengthen its relationship with counterparties in the securities-related business, the Company acquired one additional issue name. Furthermore, with the new listing of a previously unlisted stock owned by the Company, one issue name was added.

(Note) In addition to the above, one issue name was added through share exchanges.

(Companies for which shares were reduced in fiscal year ended March 31, 2022)

	Number of companies Issue name	Total amount sold as decreased shares
Unlisted stocks (Note) 1, 2	3	3
Stocks other than unlisted stocks	15	4,667

(Notes) 1 One issue name was subtracted due to a new listing.

2 In addition to the above, one issue name was subtracted through share exchanges.

c. Information on the number of shares and amounts in the balance sheet by issue name for specified investment shares and shares deemed held.

Specified investment shares

Issue name	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding, quantitative holding effect, and reasons for the increase in the number of shares (Note)	Shareholding of the Company
	Number of shares (shares)	Number of shares (shares)		
	Amount on the balance sheet (millions of yen)	Amount on the balance sheet (millions of yen)		
KDDI CORPORATION	3,501,800	3,501,800	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	None
	14,024	11,888		
Japan Airlines Co., Ltd.	5,000,000	5,000,000	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	None
	11,450	12,350		
Credit Saison Co., Ltd.	8,050,400	8,050,400	The Company continues to hold shares in Credit Saison Co., Ltd., because it is a counterparty in the Company's securities-related business and to strengthen our future cooperation and relationship with the goal of expanding the securities-related business in the asset formation field.	Yes
	10,489	10,690		
Bandai Namco Holdings Inc.	700,000	549,200	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business. Furthermore, the number of shares increased due to an additional acquisition to strengthen our relationship.	Yes
	6,504	4,334		
COL Financial Group, Inc.	709,240,000	709,240,000	The Company will continue to hold shares in this company in order to maintain and strengthen collaboration and a good relationship with it, aiming for growth in the securities-related business in Asia.	None
	6,421	6,443		
KYOCERA CORPORATION	840,000	840,000	The Company's qualitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	5,780	5,901		
Imperial Hotel, Ltd.	3,045,520	3,045,520	The Company's qualitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	5,466	6,069		
TOHO CO., LTD.	1,140,810	1,140,810	The Company's qualitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	5,287	5,122		
GMO Financial Holdings, Inc.	6,300,000	6,300,000	The Company will continue to hold shares to maintain and strengthen cooperation and our good relationship with the goal of expanding the securities-related business.	None
	5,184	5,726		

Issue name	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding, quantitative holding effect, and reasons for the increase in the number of shares (Note)	Shareholding of the Company
	Number of shares (shares)	Number of shares (shares)		
	Amount on the balance sheet (millions of yen)	Amount on the balance sheet (millions of yen)		
TOYOTA MOTOR CORPORATION	1,485,800	594,300	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business. The number of shares held has increased because of a share split.	Yes
	3,302	5,120		
FUJI MEDIA HOLDINGS, INC.	2,790,000	2,790,000	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	3,272	3,780		
T&D Holdings, Inc.	1,745,060	1,745,060	The Company's quantitative criteria are met. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	2,915	2,488		
CSC Financial Co., Ltd.	22,775,000	22,775,000	The Company will continue to hold shares in this company in order to maintain and strengthen collaboration and a good relationship with it, aiming for growth in the securities-related business in Asia.	None
	2,643	3,308		
Sumitomo Metal Mining Co., Ltd.	387,000	387,000	The Company's qualitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	2,385	1,849		
Value Partners Group Limited	42,830,000	42,830,000	The Company will continue to hold shares in this company in order to maintain and strengthen collaboration and a good relationship with it, aiming for growth in the securities-related business in Asia.	None
	2,264	3,220		
Electric Power Development Co., Ltd.	1,257,000	1,257,000	The Company's qualitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	2,197	2,431		
Mirae Asset Securities Co., Ltd.	2,363,485	2,363,485	The Company will continue to hold shares in this company in order to maintain and strengthen collaboration and a good relationship with it, aiming for growth in the securities-related business in Asia.	None
	2,049	2,279		
The Bank of Kyoto, Ltd.	290,400	290,400	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	1,553	1,977		
KISSEI PHARMACEUTICAL CO., LTD.	493,880	493,880	The Company's qualitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	1,261	1,210		

Issue name	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding, quantitative holding effect, and reasons for the increase in the number of shares (Note)	Shareholding of the Company
	Number of shares (shares)	Number of shares (shares)		
	Amount on the balance sheet (millions of yen)	Amount on the balance sheet (millions of yen)		
The Chiba Bank, Ltd.	1,351,000	4,053,000	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	979	2,938		
ONO PHARMACEUTICAL CO., LTD.	306,800	306,800	The Company's qualitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	940	886		
Sumitomo Mitsui Trust Holdings, Inc.	196,315	196,315	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	785	757		
The Hyakugo Bank, Ltd.	2,296,000	2,296,000	The Company's qualitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	769	766		
Concordia Financial Group, Ltd.	1,624,500	1,624,500	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	None
	744	729		
Kyushu Financial Group, Inc.	1,701,109	1,701,109	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	682	808		
KIBUN FOODS INC.	450,000	0	This company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business. Furthermore, the number of shares increased with the new listing of a previously unlisted stock owned by the Company.	None
	510	0		
TSURUMI MANUFACTURING CO., LTD.	262,500	262,500	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	477	476		
The Ogaki Kyoritsu Bank, Ltd.	238,974	238,974	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	455	532		

Issue name	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding, quantitative holding effect, and reasons for the increase in the number of shares (Note)	Shareholding of the Company
	Number of shares (shares)	Number of shares (shares)		
	Amount on the balance sheet (millions of yen)	Amount on the balance sheet (millions of yen)		
The Ehime Bank, Ltd.	458,545	458,545	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	428	470		
Juroku Financial Group, Inc.	171,254	171,254	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	371	378		
Tokyo Tatemono Co., Ltd.	191,106	191,106	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	350	321		
The Gunma Bank, Ltd.	934,269	934,269	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	330	370		
North Pacific Bank, Ltd.	1,270,380	1,270,380	The Company's quantitative criteria are met. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	304	406		
Mitsubishi Logistics Corporation	100,000	100,000	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	304	338		
CrowdWorks Inc.	245,000	245,000	The Company continues to hold shares in CrowdWorks, Inc., because it is a counterparty in the Company's securities-related business and to maintain and strengthen cooperation and our good relationship with the goal of expanding the securities-related business.	None
	303	425		
The 77 Bank, Ltd.	187,800	187,800	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	290	293		
Kabuki-za Co., Ltd.	60,300	60,300	This company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	284	292		
The Aichi Bank, Ltd.	61,563	61,563	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	279	185		

Issue name	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding, quantitative holding effect, and reasons for the increase in the number of shares (Note)	Shareholding of the Company
	Number of shares (shares)	Number of shares (shares)		
	Amount on the balance sheet (millions of yen)	Amount on the balance sheet (millions of yen)		
Asahi Holdings, Inc.	117,000	117,000	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	None
	265	247		
Yamaguchi Financial Group, Inc.	373,856	373,856	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	254	275		
MEIKO TRANS CO., LTD.	205,613	305,613	The Company's qualitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	236	352		
THE TOCHIGI BANK, LTD.	1,067,000	1,067,000	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	235	202		
Nishi-Nippon Financial Holdings, Inc.	309,785	309,785	The Company's quantitative criteria are met. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	234	246		
The Sumitomo Warehouse Co., Ltd.	100,000	100,000	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	230	147		
KADOKAWA CORPORATION	70,080	35,040	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business. The number of shares held has increased because of a share split.	Yes
	225	150		
DAISHINKU CORP.	184,000	46,000	This company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business. The number of shares held has increased because of a share split.	Yes
	222	113		
SHIBUYA CORPORATION	91,000	101,000	This company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	None
	221	358		

Issue name	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding, quantitative holding effect, and reasons for the increase in the number of shares (Note)	Shareholding of the Company
	Number of shares (shares)	Number of shares (shares)		
	Amount on the balance sheet (millions of yen)	Amount on the balance sheet (millions of yen)		
Mirae Asset Securities Co., Ltd. Class B preferred shares	467,865	467,865	The Company will continue to hold shares in this company in order to maintain and strengthen collaboration and a good relationship with it, aiming for growth in the securities-related business in Asia.	None
	213	203		
TAMURA CORPORATION	300,000	300,000	The Company's qualitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	184	153		
THE SHIGA BANK, LTD.	81,105	81,105	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	179	194		
HEIWA REAL ESTATE CO., LTD.	44,000	44,000	The Company's quantitative criteria are met. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	174	152		
THE AKITA BANK, LTD.	96,016	96,016	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	161	140		
The Aomori Bank, Ltd.	83,115	83,115	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	158	209		
San ju San Financial Group, Inc.	105,800	105,800	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	156	147		
The Musashino Bank, Ltd.	87,700	87,700	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	154	160		
Nagoya Railroad Co., Ltd.	63,654	63,654	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	138	167		
Okinawa Financial Group, Inc.	66,000	66,000	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	135	201		

Issue name	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding, quantitative holding effect, and reasons for the increase in the number of shares (Note)	Shareholding of the Company
	Number of shares (shares)	Number of shares (shares)		
	Amount on the balance sheet (millions of yen)	Amount on the balance sheet (millions of yen)		
The Miyazaki Bank, Ltd.	65,623	65,623	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	135	153		
The Shikoku Bank, Ltd.	180,124	180,124	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	134	140		
OKUMURA CORPORATION	43,400	43,400	The Company's quantitative criteria are met and this company is a business partner in the Company's securities-related business. The Company will continue to hold shares in this company in order to maintain and strengthen a good relationship with it, aiming for growth in the securities-related business.	Yes
	128	127		

(Note) It is difficult to provide the quantitative effects of ownership. The verification of the significance of shareholding was performed as described in "a. Verification by the Board of Directors, etc., regarding the suitability of holding individual stocks, the method for determining the rationality of holdings stocks and the Company's holding policy."

Shares deemed held

Not applicable.

(iii) Investment stocks held for purely investment purposes

Not applicable.

(iv) During the current fiscal year, the purpose of holding investment stocks was changed from purely investment purposes to purposes other than purely investment purposes

Not applicable.

(v) During the current fiscal year, the purpose of holding investment stocks was changed from purposes other than purely investment purposes to purely investment purposes

Not applicable.

## Item 5. Financial Information

### 1 Basis for preparation of the consolidated and non-consolidated financial statements

(1) The Company's consolidated financial statements are prepared in accordance with the Cabinet Office Order on Financial Instruments Business (Cabinet Office Order 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) that apply to financial statements of companies that engage in securities-related business, the main business of the Group, based on the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976, hereinafter referred to as "Regulation on Consolidated Financial Statements") and the provisions of Article 46 and Article 68 of the said Regulation.

(2) The Company's financial statements are prepared based on the Regulation on Terminology, Forms and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963, hereinafter referred to as "Regulation on Financial Statements").

In addition, the Company falls under a Special Company Submitting Financial Statements and prepares its financial statements according to the provisions of Article 127 of the Regulation on Financial Statements.

### 2 Audit certification

The Company has had its consolidated financial statements for the fiscal year ended March 31, 2022 and its financial statements for the fiscal year ended March 31, 2022 audited by KPMG AZSA & Co., based on the provisions of Paragraph 1, Article 193-2 of the Financial Instruments and Exchange Act.

### 3 Remarkable efforts to ensure fair presentation of consolidated financial statements, etc.

The Company takes remarkable efforts to ensure fair presentation of consolidated financial statements, etc. Specifically, the Company has joined the Financial Accounting Standards Foundation in order to properly understand details of accounting standards and other rules and establish a system that enables appropriate response to changes in accounting standards and other rules. In addition, the Company attends seminars held by the foundation and the auditing corporation, etc.

# 1 Consolidated financial statements and other information

## (1) Consolidated financial statements

### (i) Consolidated balance sheets

(Millions of yen)

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

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	5,382	6,361
Trading products	4,367,822	4,945,900
Trading securities and other	2,032,969	2,948,427
Derivatives	2,334,853	1,997,473
Trade date accrual	1,320,279	548,406
Margin transaction liabilities	64,022	70,318
Borrowings on margin transactions	*4 4,139	*4 5,327
Cash received for securities lending on margin transactions	59,882	64,991
Borrowings secured by securities	8,176,094	9,463,697
Cash received on debt credit transaction of securities	4,699,647	4,761,437
Borrowings on Gensaki transaction	3,476,447	4,702,259
Deposits from banking business	4,416,097	4,189,105
Deposits received	419,994	456,384
Guarantee deposits received	366,351	347,468
Short-term borrowings	*4, *11 1,408,288	*4 2,155,782
Commercial papers	265,000	116,000
Current portion of bonds	203,774	446,760
Income taxes payable	17,962	8,649
Provision for bonuses	36,316	37,586
Other	151,966	152,851
Total current liabilities	21,219,352	22,945,274
Non-current liabilities		
Bonds payable	*4, *11 1,557,333	*4, *11 1,563,631
Long-term borrowings	*4, *11 1,586,913	*4, *11 1,237,048
Deferred tax liabilities	43,176	42,241
Retirement benefit liability	44,773	44,236
Provision for loss on litigation	1,809	115
Other	*4 50,430	*4 54,934
Total non-current liabilities	3,284,436	2,942,208
Reserves under special laws		
Reserve for financial instruments transaction liabilities	3,699	3,717
Total reserves under special laws	*9 3,699	*9 3,717
<b>Total liabilities</b>	<b>24,507,489</b>	<b>25,891,200</b>

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
<b>Net assets</b>		
Shareholders' equity		
Share capital	247,397	247,397
Capital surplus	230,651	230,451
Retained earnings	911,742	942,793
Treasury shares	(107,646)	(134,201)
Deposit for subscriptions to treasury shares	9	26
Total shareholders' equity	1,282,154	1,286,467
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	41,587	29,587
Deferred gains or losses on hedges	(3,058)	9,940
Foreign currency translation adjustment	12,886	47,288
Total accumulated other comprehensive income	51,415	86,815
Share acquisition rights	9,125	9,109
Non-controlling interests	249,145	257,497
Total net assets	1,591,841	1,639,888
Total liabilities and net assets	26,099,330	27,531,089

(ii) Consolidated statements of income and consolidated statements of comprehensive income  
Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
<b>Operating revenue</b>				
Commission received		286,835		314,051
Brokerage commission		78,026		75,907
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors		38,098		39,210
Fees for offering, secondary distribution and solicitation for selling and others for professional investors		19,211		21,440
Other fees received		151,499		177,493
Net trading income	*2	118,895	*2	101,522
Net gain on private equity and other securities		4,808		6,048
Financial revenue		93,188		75,978
Other operating revenue		72,444		121,870
<b>Total operating revenue</b>		<b>576,172</b>		<b>619,471</b>
Financial expenses	*3	54,480	*3	44,714
Other operating expenses		55,031		72,663
<b>Net operating revenue</b>		<b>466,660</b>		<b>502,093</b>
<b>Selling, general and administrative expenses</b>				
Trading related expenses		57,612		62,588
Personnel expenses	*4	193,002	*4	198,790
Real estate expenses		38,441		37,643
Office cost		24,365		24,740
Depreciation		33,920		34,811
Taxes and dues		11,493		10,678
Provision of allowance for doubtful accounts		281		32
Other		14,682		17,274
<b>Total selling, general and administrative expenses</b>		<b>373,800</b>		<b>386,559</b>
<b>Operating income</b>		<b>92,859</b>		<b>115,534</b>
<b>Non-operating income</b>				
Dividend income		3,381		4,738
Share of profit of entities accounted for using equity method		12,369		8,104
Foreign exchange gains		–		601
Gain on investments in investment partnerships		5,539		5,216
Other		4,210		4,587
<b>Total non-operating income</b>		<b>25,500</b>		<b>23,247</b>
<b>Non-operating expenses</b>				
Interest expenses		636		1,838
Foreign exchange losses		252		–
Bond issuance cost		163		30
Other		2,132		1,090
<b>Total non-operating expenses</b>		<b>3,184</b>		<b>2,960</b>
<b>Ordinary income</b>		<b>115,175</b>		<b>135,821</b>

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
<b>Extraordinary income</b>		
Gain on sale of non-current assets	*5 57	*5 45
Gain on receipt of donated non-current assets	–	318
Gain on sale of investment securities	4,231	3,858
Gain on sale of shares of subsidiaries and associates	–	2,926
Gain on step acquisitions	46,962	–
Gain on change in equity	180	–
Recoveries of written off receivables	–	302
Reversal of provision for loss on litigation	–	686
Gain on reversal of office relocation expenses	–	872
Reversal of reserve for financial instruments transaction liabilities	218	–
<b>Total extraordinary income</b>	<b>51,650</b>	<b>9,010</b>
<b>Extraordinary losses</b>		
Loss on sale and retirement of non-current assets	*6 1,386	*6 627
Impairment losses	*9 9,394	*9 488
Loss on sale of investment securities	219	–
Loss on valuation of investment securities	1,738	734
Loss on valuation of shares of subsidiaries and associates	896	–
Provision of allowance for investment loss	3,620	–
Provision of reserve for financial instruments transaction liabilities	–	17
Structural reform cost	*7 4,319	*7 44
Business restructuring expenses	–	*8 1,074
Other	684	178
<b>Total extraordinary losses</b>	<b>22,259</b>	<b>3,166</b>
<b>Income before income taxes</b>	<b>144,567</b>	<b>141,666</b>
Income taxes - current	35,589	39,609
Income taxes - deferred	(673)	(2,088)
<b>Total income taxes</b>	<b>34,915</b>	<b>37,521</b>
<b>Profit</b>	<b>109,651</b>	<b>104,144</b>
Profit (loss) attributable to non-controlling interests	1,255	9,253
<b>Profit attributable to owners of parent</b>	<b>108,396</b>	<b>94,891</b>

## Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	109,651	104,144
Other comprehensive income:		
Valuation difference on available-for-sale securities	14,971	(12,055)
Deferred gains or losses on hedges	10,345	13,165
Foreign currency translation adjustment	17,595	31,581
Share of other comprehensive income of entities accounted for using equity method	907	3,944
Total other comprehensive income	*1 43,819	*1 36,636
Comprehensive income	153,471	140,781
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	152,107	130,291
Comprehensive income attributable to non-controlling interests	1,363	10,490

## (iii) Consolidated statements of changes in net assets

Fiscal year ended March 31, 2021

(Millions of yen)

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

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

Fiscal year ended March 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)
Net changes of items other than shareholders' equity	–	–	–	–	–	–
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

	Accumulated other comprehensive income			Share acquisition rights	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					
Dividends of surplus	–	–	–	–	–
Profit attributable to owners of parent	–	–	–	–	–
Purchase of treasury shares	–	–	–	–	–
Disposal of treasury shares	–	–	–	–	–
Other	–	–	–	–	–
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

## (iv) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
<b>Cash flows from operating activities:</b>		
Income before income taxes and non-controlling interests	144,567	141,666
Depreciation	41,169	44,612
Amortization of goodwill	1,167	1,547
Increase (decrease) in allowance for doubtful accounts	8,073	3,766
Increase (decrease) in reserve for financial products transaction liabilities	(218)	17
Interest and dividend income	(3,475)	(4,886)
Interest expenses	636	1,838
Share of (profit) loss of entities accounted for using equity method	(12,369)	(8,104)
Loss (gain) on sales or retirement of non-current assets	1,328	582
Loss (gain) on sales of investment securities	(4,011)	(3,858)
Loss (gain) on sale of shares of subsidiaries and associates	–	(2,926)
Loss (gain) on step acquisitions	(46,962)	–
Loss (gain) on change in equity	(180)	–
Loss (gain) on valuation of investment securities	1,738	734
Impairment loss	9,394	488
Structural reform cost	4,319	44
Decrease (increase) in cash segregated as deposits for customers	(50,304)	(47,224)
Decrease (increase) in trading products - assets (liabilities)	(41,577)	(368,926)
Decrease (increase) in investment securities for sale	(8,691)	(23,820)
Decrease (increase) in operating loans receivable	(221,448)	69,680
Decrease (increase) in assets (liabilities) for margin transaction	(42,928)	(9,026)
Decrease (increase) in loans (borrowings) secured by securities	219,893	310,365
Decrease (increase) in short-term loans receivable	31	21
Increase (decrease) in deposits from banking business	378,895	(226,991)
Decrease (increase) in Short-term guarantee deposits	127,848	(93,978)
Increase (decrease) in guarantee deposits received	(48,841)	(19,173)
Increase (decrease) in deposits received	63,121	30,857
Other	(119,354)	(113,687)
Subtotal	401,821	(316,380)
Interest and dividend income received	11,661	7,897
Interest expenses paid	(615)	(2,875)
Income taxes (paid) refund	(21,888)	(42,108)
Net cash provided by (used in) operating activities	390,979	(353,467)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
<b>Cash flows from investing activities</b>		
Payments into time deposits	(64,698)	(60,494)
Proceeds from withdrawal of time deposits	58,018	61,197
Purchase of securities	(623,456)	(1,117,496)
Proceeds from sales and redemption of securities	570,283	996,100
Purchase of property, plant and equipment	(29,329)	(62,564)
Proceeds from sales of property, plant and equipment	4,665	11,056
Purchase of intangible assets	(29,271)	(23,023)
Purchase of investment securities	(53,674)	(36,123)
Proceeds from sales and redemption of investment securities	105,641	17,681
Purchase of shares of subsidiaries and associates	(28,925)	(15,064)
Proceeds from sale of shares of subsidiaries and associates	–	5,927
Payments of loans receivable	(595)	(533)
Collection of loans receivable	76	227
Other, net	(374)	4,577
Net cash provided by (used in) investing activities	(91,641)	(218,534)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	419,571	264,984
Proceeds from long-term loans payable	277,190	100,500
Repayments of long-term loans payable	(320,854)	(115,433)
Proceeds from issuance of bonds	690,484	810,707
Redemption of bonds	(601,407)	(585,157)
Proceeds from sales of treasury shares	1,086	1,817
Purchase of treasury shares	(9)	(29,297)
Cash dividends paid	(30,429)	(63,790)
Dividends paid to non-controlling interests	(2,050)	(10,533)
Proceeds from share issuance to non-controlling shareholders on establishment of consolidated subsidiaries	7,781	–
Other, net	(3,293)	3,293
Net cash provided by (used in) financing activities	438,067	377,090
Effect of exchange rate change on cash and cash equivalents	6,796	25,760
Net increase (decrease) in cash and cash equivalents	744,201	(169,150)
Cash and cash equivalents at beginning of period	3,933,149	4,723,526
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	*2 25,968	–
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	20,206	–
Cash and cash equivalents at end of period	*1 4,723,526	*1 4,554,375

## Notes to the consolidated financial statements

### Basis of preparation of consolidated financial statements

#### 1 Scope of consolidation

##### (1) Number of consolidated subsidiaries: 136 companies

The names of major consolidated subsidiaries are provided in “4 Status of subsidiaries and affiliates” under “I. Overview of the Company”.

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

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

Names of major non-consolidated subsidiaries

IDI Infrastructure #3 Limited Liability Partnership

Good Time Living Co. Ltd.

Daiwa Investor Relations Co. Ltd.

Rationale for exclusion from the scope of consolidation

IDI Infrastructure #3 Limited Liability Partnership and 4 other companies have been excluded from the scope of consolidation due to the significant risk of stakeholders making erroneous judgments.

The other non-consolidated subsidiaries had no material impact on the Consolidated 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) The names, etc. of companies not treated as subsidiaries regardless of the Company’s ownership of the majority of the voting rights

The number of the companies: 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

For an overview of special purpose entities subject to disclosure, overview of transactions using special purpose entities subject to disclosure, amount of transactions with special purpose entities subject to disclosure, etc., see “Special purpose entities subject to disclosure”.

#### 2 Application of equity method

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

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

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

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

IDI Infrastructure #3 Limited Liability Partnership

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

Sumitomo Mitsui DS Asset Management Company, Limited

Daiwa Securities Living Investment Corporation

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

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

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

The names of major non-consolidated subsidiaries and affiliates to which the equity method is not applied

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

The number of the companies: 9 companies

The names of major companies not treated as affiliates

NJT Copper Tube Corporation

Rationale for not being treated as affiliates

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

3 Fiscal year, etc. of consolidated subsidiaries

Fiscal year ends of consolidated subsidiaries are as follows:

January:	11 companies
February:	3 companies
March:	77 companies
November:	1 company
December:	42 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, 2022, we used the financial statements for the fiscal year end of such subsidiary as to 54 consolidated subsidiaries and the tentative financial statements as of March 31, 2022 as to the other 5 subsidiaries. We also made adjustments necessary for consolidation as to the important transactions that occurred between such dates and March 31, 2022.

4 Accounting policies

(1) Valuation standards and methods for major assets

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

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

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

- (ii) Valuation standards and methods for securities, etc. not classified as trading products  
Securities, etc. which are not classified as trading products are as follows:
    - (a) Trading securities  
Valued at fair value (cost is determined based on the moving average method).
    - (b) Held-to-maturity debt securities  
Held-to-maturity debt securities are recorded using the amortized cost method.
    - (c) Other securities  
Other securities are recorded at fair value, based on quoted market prices as of the end of the fiscal year (net unrealized gains (losses) are booked directly in net assets, and the costs of securities sold are generally calculated based on the moving average method). However, securities without market prices (unlisted stocks, etc.) and partnership 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 (shares of net unrealized profits and losses on securities held by the partnerships are directly posted into net assets).  
Further, some portion of securities and operational investment securities held by some consolidated subsidiaries is stated in current assets.
    - (d) Derivatives  
Valued at fair value.
  - (iii) Valuation standards and methods for inventory assets  
Work in process is mainly stated based on the cost method using the specific identification method (procedure method in which book value is written down based on decrease in profitability).
- (2) Depreciation methods for major depreciable assets
- (i) Property, plant and equipment  
Property, plant and equipment are generally depreciated based on the straight-line method. The Company generally computes depreciation over estimated useful lives as stipulated in the Corporation Tax Act of Japan.
  - (ii) Intangible fixed assets, investments and other assets  
Intangible fixed assets, investments and other assets are generally amortized based on the straight-line method. The Company generally computes amortization over estimated useful lives as stipulated in the Corporation Tax Act of Japan; provided, however, that software used in-house is amortized over internally estimated useful lives (5 years).
- (3) Accounting policies for 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 others.
  - (ii) Allowance for investment loss  
The Company and some consolidated subsidiaries provide allowances based on estimated losses on operational investment securities and shares of 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 securities transactions based on the estimated amount of restitution at the end of the fiscal year ended March 31, 2022, considering the status of litigation, etc.
- (4) Accounting methods for retirement benefits
- The Company and its domestic consolidated subsidiaries provide retirement benefit liabilities for employees’ retirement benefits payments based on the amount required to be paid at the end of the fiscal year ended March 31, 2022 in accordance with each company’s retirement benefit policy. This is because, in these companies, retirement benefits are not affected by

future salary increases, etc. and the service costs are determined for each individual in accordance with their contributions, capabilities, achievements, etc. for each fiscal year. Some of the consolidated subsidiaries appropriate the amounts deemed to have been accrued in the fiscal year ended March 31, 2022 based on the estimated amount of retirement benefits obligations at the end of the fiscal year ended March 31, 2022.

(5) Accounting standard for significant revenue and cost recognition

The Company recognizes revenues at the amount expected to be received in exchange for promised goods or services at the time when control of the relevant goods or services is transferred to customers. Regarding the major businesses through which the Company and its domestic consolidated subsidiaries generate revenue from contracts with customers, details on main performance obligations and normal point of time at which such performance obligations have been satisfied (the point at which revenue is recognized) are described in “Notes to the Consolidated Statutory Report (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 the Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry (Japanese Institute of Certified Public Accountants (JICPA) Industry Committee Practical Guidelines 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) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents in consolidated statement of cash flows comprise cash on hand and at-call deposits including current account deposits and ordinary bank deposits, and short-term investments with a maturity date of 3 months or less from the acquisition date.

(9) Other significant items associated with the preparation of the consolidated financial statements

(i) Consolidated tax payments system

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

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

From the following fiscal year, the Company and some domestic consolidated subsidiaries will transition from the consolidated taxation system to the Group Tax Sharing System. However, the Company and some domestic consolidated

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

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

(Significant accounting estimates)

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

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

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

Of the derivative transactions that belong to trading products, assets classified as Level 3 amounted to 98.9 billion yen and liabilities amounted to 17.0 billion yen (47.0 billion yen of assets and 19.8 billion yen of liabilities in the previous fiscal year) 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 “(Financial Instruments) 2. Concerning the fair value and the breakdown of each level for 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 “(Financial Instruments) 2. Concerning the fair value and the breakdown of each level for 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 operational investment securities and operating loans (Investment Segment)

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

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Operational investment securities	97,092	123,839
Allowance for investment loss (current assets)	(588)	(151)
Operating loans (Investment Segment)	68,279	76,798
Allowance for doubtful accounts (Investment Segment)	(3,986)	(7,000)
Total	160,796	193,485

Daiwa PI Partners Co. Ltd. and Daiwa Energy & Infrastructure Co. Ltd., which are consolidated subsidiaries belonging to the Investment Segment 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 Segment 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 losses, allowance for investments loss and allowance for doubtful accounts are recorded based on the valuation amount. In the previous fiscal year, we recorded losses of 1.8 billion yen for Myanmar-related investments, 900 million yen for aircraft-related investments, and 12.4 billion yen for unprofitable domestic and overseas fund investments. In the current consolidated fiscal year, we recorded losses of 3.2 billion yen mainly from aircraft-related investments and 1.1 billion yen from overseas lending and investments.

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

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

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

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

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

(Changes in accounting policies)

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

For the application of the Revenue Recognition Standard, the Company has followed the transitional treatment prescribed in Paragraph 84 proviso of the Revenue Recognition Standard. Accordingly, the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the current consolidated fiscal year has been added to or subtracted from retained earnings at the beginning of

the current consolidated fiscal year. In accordance with the method stipulated in Paragraph 86 of the Accounting Standard for Revenue Recognition, the new accounting policy was not retrospectively applied to contracts wherein almost all revenues were recognized before the beginning of the current consolidated fiscal year according to the former treatment. In addition, the Company has applied the method prescribed in Supplementary Provision (1) of Paragraph 86 of the Accounting Standard for Revenue Recognition to account for contract modifications made prior to the beginning of the current consolidated fiscal year based on the contract terms after reflecting all contract modifications, and the cumulative effect of such modifications has been added to or deducted from retained earnings at the beginning of the current consolidated fiscal year.

As a result of applying the Accounting Standard for Revenue Recognition, from this consolidated fiscal year onwards, “Notes and accounts receivable-trade”, which fell under “Current assets” on the consolidated balance sheets for the previous consolidated fiscal year, will be included in “Notes and accounts receivable-trade, and contractual assets”. According to the transitional treatment as stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made for the previous consolidated fiscal year using the new presentation method. Furthermore, according to the transitional treatment as stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, the information that breaks down revenue from contracts with customers for the previous fiscal year is not presented.

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

(New accounting standards not yet applied)

- “Implementation Guidance on Accounting Standards for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021)

(1) Overview

The rules have been established in terms of the treatment of the measurement of fair value and notes for investment trusts and the treatment of notes on fair value of investments in partnerships, etc. recorded as the net amount for the amount accounted for using the equity method in the balance sheet.

(2) Application date

The Company applies the standards from the beginning of the fiscal year ending March 31, 2023

(3) Impact of application

There is no impact for the consolidated financial statements due to this application.

(Changes in presentation)

(Notes to consolidated statement of cash flows)

“Dividends paid to non-controlling interest” that were included in “Other” under “cash flows from financing activities” in the previous fiscal year has been stated separately from the current fiscal year due to its increase in monetary significance. The consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, (5,344) million yen presented as “Other” under “cash flows from financing activities” in the previous fiscal year’s consolidated statement of cash flows has been reclassified as (2,050) million yen of “dividends paid to non-controlling interests” and (3,293) million yen of “Other”.

(Notes to consolidated balance sheet)

- \*1 The amount of liabilities and contract assets from transactions with customers recorded under notes and accounts receivable-trade, and contract assets are respectively described below.

(Millions of yen)

	As of March 31, 2022	
Accounts receivable - trade	20,092	
Contractual assets	2,328	

- \*2 Breakdown of accumulated depreciation deducted from property, plant and equipment

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Buildings	121,695	130,823
Machinery and equipment	672	1,539
Equipment	40,933	40,591
Total	163,301	172,954

- \*3 Applicable to non-consolidated subsidiaries and affiliates

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Investment securities	136,901	155,343
(of which, the amount of investment in jointly controlled entities)	904	966

- \*4 Assets pledged as collateral

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Cash and deposits	3,557	3,080
Securities	71,260	64,308
Trading products	411,636	536,322
Operating loans	887,425	836,584
Other current assets	62,518	57,275
Investment securities	24,673	17,942
Total	1,461,071	1,515,514

Secured debt

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Borrowings on margin transactions	4,139	5,327
Short-term borrowings	252,161	610,809
Bonds payable	800	800
Long-term borrowings	489,722	209,381
Other non-current liabilities	312	—
Total	747,135	826,318

(Note) The amounts above are based on the amounts in the consolidated balance sheet. In addition to the above pledged assets, borrowed securities of 140,717 million yen (110,186 million yen in the previous consolidated fiscal year) are also pledged as collateral.

## 5 Fair value of securities transferred

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Lending securities under loan agreements (shohi-taishaku)	5,486,331	6,093,554
Securities sold under repurchase agreement (Gensaki)	3,017,724	4,461,636
Other	426,043	508,193
Total	8,930,098	11,063,383

(Note) \*4 We exclude those belonging to assets pledged as collateral.

## 6 Fair value of securities received as collateral

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Borrowed securities under loan agreements (shohi-taishaku)	5,838,082	6,615,034
Securities purchased under resale agreement (Gensaki)	1,916,399	2,839,884
Other	354,628	395,179
Total	8,109,109	9,850,098

## 7 Undisbursed loan balance of line of credit

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Total line of credit	633,431	726,012
Loan disbursed balance	288,528	339,230
Undisbursed loan balance	344,902	386,782

Note that the above total line of credit includes lines that ended without being drawn down, so the total amount of undisbursed loan balance will not necessarily be drawn down.

## \*8 Allowance for doubtful accounts deducted directly from assets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Investments and other assets, other	9,253	9,231

## \*9 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

10 Liabilities on guarantees

Name of the guaranteed (details of liabilities guaranteed) are described below.

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Employees (borrowing)	18	6
Good Time Living Co. Ltd. (Lump-sum payment for occupancy refundable debt)	11,929	10,996
Other (Standby letter of credit)	–	2,302
Total	11,948	13,305

\*11 Non-recourse debt

(1) Non-recourse debt is as follows.

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Short-term borrowings	898	–
Bonds payable	800	800
Long-term borrowings	24,970	27,495
Total	26,669	28,295

(2) Assets corresponding to non-recourse debt are as follows.

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Cash and deposits	1,731	1,645
Other current assets	42,232	47,843
Total	43,964	49,489

Note that the above amounts are included in the amount of “\*4 Assets pledged as collateral and secured debt”.

12 Undisbursed loan balance for loan commitments

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
	11,071	12,239

(Notes to consolidated statement of income)

1 Revenue from customer contracts

Operating revenue is not separately presented for revenue arising from contracts with customers and other revenues. The amount of revenue from customer contracts is described in “Notes to the consolidated financial statements (Segment information)”.

\*2 Breakdown of net trading income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Equities and others	57,639	71,111
Bond, forex and others	61,255	30,410
Total	118,895	101,522

\*3 Provision of allowance for doubtful accounts included in financial expenses

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	7,358	4,430

\*4 Allowance for provision for bonuses included in personnel expenses

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	34,164	36,422

\*5 Details of gain on sale of non-current assets

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Gain on sale of non-current assets		
Buildings	–	36
Land	57	8

\*6 Details of loss on sale and retirement of non-current assets

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Loss on sale of non-current assets		
Buildings	–	285
Equipment	–	6
Land	–	53
Loss on retirement of non-current assets		
Buildings	13	32
Equipment	300	119
Software	1,055	125
Other	17	4

\*7 Fiscal year ended March 31, 2021

The Group is undertaking revenue restructuring, and as part of this, reducing real estate expenses by integrating nearby head office and branches and improving the efficiency of the branch function, while reviewing the assets owned in existing businesses. As a result, we have recorded 3,676 million yen in expenses related to the return of business offices and branch relocations, etc. and 642 million yen of other as structural reform cost.

Fiscal year ended March 31, 2022

The Group is undertaking revenue restructuring, and as part of this, reducing real estate expenses by integrating nearby head office and branches and improving the efficiency of the branch function, while reviewing the assets owned in existing businesses. As a result, we have recorded 44 million yen in expenses related to the return of business offices as structural reform cost.

\*8 Fiscal year ended March 31, 2022

Business restructuring expenses include expenses associated with business restructuring, etc. for domestic subsidiaries.

\*9 Fiscal year ended March 31, 2021

We recorded impairment losses on the following asset groups.

(Millions of yen)

	Condition	Location	Impairment losses
Assets to be held and used	Low profit-earning assets	The Americas and Asia / Oceania	696
Assets scheduled for disposal	Low operating assets	Tohoku, Kanto, Chubu, Kinki, Chugoku, Shikoku, and Kyushu	8,698
Total			9,394

Assets are grouped in accordance with classifications used for internal management accounting. In addition, assets scheduled for disposal are grouped on an individual property basis.

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

The breakdown of the amounts is 696 million yen for assets to be held and used (comprising 380 million yen for buildings and 316 million yen for goodwill) and 8,698 million yen for assets scheduled for disposal (comprising 6,027 million yen for land, 2,183 million yen for buildings, 351 million yen for other intangible assets and 135 million yen for leasehold right).

Within the assets to be held and used, the recoverable amount of buildings is estimated from the value in use and the recoverable amount of goodwill is estimated from the re-evaluated corporate value.

Also, the recoverable amount of assets scheduled for disposal is measured by net realizable value, which is determined by the appraisal value, etc.

Fiscal year ended March 31, 2022

We recorded an impairment loss on the following asset groups.

(Millions of yen)

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

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

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

All of the total is goodwill.

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

(Notes to consolidated statement of comprehensive income)

\*1 Reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Valuation difference on available-for-sale securities		
Amount arising during the year	29,859	(14,056)
Reclassification adjustments	(11,146)	(3,036)
Amount before income tax effect	18,713	(17,092)
Income tax effect	3,742	(5,037)
Valuation difference on available-for-sale securities	14,971	(12,055)
Deferred gains or losses on hedges		
Amount arising during the year	14,426	19,008
Reclassification adjustments	484	(27)
Amount before income tax effect	14,910	18,980
Income tax effect	4,565	5,815
Deferred gains or losses on hedges	10,345	13,165
Foreign currency translation adjustment		
Amount arising during the year	17,595	31,581
Reclassification adjustments	–	–
Amount before income tax effect	17,595	31,581
Income tax effect	–	–
Foreign currency translation adjustment	17,595	31,581
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the year	856	3,886
Reclassification adjustments	51	58
Share of other comprehensive income of entities accounted for using equity method	907	3,944
Total other comprehensive income	43,819	36,636

(Notes to consolidated statements of changes in net assets)

Fiscal year ended March 31, 2021

1 Shares issued

(Thousands of shares)

Type of shares	As of Apr. 1, 2020	Increase	Decrease	As of Mar. 31, 2021
Common stock	1,699,378	–	–	1,699,378

2 Treasury shares

(Thousands of shares)

Type of shares	As of Apr. 1, 2020	Increase	Decrease	As of Mar. 31, 2021
Common stock	179,915	20	4,425	175,511

(Notes) 1 The increase of 20 thousand shares in the number of common stock is due to the receipt of requests to purchase 20 thousand shares of less than one unit.

2 The 4,425 thousand decrease in the number of common stock includes the transfer of 0 thousand shares from the receipt of requests to sell shares of less than one unit, the transfer of 2,281 thousand shares from the exercise of share acquisition rights, and 2,144 thousand shares granted as a result of the Restricted Stock Compensation Plan.

3 Share acquisition rights

Company Name	Item	Class of shares	Number of shares (shares)				Balance as of Mar. 31, 2021 (Millions of yen)
			As of Apr. 1, 2020	Increase	Decrease	As of Mar. 31, 2021	
Filing company	Share acquisition rights as stock options			–			9,125
Total				–			9,125

4 Dividends

(1) Amount of dividends

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
May 8, 2020 Board of Directors	Common stock	13,675	9	March 31, 2020	June 1, 2020
October 29, 2020 Board of Directors	Common stock	16,754	11	September 30, 2020	December 1, 2020

(2) Among dividends with record dates during the fiscal year ended March 31, 2021, dividends to be distributed after the end of the fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
April 28, 2021 Board of Directors	Common stock	Retained earnings	38,096	25	March 31, 2021	June 1, 2021

Fiscal year ended March 31, 2022

1 Shares issued

(Thousands of shares)

Type of shares	As of Apr. 1, 2021	Increase	Decrease	As of Mar. 31, 2022
Common stock	1,699,378	–	–	1,699,378

2 Treasury shares

(Thousands of shares)

Type of shares	As of Apr. 1, 2021	Increase	Decrease	As of Mar. 31, 2022
Common stock	175,511	45,019	4,454	216,075

(Notes) 1 The increase of 45,019 thousand shares in the number of common stock is due to the purchase of 45,000 thousand treasury shares in accordance with a resolution of the Board of Directors held on April 28, 2021 and the receipt of requests to purchase 19 thousand shares of less than one unit.

2 The 4,454 thousand decrease in the number of common stock includes the transfer of 0 thousand shares from the receipt of requests to sell shares of less than one unit, the transfer of 2,934 thousand shares from the exercise of share acquisition rights, and 1,520 thousand shares granted as a result of the Restricted Stock Compensation Plan.

3 Share acquisition rights

Company Name	Item	Class of shares	Number of shares (shares)				Balance as of Mar. 31, 2022 (Millions of yen)
			As of Apr. 1, 2021	Increase	Decrease	As of Mar. 31, 2022	
Filing company	Share acquisition rights as stock options			–			9,109
	Total			–			9,109

4 Dividends

(1) Amount of dividends

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
April 28, 2021 Board of Directors	Common stock	38,096	25	March 31, 2021	June 1, 2021
October 27, 2021 Board of Directors	Common stock	25,693	17	September 30, 2021	December 1, 2021

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

Resolution	Type of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
April 27, 2022 Board of Directors	Common stock	Retained earnings	23,732	16	March 31, 2022	June 6, 2022

(Notes to consolidated statement of cash flows)

\*1 Reconciliation of closing balance of cash and cash equivalents and the related account on the consolidated balance sheet

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash and deposits	4,763,197	4,592,384
Time deposits with maturity over 3 months, etc.	(39,671)	(43,008)
Certificates of deposits with maturity of within 3 months *	—	5,000
Cash and cash equivalents	4,723,526	4,554,375

\* Certificates of deposits with maturity of within 3 months are included in Securities in the consolidated balance sheet.

\*2 Major components of assets and liabilities of companies that became new consolidated subsidiaries through an increase in equity ratio

The breakdown of assets and liabilities from the start of consolidation from new consolidations as a result of an increase in equity ratio and the relationship between the acquisition value of shares, etc. and the increase due to new consolidations is as follows.

Fiscal year ended March 31, 2021

Daiwa Office Investment Corporation

(Millions of yen)

Current assets	31,060
Non-current assets	571,705
Current liabilities	(31,698)
Non-current liabilities	(236,587)
Non-controlling interests	(200,614)
Goodwill	8,987
Amount of investment units repurchased	142,852
Amount valued using equity method up to the time when control was obtained	(95,889)
Gain on step acquisitions	(46,962)
Cash and cash equivalents	(25,968)
Net: Increase due to new consolidations	25,968

(Leases)

As lessee:

Operating lease transactions

Future minimum lease payments under non-cancelable operating leases

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Due within one year	11,380	11,730
Due after one year	52,841	45,366
Total	64,222	57,096

As lessor:

Operating lease transactions

Future minimum lease payments under non-cancelable operating leases

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Due within one year	9,847	14,722
Due after one year	20,722	59,542
Total	30,570	74,265

(Financial instruments)

1. Concerning the situation of financial instruments

(1) Policy for dealing with financial instruments

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

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

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

(2) Contents and risks of financial instruments

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

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

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

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

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

### (3) Risk management system concerning financial instruments

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

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

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

##### 1) 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 segment. The risk management department of the Company monitors and reports the market risk to the management of the Company on a daily basis.

In order to cover the capacity limit of VaR calculated by the statistical hypothesis based on the data obtained for a certain period, the Company applies the stress test with a scenario based on the impact of historical abrupt change in the market and assuming hypothetical stress events.

(Quantitative information concerning market risk)

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

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

In the meantime, the Group verifies the model by executing back tests which compare calculated VaR and the actual profit/loss. 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.

##### 2) 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.

##### 3) Management of model risk

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

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

The Group holds financial instruments in the business for other than trading, such as operational investment securities in the investment business, loans, securities, etc., in banking business and investment securities for business

relationships. These financial instruments carry market risk and credit risk as well. Because those financial instruments have a characteristic risk profile for each product, the Company has conducted risk management that suits each risk profile.

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

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

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

(Quantitative information concerning market risk)

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

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

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

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

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

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

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

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

(iii) Management of liquidity

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

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

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

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

The Group collectively manages and monitors the liquidity of the entire Group under the basic policy of securing the appropriate liquidity of the Group as a whole. The Company always monitors whether the liquidity portfolio is sufficiently secured against short-term raised funds without collateral in preparation for the case where it becomes difficult to raise new funds and to roll over 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.

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

The fair value of financial instruments is calculated based on certain assumptions, etc. and may be changed under different assumptions, etc.

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

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

As of March 31, 2021

(Millions of yen)

	Fair Value			
	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
(1) Trading products				
(i) Trading securities and other				
Equities	97,711	761	84	98,557
Government bonds, local bonds, etc.	1,535,114	261,692	–	1,796,807
General business bonds	5,978	320,058	1,305	327,343
Foreign bonds	1,027,327	308,726	6,151	1,342,205
Other	–	1,592,556	1,261	1,593,817
(ii) Derivatives				
Equity	21,850	157,971	28,822	208,643
Interest rate	948	1,712,457	9,229	1,722,634
Currency	2	503,484	4,119	507,606
Credit / Other	–	16,187	4,829	21,017
(2) Securities, operational investment securities and investment securities				
Other securities				
Equities	129,074	–	–	129,074
Government bonds, local bonds, etc.	204,272	11,929	–	216,201
General business bonds	–	181,839	18,859	200,698
Foreign bonds	100,268	230,094	12,216	342,578
Total assets	3,122,549	5,297,759	86,878	8,507,187

(Millions of yen)

	Fair Value			
	Level 1	Level 2	Level 3	Total
<u>Liabilities</u>				
(1) Trading products				
(i) Trading securities and other				
Equities	204,605	2,075	–	206,681
Government bonds, local bonds, etc.	971,348	–	–	971,348
Foreign bonds	769,608	23,483	–	793,092
Other	–	61,835	–	61,835
(ii) Derivatives				
Equity	57,998	153,190	8,807	219,996
Interest rate	117	1,637,156	6,032	1,643,306
Currency	17	440,052	249	440,319
Credit / Other	–	26,436	4,793	31,229
Total liabilities	2,003,697	2,344,230	19,883	4,367,811
Derivatives other than trading transactions (*1, *2)				
Currency	–	(2,122)	–	(2,122)
Total Derivatives other than trading transactions	–	(2,122)	–	(2,122)

\*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 (10,590) million yen.

\*3 We do not include in the table above the investment trusts to which transitional measures have been applied in accordance with Article 5, Paragraph 6 of the Supplementary Provisions of “Cabinet Office Ordinance to Partially Amend Regulations on Terms, Forms and Preparation Methods of Financial Statements, etc.” (Cabinet Office Ordinance No. 9 of March 6, 2020). The amount of the investment trust on the consolidated balance sheet is assets of 215,460 million yen and liabilities of 10 million yen in “Trading securities and other”, and assets of 125,934 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, September 29, 2020) to these hedging relationships.

As of March 31, 2022

(Millions of yen)

	Fair Value			
	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
(1) Trading products				
(i) Trading securities and other				
Equities	115,391	140	73	115,605
Government bonds, local bonds, etc.	2,265,332	189,523	–	2,454,856
General business bonds	7,319	445,249	20	452,589
Foreign bonds	1,823,468	298,980	51,977	2,174,426
Other	10,854	595,072	995	606,922
(ii) Derivatives				
Equity	64,191	168,739	82,179	315,110
Interest rate	1,636	1,176,144	5,008	1,182,790
Currency	2	542,976	3,568	546,547
Credit / Other	12	32,663	8,179	40,855
(2) Securities, operational investment securities and investment securities				
Other securities				
Equities	133,978	–	–	133,978
Government bonds, local bonds, etc.	189,599	30,749	–	220,349
General business bonds	–	199,301	18,332	217,634
Foreign bonds	117,859	270,930	17,341	406,131
Total assets	4,729,647	3,950,473	187,676	8,867,797

(Millions of yen)

	Fair Value			
	Level 1	Level 2	Level 3	Total
<u>Liabilities</u>				
(1) Trading products				
(i) Trading securities and other				
Equities	178,321	–	–	178,321
Government bonds, local bonds, etc.	1,221,603	158	–	1,221,762
Foreign bonds	1,367,511	25,988	–	1,393,499
Other	–	147,628	–	147,628
(ii) Derivatives				
Equity	139,035	184,876	5,842	329,755
Interest rate	440	1,134,415	4,677	1,139,533
Currency	8	481,936	444	482,389
Credit / Other	–	39,735	6,060	45,795
Total liabilities	2,906,921	2,014,740	17,024	4,938,686
Derivatives other than trading transactions (*1, *2)				
Currency	–	7,171	–	7,171
Total Derivatives other than trading transactions	–	7,171	–	7,171

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

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

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

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

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

As of March 31, 2021

(Millions of yen)

	Fair Value				Consolidated balance sheet amount	Difference total
	Level 1	Level 2	Level 3	Total		
Assets						
(1) Operating loans Allowance for doubtful accounts					1,996,121 (4,036)	
	–	–	1,992,190	1,992,190	1,992,084	105
(2) Securities, operational investment securities and investment securities						
(i) Held-to-maturity debt securities						
General business bonds	–	155,717	–	155,717	155,384	333
(ii) Subsidiary and affiliated company stock	73,220	–	–	73,220	56,812	16,407
Total assets	73,220	155,717	1,992,190	2,221,127	2,204,281	16,846
Liabilities						
(1) Deposits from banking business	–	4,415,643	–	4,415,643	4,416,097	453
(2) Bonds payable	–	1,560,395	–	1,560,395	1,557,333	(3,062)
(3) Long-term borrowings	–	1,584,931	–	1,584,931	1,586,913	1,982
Total liabilities	–	7,560,970	–	7,560,970	7,560,344	(626)

As of March 31, 2022

(Millions of yen)

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

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

(a) Margin transaction assets, margin transaction liabilities

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

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

(b) Guarantee deposits received

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

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

(1) Trading products

(i) Trading securities and other

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

For Bonds, the fair value is the market price (OTC and broker screen, etc.) of the bonds including similar bonds or the price reasonably measured market price information (trading reference statistics, etc.) using the gap with the index interest rate, etc. Some government bonds are classified as level 1 fair value, and others are classified as level 2 fair value. For Bonds, the fair value is the market price (OTC and broker screen, etc.) of those including similar bonds, or the price reasonably calculated from the fair value information (trading reference statistics, etc.) using the gap with the index interest rate, etc. 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 investment trusts, the fair value is the final price, final quote price, or base price of the exchange. However, investment trusts have no classification of levels, because transitional measures are applied in accordance with Paragraph 26 of the Fair Value Measurement Implementation Guidance.

(ii) Derivatives

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

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

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

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

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

(3) Derivatives other than trading transactions

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

(4) Operating loans

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

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

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

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

These are classified into level 3 fair value.

(5) Deposits from banking business

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

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

(6) Bonds payable

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

(7) Long-term borrowings

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

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

(1) Quantitative information on important unobservable inputs

As of March 31, 2021

Classification	Evaluation methodology	Important unobservable input	Input range
Derivatives	Expected cash flow discount model under risk-neutral measure		
Interest rates / exchanges		Swap rate	(0.1) - 2.3%
		Currency basis	(0.8) - 0.4%
Equity		Stock price volatility	19.1 - 22.1%
		Credit spread	0.1 - 4.1%
Credit / Other		Correlation coefficient	(0.06) - 0.90
Other securities		Credit spread	0.2 - 2.1%
		Stock price volatility	26.4 - 55.4%

As of March 31, 2022

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

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

Fiscal year ended March 31, 2021

(Millions of yen)

	Trading securities and other (Assets)	Derivatives (Net)	Operational investment securities	Other Securities	Total
Beginning balance	17,717	67,416	103	24,825	110,063
Gain / loss for the previous consolidated fiscal year					
Recorded in gain and loss (*2)	737	(13,714)	–	–	(12,977)
Purchase, sale, issuance and settlement					
Purchase	40,587	2,238	128	5,120	48,074
Sale	(43,203)	(16)	–	–	(43,220)
Issuance	–	–	–	–	–
Settlement	–	(13,451)	–	–	(13,451)
Transfer to Level 3 fair value (*1, *4)	8,117	(1,110)	–	–	7,006
Transfer from Level 3 fair value (*1, *5)	(15,152)	(14,245)	–	(507)	(29,905)
Change in valuation difference	–	–	–	1,404	1,404
Ending Balance	8,802	27,116	232	30,843	66,994
Unrealized gain / loss on financial instruments held on the consolidated balance sheet which is booked in gain / loss for the previous fiscal year (*3)	31	(27,165)	–	–	(27,134)

\*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.

Fiscal year ended March 31, 2022

(Millions of yen)

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

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

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

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

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

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

(3) Explanation of the fair value valuation process

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

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

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

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

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

The fair value of over-the-counter derivative transactions is measured from multiple inputs given for each maturity or currency, and if the market fluctuates, the fair value will increase or decrease as the sum of the effects of all inputs. In addition, the impact of each input fluctuation on the fair value is determined by the product features of each transaction.

The unobservable inputs used to measure the fair value of Level 3 financial instruments are not necessarily independent from and may correlate with other inputs. Many of these relationships are captured through correlation coefficients, and the effects of a wide range of correlation coefficients between multiple assets increase or decrease the fair value of financial instruments.

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

As of March 31, 2021

(Millions of yen)

	Fair Value	Plus Fair value fluctuation	Minus Fair value fluctuation
Derivatives	27,116	1,443	1,443
Other securities	30,843	1,131	379

As of March 31, 2022

(Millions of yen)

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

(Note) 3 Stocks, etc., without fair prices (unlisted stocks, etc.) and partnership investment, etc. in the previous 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	114,787
Other securities	
Unlisted stock *1	34,316
Partnership investment, etc. *2	111,199

\*1 Regarding unlisted stocks, since there is no market price, it is not the target of fair value disclosure based on Paragraph 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 Paragraph 27 of the Fair Value Measurement Implementation Guidance.

\*3 Partnership investment, etc. includes 73,204 million yen in the current fiscal year that is investments in investment limited partnerships, etc. equating to subsidiaries, etc.

(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	118,868
Other securities	
Unlisted stock *1	36,888
Partnership investment, etc. *2	144,485

\*1 Regarding unlisted stocks, since there is no market price, it is not the target of fair value disclosure based on Paragraph 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 Paragraph 27 of the Fair Value Measurement Implementation Guidance.

\*3 Partnership investment, etc. includes 100,853 million yen in the current fiscal year that is investments in investment limited partnerships, etc. equating to subsidiaries, etc.

(Note) 5 Expected redemption amounts of monetary claims and securities with maturity after the consolidated balance sheet date  
As of March 31, 2021

(Millions of yen)

	Not later than one year	Later than one year and not later than five years	Later than five years and not later than ten years	More than ten years
Operating loans	1,446,141	327,940	157,819	64,220
Securities, operational investment securities and investment securities				
Held-to-maturity debt securities	–	8,298	–	147,085
General business bonds	–	8,298	–	147,085
Other securities with maturities	148,135	207,537	88,400	315,083
Bonds	148,135	207,537	88,400	315,083
Government bonds, local bonds, etc.	10,080	11,929	–	194,192
General business bonds	67,307	49,010	24,692	59,560
Foreign bonds	70,747	146,597	63,707	61,331
Total	1,594,276	543,776	246,219	526,389

As of March 31, 2022

(Millions of yen)

	Not later than one year	Later than one year and not later than five years	Later than five years and not later than ten years	More than ten years
Operating loans	1,254,401	342,155	259,430	77,769
Securities, operational investment securities and investment securities				
Held-to-maturity debt securities	8,299	–	–	163,277
General business bonds	8,299	–	–	163,277
Other securities with maturities	93,248	340,097	96,753	314,016
Bonds	93,248	340,097	96,753	314,016
Government bonds, local bonds, etc.	5,900	24,848	–	189,599
General business bonds	32,700	112,853	15,189	61,021
Foreign bonds	54,647	202,394	81,564	63,394
Total	1,355,949	682,253	356,183	555,063

(Note) 6 Repayment schedule of corporate bonds, long-term borrowings and other interest-bearing debt after the consolidated balance sheet date  
As of March 31, 2021

(Millions of yen)

	Not later than one year	Later than one year and not later than five years	Later than five years and not later than ten years	More than ten years
Deposits from banking business	4,377,029	39,067	–	–
Bonds payable	–	982,964	293,169	281,198
Long-term borrowings	–	981,601	378,950	226,362
Total	4,377,029	2,003,633	672,119	507,561

\* Within deposits from banking business, demand deposits are included and disclosed in for not later than one year.

As of March 31, 2022

(Millions of yen)

	Not later than one year	Later than one year and not later than five years	Later than five years and not later than ten years	More than ten years
Deposits from banking business	4,161,944	27,160	–	–
Bonds payable	–	1,059,630	218,362	285,638
Long-term borrowings	–	663,812	389,793	183,443
Total	4,161,944	1,750,603	608,155	469,082

\* Within deposits from banking business, demand deposits are included and disclosed in for not later than one year.

(Securities)

- 1 Trading products  
Trading securities and other  
As of March 31, 2021

(Millions of yen)

Type	Fair Value	
	Assets	Liabilities
Equities	98,557	206,681
Bonds	3,466,356	1,764,441
Commercial papers and certificates of deposits	999	–
Beneficiary certificates	215,460	10
Other	1,592,818	61,835
Net unrealized gains (losses) included in the gains and losses in the fiscal year	(2,446)	(4,583)

As of March 31, 2022

(Millions of yen)

Type	Fair Value	
	Assets	Liabilities
Equities	115,605	178,321
Bonds	5,085,595	2,615,262
Commercial papers and certificates of deposits	7,130	–
Beneficiary certificates	115,217	7,214
Other	596,067	147,628
Net unrealized gains (losses) included in the gains and losses in the fiscal year	(7,401)	17,771

2 Securities, operational investment securities and investment securities

(i) Held-to-maturity debt securities

As of March 31, 2021

(Millions of yen)

Type	Amounts in consolidated balance sheet	Fair Value	Difference total
Items whose fair value exceed the amount in consolidated balance sheet	115,820	116,390	569
Government bonds, local bonds, etc.	—	—	—
Bonds payable	115,820	116,390	569
Other	—	—	—
Items whose fair value does not exceed the amount in consolidated balance sheet	39,563	39,326	(236)
Government bonds, local bonds, etc.	—	—	—
Bonds payable	39,563	39,326	(236)
Other	—	—	—

As of March 31, 2022

(Millions of yen)

Type	Amounts in consolidated balance sheet	Fair Value	Difference total
Items whose fair value exceed the amount in consolidated balance sheet	12,932	12,940	8
Government bonds, local bonds, etc.	—	—	—
Bonds payable	12,932	12,940	8
Other	—	—	—
Items whose fair value does not exceed the amount in consolidated balance sheet	158,644	157,374	(1,269)
Government bonds, local bonds, etc.	—	—	—
Bonds payable	158,644	157,374	(1,269)
Other	—	—	—

(ii) Other securities  
As of March 31, 2021

(Millions of yen)

Type	Amounts in consolidated balance sheet	Acquisition cost or amortized cost	Difference total
Items whose carrying amount exceeds acquisition cost or amortized cost	587,935	517,567	70,368
Stocks	112,737	63,307	49,429
Bonds	375,152	364,092	11,059
Government bonds, local bonds, etc.	94,064	92,119	1,944
Bonds payable	73,248	71,297	1,950
Other	207,840	200,675	7,164
Other	100,045	90,167	9,878
Items whose carrying amount does not exceed acquisition cost or amortized cost	433,888	450,522	(16,634)
Stocks	24,862	29,716	(4,854)
Bonds	358,347	366,941	(8,594)
Government bonds, local bonds, etc.	122,137	127,136	(4,999)
Bonds payable	132,866	132,970	(103)
Other	103,342	106,834	(3,492)
Other	50,677	53,863	(3,185)

(Note) Securities without market prices (unlisted stocks, etc.) and partnership investment, etc. are not included in the above table.  
(Financial Instruments) 2. Concerning the fair value and the breakdown of each level for financial instruments as described in (Note) 3.)

As of March 31, 2022

(Millions of yen)

Type	Amounts in consolidated balance sheet	Acquisition cost or amortized cost	Difference total
Items whose carrying amount exceeds acquisition cost or amortized cost	607,374	548,780	58,594
Stocks	120,437	74,228	46,208
Bonds	321,096	318,380	2,716
Government bonds, local bonds, etc.	95,721	95,663	58
Bonds payable	64,589	63,161	1,427
Other	160,785	159,555	1,230
Other	165,840	156,170	9,669
Items whose carrying amount does not exceed acquisition cost or amortized cost	590,131	618,816	(28,685)
Stocks	22,109	27,371	(5,261)
Bonds	496,601	518,157	(21,556)
Government bonds, local bonds, etc.	124,627	132,179	(7,552)
Bonds payable	166,103	166,190	(86)
Other	205,870	219,788	(13,917)
Other	71,420	73,288	(1,867)

(Note) Securities without market prices (unlisted stocks, etc.) and partnership investment, etc. are not included in the above table.  
((Financial Instruments) 2. Concerning the fair value and the breakdown of each level for financial instruments as described in (Note) 4.)

(iii) Held-to-maturity debt securities sold during the fiscal year

Fiscal year ended March 31, 2021

Not applicable.

Fiscal year ended March 31, 2022

Not applicable.

## (iv) Other securities sold during the fiscal year

Fiscal year ended March 31, 2021

(Millions of yen)

Classification	Sale proceeds	Total gain on sale	Total loss on sale
Stocks	23,595	7,757	213
Bonds	64,563	1,691	583
Government bonds, local bonds, etc.	—	—	—
Bonds payable	—	—	—
Other	64,563	1,691	583
Other	55,100	7,230	10,602
Total	143,259	16,679	11,399

Fiscal year ended March 31, 2022

(Millions of yen)

Classification	Sale proceeds	Total gain on sale	Total loss on sale
Stocks	11,175	5,497	2
Bonds	35,482	832	360
Government bonds, local bonds, etc.	9,959	0	—
Bonds payable	—	—	—
Other	25,523	832	360
Other	12,102	1,126	2,442
Total	58,759	7,457	2,805

## 3 Securities subject to the recognition of impairment losses

In the previous fiscal year, we recognized 10,669 million yen of impairment losses on available-for-sale securities (comprising 3,494 million yen for stocks, 6,448 million yen for investment partnerships and 726 million yen for other).

In the current fiscal year, we recognized 987 million yen of impairment losses on available-for-sale securities (comprising 655 million yen for stocks and 331 million yen for other).

Note that for impairment losses of securities with a market price, if the rate of decline of the market price at the end of the fiscal year is 50% or more of the acquisition cost, we deem this to be a pronounced decline without likelihood of recovery and recognize it as impairment losses. In addition, if the rate of decline of the market price is 30% or more and less than 50% of the acquisition cost, we comprehensively assess aspects such as the movement in the market price and the financial position, and consider the possibility of recovery. We recognize impairment losses for items we deem to have no likelihood of recovery.

## 4 Securities whose classification was changed

Not applicable.

## (Derivatives)

1 Trading transactions  
As of March 31, 2021

## (1) Equity-related transactions (Millions of yen)

Type	Assets		Liabilities	
	Contract amount, etc.	Fair Value	Contract amount, etc.	Fair Value
Futures and forwards	335,977	12,088	651,982	18,252
Swaps	463,945	29,587	92,461	9,979
Options	1,474,958	166,968	1,969,716	191,764
Total	2,274,881	208,643	2,714,160	219,996

## (2) Interest rate-related transactions (Millions of yen)

Type	Assets		Liabilities	
	Contract amount, etc.	Fair Value	Contract amount, etc.	Fair Value
Futures and forwards	12,048,369	50,932	5,263,754	35,432
Swaps	61,803,143	1,671,691	63,864,597	1,608,549
Options	99,941	7,639	75,483	6,952
Total	73,951,455	1,730,263	69,203,835	1,650,935

## (3) Currency-related transactions (Millions of yen)

Type	Assets		Liabilities	
	Contract amount, etc.	Fair Value	Contract amount, etc.	Fair Value
Futures and forwards	122,057	8,539	16,545	813
Foreign exchange forward	1,557,843	44,086	1,792,068	58,763
Swaps	5,071,877	369,498	4,995,217	274,693
Options	606,145	77,900	1,012,784	98,467
Total	7,357,924	500,025	7,816,616	432,738

## (4) Credit / Other (Millions of yen)

Type	Assets		Liabilities	
	Contract amount, etc.	Fair Value	Contract amount, etc.	Fair Value
Credit / Other	1,399,093	20,969	1,720,590	31,181
Total	1,399,093	20,969	1,720,590	31,181

(Note) The method of calculating fair value is described in “(Financial Instruments) 2. Concerning the fair value and the breakdown of each level for financial instruments (Note) 1 Explanation of Evaluation Techniques Used for Measurement of Fair Value and Inputs for Measurement of Fair Value (1) Trading products (ii) Derivative transactions”.

As of March 31, 2022

(1) Equity-related transactions

(Millions of yen)

Type	Assets		Liabilities	
	Contract amount, etc.	Fair Value	Contract amount, etc.	Fair Value
Futures and forwards	413,666	6,209	678,365	34,699
Swaps	708,969	74,373	169,301	7,815
Options	3,676,055	234,527	4,172,984	287,239
Total	4,798,690	315,110	5,020,650	329,755

(2) Interest rate-related transactions

(Millions of yen)

Type	Assets		Liabilities	
	Contract amount, etc.	Fair Value	Contract amount, etc.	Fair Value
Futures and forwards	3,172,953	34,850	1,808,451	23,160
Swaps	48,524,615	1,147,489	46,459,352	1,116,309
Options	51,499	450	33,764	64
Total	51,749,068	1,182,790	48,301,569	1,139,533

(3) Currency-related transactions

(Millions of yen)

Type	Assets		Liabilities	
	Contract amount, etc.	Fair Value	Contract amount, etc.	Fair Value
Futures and forwards	121,734	15,419	26,081	2,517
Foreign exchange forward	2,417,129	91,177	2,820,279	117,374
Swaps	4,793,550	364,922	4,409,058	245,488
Options	560,103	75,026	920,934	117,007
Total	7,892,516	546,547	8,176,353	482,389

(4) Credit / Other

(Millions of yen)

Type	Assets		Liabilities	
	Contract amount, etc.	Fair Value	Contract amount, etc.	Fair Value
Futures and forwards	94	12	–	–
Credit / Other	2,133,890	40,843	2,180,990	45,795
Total	2,133,985	40,855	2,180,990	45,795

(Note) The method of calculating fair value is described in “(Financial Instruments) 2. Concerning the fair value and the breakdown of each level for financial instruments (Note) 1 Explanation of Evaluation Techniques Used for Measurement of Fair Value and Inputs for Measurement of Fair Value (1) Trading products (ii) Derivative transactions”.

2 Other than trading transactions

(i) Transactions outside the scope of hedge accounting

The contract amount or the amount equivalent to the principal stipulated in the contract, the fair value and unrealized gain or loss are as follows.

As of March 31, 2021

(Millions of yen)

Underlying asset classification	Type	Contract amount, etc.	Fair Value	Valuation gain (loss)
Currency-related transactions	Swaps	83,072	(1,087)	(1,087)
Currency-related transactions	Foreign exchange forward	196,915	(1,034)	(1,034)

(Note) The method of calculating fair value is described in “(Financial Instruments) 2. Concerning the fair value and the breakdown of each level for financial instruments (Note) 1 Explanation of Evaluation Techniques Used for Measurement of Fair Value and Inputs for Measurement of Fair Value (1) Trading products (ii) Derivative transactions”.

As of March 31, 2022

(Millions of yen)

Underlying asset classification	Type	Contract amount, etc.	Fair Value	Valuation gain (loss)
Currency-related transactions	Foreign exchange forward	337,649	2,957	2,957

(Note) The method of calculating fair value is described in “(Financial Instruments) 2. Concerning the fair value and the breakdown of each level for financial instruments (Note) 1 Explanation of Evaluation Techniques Used for Measurement of Fair Value and Inputs for Measurement of Fair Value (1) Trading products (ii) Derivative transactions”.

(ii) Transactions subject to hedge accounting

Major hedged items, the contract amount or the amount equivalent to the principal stipulated in the contract and fair value are as follows.

As of March 31, 2021

(Millions of yen)

Underlying asset classification	Type	Accounting methods for hedging	Major hedged items	Contract amount, etc.	Fair Value
Interest rate-related transactions	Swaps	Deferred hedge accounting	Borrowings and securities	482,502	(8,833)
Currency-related transactions	Swaps	Deferred hedge accounting*	Loans and securities denominated in foreign currencies	35,306	(1,056)
Currency-related transactions	Foreign exchange forward	Deferred hedge accounting*	Loans, securities and deposits denominated in foreign currencies	274,938	(700)

\* Deferred hedge method is used for subsidiaries conducting banking business based on the Industry Committee Practical Guidelines No. 25.

As of March 31, 2022

(Millions of yen)

Underlying asset classification	Type	Accounting methods for hedging	Major hedged items	Contract amount, etc.	Fair Value
Interest rate-related transactions	Swaps	Deferred hedge accounting	Borrowings and securities	694,211	12,180
Currency-related transactions	Swaps	Deferred hedge accounting*	Loans and securities denominated in foreign currencies	13,164	(1,715)
Currency-related transactions	Foreign exchange forward	Deferred hedge accounting*	Loans, securities and deposits denominated in foreign currencies	291,824	(6,250)

\* Deferred hedge method is used for subsidiaries conducting banking business based on the Industry Committee Practical Guidelines No. 25.

(Retirement benefits)

1 Overview of retirement benefit plans adopted

The Company and its major domestic consolidated subsidiaries maintain unfunded defined benefit plans (a lump-sum retirement plan) and defined contribution plans.

Note that some overseas consolidated subsidiaries also maintain defined contribution plans.

2 Defined benefit plans

(1) Changes in retirement benefit obligations

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Balance of retirement benefit obligations at beginning of period	44,359	44,773
Service cost	3,979	3,935
Retirement benefits paid	(3,671)	(4,586)
Other	106	114
Balance of retirement benefit obligations at end of period	44,773	44,236

(2) Reconciliation between ending balance of retirement benefit obligations and plan assets, and retirement benefit liability/asset recorded in the consolidated balance sheet

	As of March 31, 2021	As of March 31, 2022
Retirement benefit obligations of funded plans	–	–
Plan assets	–	–
	–	–
Retirement benefit obligations of unfunded plans	44,773	44,236
Net amount of liabilities and assets recorded in the consolidated balance sheet	44,773	44,236
Retirement benefit liability	44,773	44,236
Net amount of liabilities and assets recorded in the consolidated balance sheet	44,773	44,236

(3) Amounts of retirement benefit expenses and their components

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Service cost	3,979	3,935
Retirement benefit expenses for defined benefit plans	3,979	3,935

3 Defined contribution plans

The amounts of required contributions to defined contribution plans of the Company and certain consolidated subsidiaries were 4,959 million yen as of March 31, 2021 and 5,133 million yen as of March 31, 2022.

(Stock options, etc.)

1 Account title and amount of stock options recorded as expenses

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Personnel expenses in selling, general and administrative expenses	774	695

2 Amount recorded as profit from forfeiture due to the non-exercise of stock option rights

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Other in non-operating income	149	159

3 Outline, volume and changes of stock options

(1) Description of stock options

Company Name	Filing company
Name of Share Acquisition Rights	Share Acquisition Rights issued in June 2005
Category and number of grantees	Directors and Corporate Executive Officers of the Company: 15 Directors and Senior Managing Directors of the Company's subsidiaries and affiliates: 76
Class and number of shares granted (shares)	Common Stock: 538,000
Grant date	June 24, 2005
Vesting conditions	Not attached
Requisite service period	Not prescribed
Exercise period	From July 1, 2005 to June 30, 2025

Company Name	Filing company
Name of Share Acquisition Rights	Share Acquisition Rights issued in July 2006
Category and number of grantees	Directors and Corporate Executive Officers of the Company: 15 Directors and Senior Managing Directors of the Company's subsidiaries: 77
Class and number of shares granted (shares)	Common Stock: 301,000
Grant date	July 1, 2006
Vesting conditions	Not attached
Requisite service period	Not prescribed
Exercise period	From July 1, 2006 to June 30, 2026

Company Name	Filing company
Name of Share Acquisition Rights	Share Acquisition Rights issued in July 2007
Category and number of grantees	Directors and Corporate Executive Officers of the Company: 16 Directors and Senior Managing Directors of the Company's subsidiaries: 79
Class and number of shares granted (shares)	Common Stock: 309,000
Grant date	July 1, 2007
Vesting conditions	Not attached
Requisite service period	Not prescribed
Exercise period	From July 1, 2007 to June 30, 2027

Company Name	Filing company
Name of Share Acquisition Rights	Share Acquisition Rights issued in July 2008
Category and number of grantees	Directors and Corporate Executive Officers of the Company: 15 Directors and Senior Managing Directors of the Company's subsidiaries: 83
Class and number of shares granted (shares)	Common Stock: 350,000
Grant date	July 1, 2008
Vesting conditions	Not attached
Requisite service period	Not prescribed
Exercise period	From July 1, 2008 to June 30, 2028

Company Name	Filing company
Name of Share Acquisition Rights	Share Acquisition Rights issued in July 2009
Category and number of grantees	Directors and Corporate Executive Officers of the Company: 16 Directors and Senior Managing Directors of the Company's subsidiaries: 90
Class and number of shares granted (shares)	Common Stock: 664,000
Grant date	July 1, 2009
Vesting conditions	Not attached
Requisite service period	Not prescribed
Exercise period	From July 1, 2009 to June 30, 2029

Company Name	Filing company
Name of Share Acquisition Rights	Share Acquisition Rights issued in July 2010
Category and number of grantees	Directors and Corporate Executive Officers of the Company: 15 Directors and Senior Managing Directors of the Company's subsidiaries: 102
Class and number of shares granted (shares)	Common Stock: 1,056,000
Grant date	July 1, 2010
Vesting conditions	Not attached
Requisite service period	Not prescribed
Exercise period	From July 1, 2010 to June 30, 2030

Company Name	Filing company	
Name of Share Acquisition Rights	Share Acquisition Rights issued in July 2011	Share Acquisition Rights, Series 8
Category and number of grantees	Directors and Corporate Executive Officers of the Company: 15 Directors and Senior Managing Directors of the Company's subsidiaries: 96	Employees of the Company: 230 Directors, Senior Managing Directors and employees of subsidiaries and affiliates: 2,059
Class and number of shares granted (shares)	Common Stock: 1,211,000	Common Stock: 5,855,000
Grant date	July 1, 2011	September 5, 2011
Vesting conditions	Not attached	Continuous service from the grant date until the vested date (June 30, 2016)
Requisite service period	Not prescribed	From September 5, 2011 to June 30, 2016
Exercise period	From July 1, 2011 to June 30, 2031	From July 1, 2016 to June 24, 2021

Company Name	Filing company	
Name of Share Acquisition Rights	Share Acquisition Rights issued in February 2013	Share Acquisition Rights, Series 9
Category and number of grantees	Directors, Corporate Executive Officer, and Senior Managing Directors of the Company: 18 Directors and Senior Managing Directors of the Company's subsidiaries: 85	Directors, Senior Managing Directors and employees of subsidiaries and affiliates: 2,719
Class and number of shares granted (shares)	Common Stock: 831,000	Common Stock: 6,333,000
Grant date	February 12, 2013	February 12, 2013
Vesting conditions	Not attached	Continuous service from the grant date until the vested date (June 30, 2017)
Requisite service period	Not prescribed	From February 12, 2013 to June 30, 2017
Exercise period	From February 12, 2013 to June 30, 2032	From July 1, 2017 to June 26, 2022

Company Name	Filing company	
Name of Share Acquisition Rights	Share Acquisition Rights issued in February 2014	Share Acquisition Rights, Series 10
Category and number of grantees	Directors, Corporate Executive Officers, and Senior Managing Directors of the Company: 22 Directors and Senior Managing Directors of the Company's subsidiaries: 81	Directors, Senior Managing Directors and employees of subsidiaries and affiliates: 2,881
Class and number of shares granted (shares)	Common Stock: 404,000	Common Stock: 3,964,000
Grant date	February 10, 2014	February 10, 2014
Vesting conditions	Not attached	Continuous service from the grant date until the vested date (June 30, 2018)
Requisite service period	Not prescribed	From February 10, 2014 to June 30, 2018
Exercise period	From February 10, 2014 to June 30, 2033	From July 1, 2018 to June 25, 2023

Company Name	Filing company	
Name of Share Acquisition Rights	Share Acquisition Rights issued in February 2015	Share Acquisition Rights, Series 11
Category and number of grantees	Directors, Corporate Executive Officers, and Senior Managing Directors of the Company: 21 Directors and Senior Managing Directors of the Company's subsidiaries: 85	Employees of the Company and Directors, Senior Managing Directors and employees of subsidiaries and affiliates: 3,072
Class and number of shares granted (shares)	Common Stock: 461,000	Common Stock: 5,418,000
Grant date	February 9, 2015	February 9, 2015
Vesting conditions	Not attached	Continuous service from the grant date until the vested date (June 30, 2019)
Requisite service period	Not prescribed	From February 9, 2015 to June 30, 2019
Exercise period	From February 9, 2015 to June 30, 2034	From July 1, 2019 to June 25, 2024

Company Name	Filing company	
Name of Share Acquisition Rights	Share Acquisition Rights issued in February 2016	Share Acquisition Rights, Series 12
Category and number of grantees	Directors, Corporate Executive Officers, and Senior Managing Directors of the Company: 21 Directors and Senior Managing Directors of the Company's subsidiaries: 85	Employees of the Company and Directors, Senior Managing Directors and employees of subsidiaries and affiliates: 3,238
Class and number of shares granted (shares)	Common Stock: 581,000	Common Stock: 4,484,000
Grant date	February 16, 2016	February 16, 2016
Vesting conditions	Not attached	Continuous service from the grant date until the vested date (June 30, 2020)
Requisite service period	Not prescribed	From February 16, 2016 to June 30, 2020
Exercise period	From February 16, 2016 to June 30, 2035	From July 1, 2020 to June 24, 2025

Company Name	Filing company	
Name of Share Acquisition Rights	Share Acquisition Rights issued in February 2017	Share Acquisition Rights, Series 13
Category and number of grantees	Directors, Corporate Executive Officers, and Senior Managing Directors of the Company: 19 Directors and Senior Managing Directors of the Company's subsidiaries: 90	Employees of the Company and Directors, Senior Managing Directors and employees of subsidiaries and affiliates: 3,482
Class and number of shares granted (shares)	Common Stock: 574,000	Common Stock: 7,448,000
Grant date	February 8, 2017	February 8, 2017
Vesting conditions	Not attached	Continuous service from the grant date until the vested date (June 30, 2021)
Requisite service period	Not prescribed	From February 8, 2017 to June 30, 2021
Exercise period	From February 8, 2017 to June 30, 2036	From July 1, 2021 to June 27, 2026

Company Name	Filing company	
Name of Share Acquisition Rights	Share Acquisition Rights issued in February 2018	Share Acquisition Rights, Series 14
Category and number of grantees	Directors, Corporate Executive Officers, and Senior Managing Directors of the Company: 21 Directors and Senior Managing Directors of the Company's subsidiaries: 97	Employees of the Company, its subsidiaries and affiliates, and Directors and Senior Managing Directors of subsidiaries and affiliates: 3,621
Class and number of shares granted (shares)	Common Stock: 599,000	Common Stock: 7,462,000
Grant date	February 8, 2018	February 8, 2018
Vesting conditions	Not attached	Continuous service from the grant date until the vested date (June 30, 2022)
Requisite service period	Not prescribed	From February 8, 2018 to June 30, 2022
Exercise period	From February 8, 2018 to June 30, 2037	From July 1, 2022 to June 27, 2027

Company Name	Filing company	
Name of Share Acquisition Rights	Share Acquisition Rights, Series 15	
Category and number of grantees	Employees of the Company, its subsidiaries and affiliates, and Directors and Senior Managing Directors of subsidiaries and affiliates: 3,841	
Class and number of shares granted (shares)	Common Stock: 7,469,500	
Grant date	August 10, 2018	
Vesting conditions	Continuous service from the grant date until the vested date (June 30, 2023)	
Requisite service period	From August 10, 2018 to June 30, 2023	
Exercise period	From July 1, 2023 to June 26, 2028	

Company Name	Filing company
Name of Share Acquisition Rights	Share Acquisition Rights, Series 16
Category and number of grantees	Employees of the Company and its subsidiaries, and Directors and Senior Managing Directors of subsidiaries: 3,826
Class and number of shares granted (shares)	Common Stock: 8,462,500
Grant date	August 26, 2019
Vesting conditions	Continuous service from the grant date until the vested date (June 30, 2024)
Requisite service period	From August 26, 2019 to June 30, 2024
Exercise period	From July 1, 2024 to July 30, 2029

Company Name	Filing company
Name of Share Acquisition Rights	Share Acquisition Rights, Series 17
Category and number of grantees	Employees of the Company and its subsidiaries, and affiliates, and Directors and Senior Managing Directors of subsidiaries: 4,046
Class and number of shares granted (shares)	Common Stock: 7,920,000
Grant date	August 17, 2020
Vesting conditions	Continuous service from the grant date until the vested date (June 30, 2025)
Requisite service period	From August 17, 2020 to June 30, 2025
Exercise period	From July 1, 2025 to July 30, 2030

Company Name	Filing company
Name of Share Acquisition Rights	Share Acquisition Rights, Series 18
Category and number of grantees	Employees of the Company and its subsidiaries, and Directors and Senior Managing Directors of subsidiaries: 4,026
Class and number of shares granted (shares)	Common Stock: 7,946,500
Grant date	August 13, 2021
Vesting conditions	Continuous service from the grant date until the vested date (June 30, 2026)
Requisite service period	From August 13, 2021 to June 30, 2026
Exercise period	From July 1, 2026 to July 28, 2031

(2) Volume and changes of stock options

The number of stock options is reported as the number of shares equivalent for stock options present in the current fiscal year (the fiscal year ended March 31, 2022).

(i) Number of stock options

Company Name	Filing company
Name of Share Acquisition Rights	Share Acquisition Rights issued in June 2005
Stock options before vesting (shares)	
Beginning of period	–
Granted	–
Forfeited	–
Vested	–
Unvested balance	–
Stock options after vesting (shares)	
Beginning of period	95,000
Vested	–
Exercised	16,000
Forfeited	–
Unexercised balance	79,000

Filing company
Share Acquisition Rights issued in July 2006
–
–
–
–
–
69,000
–
8,000
–
61,000

Company Name	Filing company
Name of Share Acquisition Rights	Share Acquisition Rights issued in July 2007
Stock options before vesting (shares)	
Beginning of period	–
Granted	–
Forfeited	–
Vested	–
Unvested balance	–
Stock options after vesting (shares)	
Beginning of period	102,000
Vested	–
Exercised	23,000
Forfeited	–
Unexercised balance	79,000

Filing company
Share Acquisition Rights issued in July 2008
–
–
–
–
–
130,000
–
25,000
–
105,000

Company Name	Filing company
Name of Share Acquisition Rights	Share Acquisition Rights issued in July 2009
Stock options before vesting (shares)	
Beginning of period	–
Granted	–
Forfeited	–
Vested	–
Unvested balance	–
Stock options after vesting (shares)	
Beginning of period	329,000
Vested	–
Exercised	30,000
Forfeited	–
Unexercised balance	299,000

Filing company
Share Acquisition Rights issued in July 2010
–
–
–
–
–
665,000
–
76,000
–
589,000

Company Name	Filing company	
Name of Share Acquisition Rights	Share Acquisition Rights issued in July 2011	Share Acquisition Rights, Series 8
Stock options before vesting (shares)		
Beginning of period	–	–
Granted	–	–
Forfeited	–	–
Vested	–	–
Unvested balance	–	–
Stock options after vesting (shares)		
Beginning of period	948,000	1,395,000
Vested	–	–
Exercised	52,000	1,172,000
Forfeited	–	223,000
Unexercised balance	896,000	–

Filing company	
Share Acquisition Rights issued in February 2013	Share Acquisition Rights, Series 9
–	–
–	–
–	–
–	–
–	–
695,000	4,864,000
–	–
18,000	1,497,000
–	76,000
677,000	3,291,000

Company Name	Filing company		Filing company	
	Share Acquisition Rights issued in February 2014	Share Acquisition Rights, Series 10	Share Acquisition Rights issued in February 2015	Share Acquisition Rights, Series 11
Stock options before vesting (shares)				
Beginning of period	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Unvested balance	–	–	–	–
Stock options after vesting (shares)				
Beginning of period	351,000	3,547,000	429,000	4,840,000
Vested	–	–	–	–
Exercised	8,000	–	7,000	–
Forfeited	–	64,000	–	98,000
Unexercised balance	343,000	3,483,000	422,000	4,742,000

Company Name	Filing company		Filing company	
	Share Acquisition Rights issued in February 2016	Share Acquisition Rights, Series 12	Share Acquisition Rights issued in February 2017	Share Acquisition Rights, Series 13
Stock options before vesting (shares)				
Beginning of period	–	–	–	6,833,000
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	6,833,000
Unvested balance	–	–	–	–
Stock options after vesting (shares)				
Beginning of period	552,000	4,054,000	556,000	–
Vested	–	–	–	6,833,000
Exercised	–	4,000	–	1,000
Forfeited	–	89,000	–	143,000
Unexercised balance	552,000	3,961,000	556,000	6,689,000

Company Name	Filing company		Filing company
Name of Share Acquisition Rights	Share Acquisition Rights issued in February 2018	Share Acquisition Rights, Series 14	Share Acquisition Rights, Series 15
Stock options before vesting (shares)			
Beginning of period	–	6,911,000	7,006,500
Granted	–	–	–
Forfeited	–	163,000	169,000
Vested	–	–	–
Unvested balance	–	6,748,000	6,837,500
Stock options after vesting (shares)			
Beginning of period	591,000	–	–
Vested	–	–	–
Exercised	6,000	–	–
Forfeited	–	–	–
Unexercised balance	585,000	–	–

Company Name	Filing company	Filing company
Name of Share Acquisition Rights	Share Acquisition Rights, Series 16	Share Acquisition Rights, Series 17
Stock options before vesting (shares)		
Beginning of period	8,073,000	7,805,000
Granted	–	–
Forfeited	234,500	229,500
Vested	–	–
Unvested balance	7,838,500	7,575,500
Stock options after vesting (shares)		
Beginning of period	–	–
Vested	–	–
Exercised	–	–
Forfeited	–	–
Unexercised balance	–	–

Company Name	Filing company
Name of Share Acquisition Rights	Share Acquisition Rights, Series 18
Stock options before vesting (shares)	
Beginning of period	–
Granted	7,946,500
Forfeited	133,500
Vested	–
Unvested balance	7,813,000
Stock options after vesting (shares)	
Beginning of period	–
Vested	–
Exercised	–
Forfeited	–
Unexercised balance	–

## (ii) Per share price

Company Name	Filing company
Name of Share Acquisition Rights	Share Acquisition Rights issued in June 2005
Exercise price (yen)	1
Average price per share upon exercise (yen)	671
Fair value per share at grant date (Yen)	-

Filing company
Share Acquisition Rights issued in July 2006
1
611
1,363

Company Name	Filing company
Name of Share Acquisition Rights	Share Acquisition Rights issued in July 2007
Exercise price (yen)	1
Average price per share upon exercise (yen)	620
Fair value per share at grant date (Yen)	1,312

Filing company
Share Acquisition Rights issued in July 2008
1
609
972

Company Name	Filing company
Name of Share Acquisition Rights	Share Acquisition Rights issued in July 2009
Exercise price (yen)	1
Average price per share upon exercise (yen)	655
Fair value per share at grant date (Yen)	580

Filing company
Share Acquisition Rights issued in July 2010
1
678
375

Company Name	Filing company	
Name of Share Acquisition Rights	Share Acquisition Rights issued in July 2011	Share Acquisition Rights, Series 8
Exercise price (yen)	1	326
Average price per share upon exercise (yen)	679	616
Fair value per share at grant date (Yen)	358	89

Filing company	
Share Acquisition Rights issued in February 2013	Share Acquisition Rights, Series 9
1	598
695	690
568	193

Company Name	Filing company	
Name of Share Acquisition Rights	Share Acquisition Rights issued in February 2014	Share Acquisition Rights, Series 10
Exercise price (yen)	1	1,062
Average price per share upon exercise (yen)	690	No rights exercised
Fair value per share at grant date (Yen)	956	295

Filing company	
Share Acquisition Rights issued in February 2015	Share Acquisition Rights, Series 11
1	931
650	No rights exercised
850.7	188.6

Company Name	Filing company	
Name of Share Acquisition Rights	Share Acquisition Rights issued in February 2016	Share Acquisition Rights, Series 12
Exercise price (yen)	1	733
Average price per share upon exercise (yen)	No rights exercised	710
Fair value per share at grant date (Yen)	663.4	113.2

Filing company	
Share Acquisition Rights issued in February 2017	Share Acquisition Rights, Series 13
1	767
No rights exercised	703
707.9	122.1

Company Name	Filing company		Filing company
Name of Share Acquisition Rights	Share Acquisition Rights issued in February 2018	Share Acquisition Rights, Series 14	Share Acquisition Rights, Series 15
Exercise price (yen)	1	815	686
Average price per share upon exercise (yen)	680	No rights exercised	No rights exercised
Fair value per share at grant date (Yen)	727.2	122.8	104

Company Name	Filing company		Filing company
Name of Share Acquisition Rights	Share Acquisition Rights, Series 16		Share Acquisition Rights, Series 17
Exercise price (yen)	502		508
Average price per share upon exercise (yen)	No rights exercised		No rights exercised
Fair value per share at grant date (Yen)	53.7		74.8

Company Name	Filing company
Name of Share Acquisition Rights	Share Acquisition Rights, Series 18
Exercise price (yen)	633
Average price per share upon exercise (yen)	No rights exercised
Fair value per share at grant date (Yen)	60.4

4 Method for estimating the fair value per share of stock options

The method for estimating the fair value per share of stock options granted in the current fiscal year is as follows.

Company Name	Filing company
Name of Share Acquisition Rights	Share Acquisition Rights, Series 18
Valuation method	Black-Scholes Model
Main basic numerical values and estimation method	
Volatility of share price (Note) 1	29.1%
Estimated remaining outstanding period (Note) 2	7.4 years
Estimated dividend (Note) 3	36 yen per share
Risk-free interest rate (Note) 4	(0.11)%

(Notes) 1 For the 18th Series of Share Acquisition Rights, the calculation is based on the actual share price from March 2014, which is 7.4 years (expected remaining period) back from the grant date.

2 For the 18th Series of Share Acquisition Rights, there has been no adequate accumulation of data and as it is difficult to reasonably estimate, estimated on the assumption that rights are exercised at the midpoint of the exercise period.

3 According to the actual dividend for the fiscal year ended March 31, 2021.

4 For the 18th Series of Share Acquisition Rights, the yield of government bonds having a remaining life equal to the estimated remaining outstanding period

5 Method for estimating the number of stock options vested

As it is difficult to reasonably estimate the number of stock options that will be forfeited in the future, the number here reflects only stock options that have actually been forfeited.

## (Deferred tax accounting)

## 1 Breakdown of main cause for deferred tax assets and liabilities

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Deferred tax assets		
Net operating losses carry-forward (Note)	33,759	39,100
Retirement benefit liability	13,798	13,629
Net gain on private equity and other securities	8,671	8,926
Loss on valuation of investment securities	8,243	8,352
Excess Depreciation	5,555	6,020
Impairment losses	6,430	5,854
Provision for bonuses	5,925	5,830
Allowance for doubtful accounts	4,100	5,359
Elimination of unrealized profit	4,930	4,517
Valuation difference on available-for-sale securities	–	4,207
Asset retirement obligations	2,856	2,386
Enterprise taxes and business office taxes	1,837	1,791
Trading securities and Derivatives	2,007	1,210
Reserve for financial instruments transaction liabilities	1,132	1,137
Provision for loss on litigation	554	35
Other	13,102	14,024
Subtotal of deferred tax assets	112,904	122,387
Valuation allowance for tax loss carried forward (Note)	(32,932)	(38,547)
Valuation allowance for deductible temporary difference	(52,524)	(51,236)
Subtotal of valuation allowance	(85,457)	(89,784)
Total deferred tax assets	27,447	32,603
Deferred tax liabilities		
Valuation difference from business combinations	38,560	38,227
Valuation difference on available-for-sale securities	16,293	15,439
Other	4,372	9,184
Total deferred tax liabilities	59,226	62,852
Deferred tax assets (liabilities), net	(31,778)	(30,249)

(Note) Amount of tax loss carried forward and their deferred tax assets by carryforward period

As of March 31, 2021

(Millions of yen)

	Not later than one year	Later than one year and not later than two years	Later than two years and not later than three years	Later than three years and not later than four years	Later than four years and not later than five years	More than five years	Total
Tax loss carried forward (a)	1,687	1,480	1,277	2,020	965	26,327	33,759
Valuation allowance	(1,687)	(1,480)	(1,277)	(2,020)	(608)	(25,857)	(32,932)
Deferred tax assets	–	–	–	–	357	469	826

(a) The amount of tax loss carried forward is the amount under the normal effective statutory tax rate.

As of March 31, 2022

(Millions of yen)

	Not later than one year	Later than one year and not later than two years	Later than two years and not later than three years	Later than three years and not later than four years	Later than four years and not later than five years	More than five years	Total
Tax loss carried forward (a)	1,464	1,239	2,015	1,009	3,369	30,001	39,100
Valuation allowance	(1,464)	(1,239)	(2,015)	(1,009)	(3,369)	(29,448)	(38,547)
Deferred tax assets	–	–	–	–	–	552	552

(a) The amount of tax loss carried forward is the amount under the normal effective statutory tax rate.

2 Reconciliation of significant differences between the statutory effective tax rate and the actual effective rate of income taxes after application of deferred tax accounting

(%)

	As of March 31, 2021	As of March 31, 2022
Statutory effective tax rate	30.62	30.62
(Adjustments)		
Valuation allowance	3.13	(1.33)
Permanent difference (income)	(0.56)	(0.74)
Permanent difference (expense)	2.31	1.62
Adjustment of unrealized inter-company profit	(1.12)	(0.74)
Unrealized profit adjustments	0.72	(0.26)
Amortization of goodwill	0.28	0.28
Share of profit (loss) of entities accounted for using equity method	(2.67)	(1.28)
Loss (gain) on step acquisitions	(9.95)	–
Loss (gain) on change in equity	(0.04)	–
Net profit (loss) attributable to non-controlling interests at real estate investment corporations	(0.39)	(2.14)
Other	1.81	0.47
Effective rate of income taxes after application of deferred tax accounting	24.15	26.49

(Rental and other investment property)

The Group owns rental office buildings, rental housing and real estate (including land) as well as real estate, etc. for a redevelopment projects in Tokyo and other areas. For the previous fiscal year, net rental income for such rental properties was 4,495 million yen (main rental revenue is recorded as other operating revenue and main rental expenses is recorded as other operating expenses) and loss (gain) on sales was 468 million yen (recorded as other operating revenue). For the current fiscal year, net rental income for such rental properties was 22,242 million yen (main rental revenue is recorded as other operating revenue and main rental expenses is recorded as other operating expenses) and loss (gain) on sales was 1,002 million yen (recorded as other operating revenue).

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

(Millions of yen)

		Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Amounts in consolidated balance sheet	Beginning balance	116,601	692,743
	Increase or decrease during period	576,141	78,162
	Ending Balance	692,743	770,905
Fair value at end of period		695,255	906,988

- (Note)
1. The carrying amount represents the amount of acquisition cost less accumulated depreciation.
  2. The fair value at end of period is appraised value or surveyed value by the outside real estate appraiser.
  3. The fair value of the asset for the redevelopment project is not included in the above table, because such asset is part of a large scale complex development project, and it is very difficult to measure its fair value. The amounts recorded on the consolidated balance sheet for these properties were 43,854 million yen at the end of the previous fiscal year and 1,455 million yen at the end of the current fiscal year.
  4. 567,694 million yen of the amount of change during the period for the amount recorded on the consolidated balance sheet in the previous fiscal year was an increase as a result of Daiwa Office Investment Corporation becoming a consolidated subsidiary.

(Revenue recognition)

(1) Disaggregation of revenue from contracts with customers

Disaggregation of revenue from contracts with customers is included in “Notes to the consolidated financial statements (Segment information)”.

(2) Basic information for understanding revenue from contracts with customers

Daiwa 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 Segment and Wholesale Segment

In the Retail Segment and Wholesale Segment, mainly domestic and international securities subsidiaries of Daiwa recognize brokerage commission; commission for underwriting, secondary distribution and exclusive offer to sell, etc. to professional investors; fees for offering, secondary distribution and exclusive offer to sell, etc. to professional investors; and other fees received as revenue from contracts with customers.

**Brokerage commission.** Daiwa has obligations to provide trade execution services, etc., based on the stipulations and provisions of the transactions agreements entered into with customers. As these performance obligations are satisfied when Daiwa executes an order, revenues are recognized at the point of execution (at a point in time). Regarding the typical payment term, payment is received within several days of the execution date, which is the date the performance obligations have been satisfied.

**Commission for underwriting, secondary distribution and exclusive offer to sell, etc. to professional investors.** Daiwa has obligations 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 typical payment term, payment is received between the determination date of underwriting contracts and the payment date or delivery date to the issuing company, etc., when the performance obligations have been satisfied.

**Fees for offering, secondary distribution and exclusive offer to sell, etc. to professional investors.** Daiwa has obligations to provide offering and secondary distribution services, etc. based on contracts with securities underwriting companies. As these performance obligations are satisfied when the application to the offerings, etc., is completed, revenues are recognized when the relevant business is complete (at a point in time), such as the date of the registration offering, etc. Regarding the typical payment term, payment is received between the date of the registration offering, etc. and the date of payment or delivery, which is the date the performance obligations have been satisfied.

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

**Agency fees.** Daiwa has obligations to provide agency services for the handling of offering and sale, etc., based on 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 Daiwa provides services on a daily basis, revenues are recognized over time. Regarding the typical payment term, in most cases, payment is received within several days of the fiscal year end of the investment trust, etc.

**M&A-related fees.** Daiwa has obligations to provide advisory services including proposals, advice, price calculations, and document preparation support. For transaction prices, there are cases where contingency fees are set in addition to fixed fees, and the amount of consideration may be variable. Regarding the amount of consideration when setting contingency fees, normally, as the amount is highly influenced by various factors beyond the control of Daiwa, and as Daiwa cannot be certain that it is highly possible that a significant decline in revenue will not occur, only the fees that have been fixed by the end of the current consolidated fiscal year are recognized in the transaction price. For such fees, revenues are recognized upon completion of the service (at a point in time). Regarding the typical 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.

**Investment advisory and trade management fees.** Daiwa has obligations to provide asset management services based on discretionary investment contracts. Transaction prices are calculated based on the fair value of the contract 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 Daiwa provides services on a daily basis, revenues are recognized over time. Regarding the typical payment term, payment is received between the reference date of fee calculation and the end of the following month.

#### Asset Management Segment

In the Asset Management Segment, 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, Daiwa has obligations to provide management services for assets under management based mainly on trust agreements. Management fees are recognized as a certain percentage of net assets, and accordingly a fee is calculated and received. As these performance obligations are satisfied when the benefit is consumed by customers as Daiwa provides services on a daily basis, revenues are recognized over time during the investment trust management period. Regarding the typical payment term, payment is received within several days of the balance sheet date of the investment trust, etc.

#### Investment Segment

In the Investment Segment, investment partnership management fees are mainly recognized as revenue from contracts with customers.

With regards to investment partnership management fees, Daiwa has obligations to provide asset management services based on partnership contracts, which comprise mainly of management fees and contingency fees. As these performance obligations are satisfied when the benefit is consumed by customers as Daiwa provides services on a daily basis, revenues from management fees are recognized over time, and 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 typical payment term, payment is received for management fees every quarter and for contingency fees when partnership assets are distributed.

#### Others

Daiwa's other businesses include system consulting and system integration services, mainly through 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 in conjunction with the provision of system integration and software development services, etc., and accordingly 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 Daiwa provides services on a daily basis, and accordingly revenues are recognized over time.

### (3) Information on the 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 other receivables and other current liabilities respectively. There are no significant revenue amounts recognized from the performance obligations which were satisfied (or partially satisfied) in the previous periods.

The breakdown of contract balances is as follows:

(Millions of yen)

	As of April 1, 2021	As of March 31, 2022
Contract assets	3,589	2,328
Contract liabilities	4,598	5,601
Receivables from customer contracts	34,428	34,488

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 ¥7,361 million (\$60,336 thousand). Daiwa expects to recognize the remaining performance obligations as revenue per the schedule in the following table. Daiwa applies practical expedients in noting transaction prices allocated to the remaining performance obligations and does not note contracts with an initially expected contract period of one year or less.

(Millions of yen)

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

(Segment information)

[Segment information]

1 Outline of reportable segment

The Group's reportable segment is consisted of operating units of which discrete financial information is available, and the segment is reviewed at regular intervals by the Company's chief operating decision maker in order to decide the distribution of management resources and assess the performances.

The Group sets securities-related business as its core business, and provides comprehensive investment and financial services in coordination with other Group's supporting businesses. The Group conducts its business activities through the Company's decisions about businesses of consolidated subsidiaries and equity-applied affiliates on comprehensive domestic and global strategies by each managerial organization corresponding to markets and business types of clients.

Therefore, the Group consists of segments corresponding to each market and business type of clients based on the business of consolidated subsidiaries and affiliates applied affiliates, and the Group aggregate to four segments by similar economic characteristic as "Retail Segment", "Wholesale Segment", "Asset Management Segment", and "Investment Segment".

"Retail Segment" is to provide broad types of products and services mainly to individual and unlisted-corporate customers.

"Wholesale Segment" consists of "Global Markets division" and "Global Investment Banking division".

"Global Markets division" is to sell and trade stock, bonds, foreign exchange and the other derivatives mainly to domestic and global institutional investors, industrial corporations, and financial and public-interest corporations.

"Global Investment Banking division" is to provide domestic and global various investment banking services such as underwriting of securities and advisory of M&A, etc.

"Asset Management Segment" is to set up and manage investment trust fund for various assets, to provide investment advisory and management services to domestic and global institutional investors, and also to manage investment corporation and fund for real estates. The Investment Segment 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.

2 Method of calculating amounts of net operating revenue, operating income (loss) and others by reportable segment

Accounting method applied to the reportable business segment is nearly the same as described in "Basis of preparation of consolidated financial statements".

Internal net operating income (loss) between segments is based on third-party transaction price.

3 Information about net operating revenue, segment profit or loss, and the amounts of other items by reportable segment and information on disaggregation of revenue  
Fiscal year ended March 31, 2021

(Millions of yen)

	Reportable segments					Others (Note) 1	Total
	Retail Segment	Wholesale Segment	Asset Management Segment	Investment Segment	Total		
Net operating revenue							
Net operating revenue for unaffiliated customers	150,290	215,368	65,227	7,139	438,025	12,121	450,146
Internal net operating income and elimination amount between segments	19,215	492	(14,081)	(2,536)	3,089	13,717	16,807
Total	169,505	215,860	51,145	4,602	441,114	25,839	466,953
Segment income (loss) (Ordinary income (loss))	20,070	74,737	32,775	1,123	128,707	(16,236)	112,470
Other item							
Depreciation	13,401	14,243	2,319	353	30,318	16,188	46,507
Amortization of goodwill	–	715	336	–	1,051	–	1,051
Interest income	–	0	10	70	81	75	156
Interest expenses	–	–	502	138	640	174	815
Share of profit (loss) of entities accounted for using equity method	–	697	9,351	1,503	11,552	141	11,693

- (Notes) 1 “Others” are the business segments which are not included in the reportable segments, consist of consolidation and management of subsidiaries, banking business, information service, back-office service, and real-estate rental, etc.
- 2 “Net operating revenue” consists of “Operating revenue”, “Financial expenses”, “Other operating expenses” and “Commission fee (Selling, general and administrative expenses)”.
- 3 The Company does not disclose the segment information of assets as the management does not allocate it to each segment for managerial decision-making.

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segments					Others (Note) 1	Total
	Retail Segment	Wholesale Segment	Asset Management Segment	Investment Segment	Total		
Revenue from customer contracts (Note) 2	123,501	108,565	116,794	20,906	369,769	64,673	434,442
Commission received	123,501	108,565	79,826	1,380	313,274	776	314,051
Other operating revenue (unaffiliated customers)	–	–	36,968	19,526	56,494	63,897	120,391
Gain on financial instruments - trading	44,582	87,302	–	6,231	138,115	(57)	138,057
Others (Note) 3	(103)	(61)	(31,636)	(13,546)	(45,347)	(45,241)	(90,589)
Net operating revenue							
Net operating revenue for unaffiliated customers	167,981	195,805	85,158	13,591	462,537	19,373	481,911
Internal net operating income and elimination amount between segments	20,898	57	(14,105)	(2,536)	4,314	12,444	16,758
Total	188,879	195,863	71,052	11,055	466,851	31,818	498,669
Segment income (loss) (Ordinary income (loss))	41,807	50,951	45,253	7,192	145,204	(10,622)	134,582
Other item							
Depreciation	14,503	14,120	6,062	333	35,019	14,679	49,699
Amortization of goodwill	–	645	901	–	1,547	–	1,547
Interest income	–	0	3	66	70	111	181
Interest expenses	–	0	1,704	153	1,858	137	1,995
Share of profit (loss) of entities accounted for using equity method	–	1,681	4,726	220	6,627	151	6,778

- (Notes) 1 “Others” are the business segments which are not included in the reportable segments, consist of consolidation and management of subsidiaries, banking business, information service, back-office service, and real-estate rental, etc.
- 2 Revenue from customer contracts includes lease revenue based on rental contracts.
- 3 “Other” of Asset Management, Investment, and Others includes “Commission fee” which consists in “Net operating revenue”.
- 4 “Net operating revenue” consists of “Operating revenue”, “Financial expenses”, “Other operating expenses” and “Commission fee (Selling, general and administrative expenses)”.
- 5 The Company does not disclose the segment information of assets as the management does not allocate it to each segment for managerial decision-making.

- 4 The amount of difference between total of reportable segment and that of consolidated financial statement, and the main details

(Millions of yen)

Net operating revenue	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Reportable segment total	441,114	466,851
Net operating revenue from “Others”	25,839	31,818
Elimination between segments	(16,807)	(16,758)
Commission fee deducted from net operating revenue	15,857	19,115
Other adjustments	656	1,067
Net operating revenue of financial statements	466,660	502,093

(Millions of yen)

Ordinary income (loss)	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Reportable segment total	128,707	145,204
Loss from “Others”	(16,236)	(10,622)
Elimination between segments	132	–
Adjustments for unrealized gains or losses	1,936	1,621
Other adjustments	635	(382)
Ordinary income of financial statements	115,175	135,821

(Millions of yen)

Other item	Reportable segment total		Other		Adjustment		Consolidated financial statement amount	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Depreciation	30,318	35,019	16,188	14,679	(5,337)	(5,086)	41,169	44,612
Amortization of goodwill	1,051	1,547	–	–	116	–	1,167	1,547
Interest income	81	70	75	111	(62)	(34)	94	147
Interest expenses	640	1,858	174	137	(178)	(157)	636	1,838
Share of profit (loss) of entities accounted for using equity method	11,552	6,627	141	151	676	1,325	12,369	8,104

[Related information]

Fiscal year ended March 31, 2021

1 Information about products and services

Segment information is omitted since the Group operates services exclusively in investment/financial business, with securities-related business at its core.

2 Information about geographical areas

(1) Net operating revenue

(Millions of yen)

Japan	Europe	Asia/Oceania	United States of America	Total
377,538	36,435	11,003	41,682	466,660

(Note) Net operating revenues are classified by country or region mainly based on the location of customers.

(2) Property, plant and equipment

The information is omitted, because the amount of property, plant and equipment located in Japan accounted for more than 90% of total property, plant and equipment in the consolidated balance sheet.

3 Information about main customers

Information about main customers has been omitted since there is no unaffiliated customer who accounts for 10% or more of net operating revenue in the consolidated statement of income.

Fiscal year ended March 31, 2022

1 Information about products and services

Segment information is omitted since the Group operates services exclusively in investment/financial business, with securities-related business at its core.

2 Information about geographical areas

(1) Net operating revenue

(Millions of yen)

Japan	Europe	Asia/Oceania	United States of America	Total
428,794	28,192	13,222	31,884	502,093

(Note) Net operating revenues are classified by country or region mainly based on the location of customers.

(2) Property, plant and equipment

The information is omitted, because the amount of property, plant and equipment located in Japan accounted for more than 90% of total property, plant and equipment in the consolidated balance sheet.

3 Information about main customers

Information about main customers has been omitted since there is no unaffiliated customer who accounts for 10% or more of net operating revenue in the consolidated statement of income.

[Information about impairment losses of non-current assets by reportable segment]

Fiscal year ended March 31, 2021

	Reportable segments					Other	Corporate and elimination	Total
	Retail Segment	Wholesale Segment	Asset Management Segment	Investment Segment	Total			
Impairment losses	–	696	–	–	696	8,698	–	9,394

Fiscal year ended March 31, 2022

	Reportable segments					Other	Corporate and elimination	Total
	Retail Segment	Wholesale Segment	Asset Management Segment	Investment Segment	Total			
Impairment losses	–	488	–	–	488	–	–	488

[Information about amortization and unamortized balance of goodwill by reportable segment]

Fiscal year ended March 31, 2021

(Millions of yen)

	Reportable segments					Other	Corporate and elimination	Total
	Retail Segment	Wholesale Segment	Asset Management Segment	Investment Segment	Total			
(Goodwill)								
Amortization in the fiscal year	–	715	336	–	1,051	–	116	1,167
Balance at end of current period	–	4,650	16,578	–	21,229	–	–	21,229

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segments					Other	Corporate and elimination	Total
	Retail Segment	Wholesale Segment	Asset Management Segment	Investment Segment	Total			
(Goodwill)								
Amortization in the fiscal year	–	645	901	–	1,547	–	–	1,547
Balance at end of current period	–	3,893	15,676	87	19,657	–	–	19,657

[Information about gain on bargain purchase by reportable segment]

Fiscal year ended March 31, 2021

Not applicable.

Fiscal year ended March 31, 2022

Not applicable.

[Related party information]

1 Transactions with related parties

Transactions between consolidated subsidiaries of the company submitting consolidated financial statements and related parties

Non-consolidated subsidiaries and affiliates of the company that submitted the consolidated financial statements

Fiscal year ended March 31, 2021

Type	Name	Location	Share capital or investments in capital (Millions of yen)	Description of business	Ratio of voting rights (%)	Relationship with related parties	Transaction	Amount (Millions of yen)	Account Title	Ending Balance (Millions of yen)
Affiliates	The Tokyo Tanshi Co., Ltd.	Chuo-ku, Tokyo	10,300	Call loan and discount company	(Holding) Direct 17.43	Receipt of cash Collateral	Receipt of cash Collateral (Note 1)	181,279	Collateralized short-term financing agreements (liabilities)	71,600
							Payment of interest (Note 2)	48	Collateralized short-term financing agreements (assets)	248,680
							Securities lending	183,574	Receivables - Other	10
							Receipt of premium charges (Note 2)	124	Accrued and other liabilities - Other	8
							Pledge of cash collateral	291,802		
							Receipt of interest (Note 2)	337		
							Securities borrowing	291,472		
Transfer of officers	963									

(Note 1) For the amount of loans, we use the fair value of securities lending and securities borrowing and the average of month-end balances for the amount of cash collateral received and the amount of cash collateral pledged.

(Note 2) The premium charges rates for lending shares and borrowing shares, and interest rates on cash collateral are determined based on the market rate.

Fiscal year ended March 31, 2022

Type	Name	Location	Share capital or investments in capital (Millions of yen)	Description of business	Ratio of voting rights (%)	Relationship with related parties	Transaction	Amount (Millions of yen)	Account Title	Ending Balance (Millions of yen)
Affiliates	The Tokyo Tanshi Co., Ltd.	Chuo-ku, Tokyo	10,300	Call loan and discount company	(Holding) Direct 17.43	Receipt of cash Collateral	Receipt of cash Collateral (Note 1)	58,448	Collateralized short-term financing agreements (liabilities)	46,474
							Payment of interest (Note 2)	64	Collateralized short-term financing agreements (assets)	668,170
							Securities lending	58,407	Receivables - Other	4
							Receipt of premium charges (Note 2)	137	Accrued and other liabilities - Other	15
							Pledge of cash collateral	312,338		
							Receipt of interest (Note 2)	206		
							Securities borrowing	312,156		
Transfer of officers	554									

(Note 1) For the amount of loans, we use the fair value of securities lending and securities borrowing and the average of month-end balances for the amount of cash collateral received and the amount of cash collateral pledged.

(Note 2) The premium charges rates for lending shares and borrowing shares, and interest rates on cash collateral are determined based on the market rate.

2 Notes on the parent company or significant affiliates

Summarized financial information of significant affiliates

In the current fiscal year, The Tokyo Tanshi Co., Ltd. was a significant affiliate and its summarized financial information is as follows.

(Millions of yen)

	The Tokyo Tanshi Co., Ltd.	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Total current assets	26,671,919	23,231,887
Total non-current assets	21,800	20,868
Total current liabilities	26,615,177	23,172,585
Total non-current liabilities	45	304
Total net assets	78,496	79,865
Operating revenue	688	174
Income before income taxes	2,579	1,549
Profit	1,685	1,171

(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. The Group does not hold any investment, etc. with voting rights in any special purpose entities, and has also not dispatched officers or employees to those special purpose entities. The number of such special purpose entities and the amount of notes issued are as follows.

	As of March 31, 2021	As of March 31, 2022
Number of special purpose entities	6 companies	6 companies
The amount of notes issued	748,788 million yen	731,417 million yen

In fund-related transactions, the Group transfers its renewable energy investment assets to those special purpose entities through silent partnership, and those special purpose entities solicit investments backed by the acquired renewable energy investment assets. The Group does not have any investment, etc. with voting rights, and no officers or employees are dispatched. The number of such special purpose entities and the amounts of investment received are as follows.

	As of March 31, 2021	As of March 31, 2022
Number of special purpose entities	–	1 company
The amount of investment received	– million yen	2,305 million yen

\* The Group has invested 28 million yen in such special purpose entities.

## (Per Share Information)

(Yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net assets per share	875.12	925.81
Net income per share	71.20	63.06
Diluted net income per share	70.90	62.72

(Note) The calculation bases are as follows:

## (1) Net assets per share

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Total net assets	1,591,841	1,639,888
Deduction from total net assets	258,280	266,632
[Subscription rights to shares]	[9,125]	[9,109]
[Non-controlling interests]	[249,145]	[257,497]
[Deposit for subscriptions to treasury shares]	[9]	[26]
Net assets attributable to common stock	1,333,560	1,373,256
Number of common stock included in calculation of net assets per share (thousands of shares)	1,523,867	1,483,302

## (2) Net income per share and diluted net income per share

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net income per share		
Profit attributable to owners of parent	108,396	94,891
Profit not attributable to common stockholders	–	–
Profit attributable to common stock	108,396	94,891
Average number of common stock outstanding during the year (thousands of shares)	1,522,430	1,504,697
Diluted net income per share		
Adjustment of profit attributable to owners of parent	–	–
Increase in common stock (thousands of shares)	6,429	8,348
[Subscription rights to shares (thousands of shares)]	[6,429]	[8,348]
Summary of potential shares that are not included in calculation of diluted net income per share due to a lack of dilution effect (thousands of shares)	9 types of stock options by Share Acquisition Rights. An overview of Share Acquisition Rights, etc. is described in “Item 4. Information About Reporting Company 1 Status of Shares (2) Status of Share Acquisition Rights, etc.”	7 types of stock options by Share Acquisition Rights. An overview of Share Acquisition Rights, etc. is described in “Item 4. Information About Reporting Company 1 Status of Shares (2) Status of Share Acquisition Rights, etc.”

(Subsequent events)

(Share repurchase and cancellation)

The Company adopted the resolution at the Board of Directors meeting on April 27, 2022 regarding the share repurchase under the provisions of the Articles of Incorporation pursuant to Article 459, Paragraph 1 of the Companies Act of Japan. At a meeting of the Executive Board held on the same day, the Company resolved to cancel treasury stock in accordance with the provisions of Article 178 of the Companies Act of Japan, and implemented the cancellation on May 10, 2022.

(1) Purpose of the share repurchase

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

(2) Details of the share repurchase

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

(3) Details of cancellation

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

## (v) Annexed consolidated detailed schedules

## [Consolidated detailed schedule of corporate bonds]

Company Name	Issue name	Date of issuance	Balance at beginning of current period (Millions of yen)	Balance at end of current period (Millions of yen)	Interest rate (%)	Pledge	Maturity
(Note) 1	16th Series of Unsecured Bonds (with limited inter-bond pari-passu clause)	May 21, 2014	30,000 (30,000)	–	0.69	None	May 21, 2021
(Note) 1	18th Series of Unsecured Bonds (with limited inter-bond pari-passu clause)	August 28, 2014	12,000	12,000	0.87	None	August 28, 2024
(Note) 1	20th Series of Unsecured Bonds (with limited inter-bond pari-passu clause)	February 25, 2015	20,000	20,000	0.89	None	February 25, 2025
(Note) 1	23rd Series of Unsecured Bonds (with limited inter-bond pari-passu clause)	August 12, 2015	25,000	25,000	0.91	None	August 12, 2025
(Note) 1	24th Series of Unsecured Bonds (with limited inter-bond pari-passu clause)	November 12, 2015	30,000	30,000 (30,000)	0.67	None	November 11, 2022
(Note) 1	25th Series of Unsecured Bonds (with limited inter-bond pari-passu clause)	February 25, 2016	13,000	13,000 (13,000)	0.40	None	February 24, 2023
(Note) 1	26th Series of Unsecured Bonds (with limited inter-bond pari-passu clause)	February 25, 2016	11,000	11,000	0.56	None	February 25, 2026
(Note) 1	27th Series of Unsecured Bonds (with limited inter-bond pari-passu clause)	April 25, 2016	50,000	50,000	0.40	None	April 25, 2023
(Note) 1	28th Series of Unsecured Bonds (with limited inter-bond pari-passu clause)	August 25, 2016	30,000	30,000	0.40	None	August 25, 2026
(Note) 1	29th Series of Unsecured Bonds (with limited inter-bond pari-passu clause)	December 1, 2016	22,000	22,000	0.35	None	December 1, 2023
(Note) 1	30th Series of Unsecured Bonds (with limited inter-bond pari-passu clause)	August 28, 2017	25,000	25,000 (25,000)	0.22	None	August 26, 2022
(Note) 1	31st Series of Unsecured Bonds (with limited inter-bond pari-passu clause)	August 28, 2017	15,000	15,000	0.41	None	August 27, 2027
(Note) 1	32nd Series of Unsecured Bonds (with limited inter-bond pari-passu clause)	November 29, 2018	10,000	10,000	0.23	None	November 29, 2023
(Note) 1	33rd Series of Unsecured Bonds (with limited inter-bond pari-passu clause)	November 29, 2018	12,000	12,000	0.48	None	November 29, 2028
(Note) 1	34th Series of Unsecured Bonds (with limited inter-bond pari-passu clause)	June 2, 2020	37,000	37,000	0.30	None	June 2, 2023
(Note) 1	35th Series of Unsecured Bonds (with limited inter-bond pari-passu clause)	June 2, 2020	38,000	38,000	0.50	None	June 2, 2025
(Note) 1	36th Series of Unsecured Bonds (with limited inter-bond pari-passu clause)	June 2, 2021	–	15,000	0.23	None	June 2, 2026
(Note) 1	37th Series of Unsecured Bonds (with limited inter-bond pari-passu clause)	June 2, 2021	–	15,000	0.33	None	June 2, 2028
(Note) 1	10th Series of Unsecured Floating Rate Bonds (limited to qualified institutional investors, with SMBC Nadeshiko diagnosis)	June 30, 2015	20,000	20,000 (20,000)	0.26	None	June 30, 2022
(Note) 1	11th Series of Callable Unsecured Floating Rate Bonds (limited to qualified institutional investors)	September 15, 2016	30,000	30,000	0.30	None	September 15, 2026
(Note) 1	12th Series of Unsecured Bonds (limited to qualified institutional investors)	September 21, 2016	30,000	30,000 (30,000)	0.22	None	September 21, 2022
(Note) 1	13th Series of Callable Unsecured Floating Rate Bonds (limited to qualified institutional investors)	January 20, 2017	20,000	20,000	0.30	None	January 20, 2027
(Note) 1	14th Series of Unsecured Bonds (limited to qualified institutional investors)	February 28, 2017	15,000	15,000	0.24	None	February 29, 2024
(Note) 1	15th Series of Unsecured Bonds (limited to qualified institutional investors)	February 28, 2018	20,000	20,000	0.23	None	May 31, 2024
(Note) 1	16th Series of Unsecured Bonds (limited to qualified institutional investors)	February 28, 2018	20,000	20,000	0.23	None	November 29, 2024
(Note) 1	17th Series of Unsecured Bonds (limited to qualified institutional investors)	July 31, 2018	20,000	20,000	0.23	None	May 30, 2025
(Note) 1	18th Series of Unsecured Bonds (limited to qualified institutional investors)	May 31, 2019	17,000	17,000	0.24	None	November 30, 2026

Company Name	Issue name	Date of issuance	Balance at beginning of current period (Millions of yen)	Balance at end of current period (Millions of yen)	Interest rate (%)	Pledge	Maturity
(Note) 1	19th Series of Callable Unsecured Private Placement Bonds (limited to qualified institutional investors, with Mizuho ESG evaluation)	May 31, 2019	10,000	10,000	0.26	None	May 29, 2026
(Note) 1	20th Series of Unsecured Bonds (limited to qualified institutional investors)	May 27, 2020	30,000	30,000	0.34	None	May 27, 2027
(Note) 1	21st Series of Unsecured Bonds (limited to qualified institutional investors)	December 10, 2021	–	10,000	0.27	None	December 10, 2024
(Note) 1	4th Series of Unsecured Bonds limited to qualified institutional investors (denominated in US dollars)	November 30, 2018	16,606 (16,606)	–	0.83	None	November 30, 2021
(Note) 1	5th Series of Unsecured Bonds limited to qualified institutional investors (denominated in US dollars)	September 30, 2020	27,677	30,597	1.26	None	September 30, 2025
(Note) 1	Straight bonds denominated in US dollars, maturing April 19, 2022	April 19, 2017	110,710	122,390 (122,390)	3.13	None	April 19, 2022
(Note) 1	1st Series of Unsecured Perpetual Subordinated Bonds with optional-redemption clause and subordinate clause	March 16, 2020	125,000	125,000	1.20	None	Not specified
(Note) 1	2nd Series of Unsecured Perpetual Subordinated Bonds with optional-redemption clause and subordinate clause	March 16, 2020	25,000	25,000	1.39	None	Not specified
(Note) 2*	6th Series of Unsecured Bonds (with limited inter-bond pari-passu clause)	December 17, 2010	7,800	7,800	2.16	None	December 9, 2025
(Note) 2*	2nd Series of Unsecured Bonds (with limited inter-bond pari-passu clause and limited to a small number of persons)	April 25, 2011	3,000	3,000	2.41	None	April 24, 2026
(Note) 2*	3rd Series of Unsecured Bonds (with limited inter-bond pari-passu clause and limited to a small number of persons)	August 30, 2011	5,000	5,000	2.24	None	August 28, 2026
(Note) 2	5th Series of Callable Unsecured Bonds (with limited inter-bond pari-passu clause, with restrictions on splitting and limited to a small number of persons)	September 7, 2018	2,000	2,000	0.24	None	September 7, 2038
(Note) 3	4th Series of Unsecured Investment Corporation Bonds (with pari-passu clause among specified investment corporation bonds)	September 12, 2014	2,100	2,100	1.00	None	September 12, 2024
(Note) 3	5th Series of Unsecured Investment Corporation Bonds (with pari-passu clause among specified investment corporation bonds)	September 12, 2019	1,700	1,700	0.22	None	September 12, 2024
(Note) 3	6th Series of Unsecured Investment Corporation Bonds (with pari-passu clause among specified investment corporation bonds)	September 12, 2019	1,300	1,300	0.66	None	September 12, 2031
(Note) 3	7th Series of Unsecured Investment Corporation Bonds (with pari-passu clause among specified investment corporation bonds)	September 11, 2020	1,500	1,500	0.31	None	September 11, 2025
(Note) 3	8th Series of Unsecured Investment Corporation Bonds (with pari-passu clause among specified investment corporation bonds)	September 11, 2020	2,400	2,400	0.60	None	September 11, 2030
(Note) 4	2nd Series of Unsecured Investment Corporation Bonds (limited to qualified institutional investors)	February 1, 2018	1,000	1,000 (1,000)	1.05	None	January 31, 2023
(Note) 4	1st Series of Unsecured Investment Corporation Bonds (with pari-passu clause among specified investment corporation bonds)	December 16, 2020	1,700	1,700	0.58	None	December 16, 2025
(Note) 4	2nd Series of Unsecured Investment Corporation Bonds (with pari-passu clause among specified investment corporation bonds)	December 8, 2021	–	1,500	0.85	None	December 8, 2031

Company Name	Issue name	Date of issuance	Balance at beginning of current period (Millions of yen)	Balance at end of current period (Millions of yen)	Interest rate (%)	Pledge	Maturity
(Note) 5	1st Series of Specified Bonds with General Security (limited to qualified institutional investors)	October 30, 2020	800	800	0.79	Yes	October 31, 2023
(Note) 6	Straight bonds (Euro bonds)	From 2005 to 2022	813,813 (157,167)	1,053,604 (205,370)	(0.22) to 1.43	None	From 2021 to 2052
Total	–	–	1,761,107 (203,774)	2,010,392 (446,760)	–	–	–

- (Notes) 1 Description relating to the Company.  
2 Description relating to Daiwa Securities Co. Ltd. (\* Issued by Daiwa Securities Capital Markets Co., Ltd.).  
3 Description relating to Daiwa Office Investment Corporation.  
4 Description relating to Samty Residential Investment Corporation.  
5 Description relating to special purpose entities, corresponding to non-recourse debt.  
6 Aggregate of the outstanding corporate bonds issued by Daiwa Securities Co. Ltd.  
Note that the amount in the balance at end of current period denominated in foreign currency is US\$738,725 thousand.  
7 “Interest rate” is the value at the end of the current fiscal year.  
8 The expected redemption amounts not later than one year are included in parenthesis in the balance at beginning of current period field and the balance at end of current period field.  
9 The expected redemption amounts not later than five years after the consolidated balance sheet date are as follows.

(Millions of yen)

	Not later than one year	Later than one year and not later than two years	Later than two years and not later than three years	Later than three years and not later than four years	Later than four years and not later than five years
Bonds payable	446,760	449,289	250,563	186,810	172,167
Non-recourse bonds payable	–	800	–	–	–

[Consolidated detailed schedule of borrowings]

Classification	Balance at beginning of current period (Millions of yen)	Balance at end of current period (Millions of yen)	Average interest rate (%)	Payment due
Short-term borrowings	1,332,441	1,752,073	0.02	–
Non-recourse short-term borrowings	898	–	–	–
Current portion of long-term borrowings	74,949	403,708	0.11	–
Current portion of lease obligations	2,126	2,306	1.72	–
Long-term borrowings	1,561,943	1,209,553	0.31	From 2023 to 2049
Non-recourse long-term borrowings	24,970	27,495	0.94	From 2023 to 2026
Lease obligations	9,569	8,012	1.81	From 2023 to 2027
Other interest-bearing debt				
Commercial papers (due within one year)	265,000	116,000	0.02	–
Borrowings on margin transactions (due within one year)	4,139	5,327	0.60	–
<b>Total</b>	<b>3,276,038</b>	<b>3,524,478</b>	<b>–</b>	<b>–</b>

(Notes) 1 “Average interest rate” shows the weighted average interest rate for the balance of borrowings at the end of the current period.

- 2 The amounts of long-term borrowings, non-recourse long-term borrowings and lease obligations (excluding current portions) due within five years after the consolidated balance sheet date are as follows.

(Millions of yen)

	Later than one year and not later than two years	Later than two years and not later than three years	Later than three years and not later than four years	Later than four years and not later than five years
Long-term borrowings	111,443	275,873	182,070	66,930
Non-recourse long-term borrowings	4,837	9,482	1,800	11,375
Lease obligations	2,348	2,038	1,892	1,733

[Consolidated detailed schedule of asset retirement obligations]

The information is omitted, because the amounts of asset retirement obligations at the beginning and the end of the fiscal year ended March 31, 2022 were not more than 1% of the total of liabilities and net assets at the beginning and the end of the fiscal year ended March 31, 2022, respectively.

(2) [Other]

Quarterly information for the fiscal year ended March 31, 2022

(Cumulative period)	First quarter	Second quarter	Third quarter	Current consolidated fiscal year
Operating revenue (millions of yen)	149,836	304,538	471,138	619,471
Net operating revenue (millions of yen)	126,721	255,943	390,317	502,093
Profit before income taxes (millions of yen)	35,176	75,228	116,091	141,666
Profit attributable to owners of parent (millions of yen)	23,560	50,203	76,902	94,891
Net income per share (yen)	15.45	32.99	50.86	63.06

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income per share (yen)	15.45	17.54	17.90	12.13

## 2 Financial statements and other information

### (1) Financial statements

#### (i) Balance sheet

(Millions of yen)

	As of March 31, 2021		As of March 31, 2022	
<b>Asset</b>				
Current assets				
Cash and deposits	*1	40,284	*1	31,176
Short-term loans receivable	*1	151,077	*1	159,067
Accounts receivable - other	*1	24,283	*1	38,263
Accrued revenue	*1	3,455	*1	5,321
Other current assets	*1	1,393	*1	2,808
Total current assets		220,495		236,637
Non-current assets				
Property, plant and equipment		87,357		92,540
Buildings		314		32,709
Machinery, equipment and vehicles		—		3
Equipment		2,318		2,409
Land		6,886		55,297
Construction in progress		77,837		2,121
Intangible assets		8,194		6,936
Software		6,613		5,036
Other		1,581		1,900
Investments and other assets		2,175,797		2,113,829
Investment securities	*2	194,750	*2	191,998
Shares of subsidiaries and associates		902,820		615,130
Investments in other securities of subsidiaries and associates		140,022		162,849
Long-term loans receivable	*1	935,939	*1	1,139,852
Guarantee deposits	*1	4,959	*1	4,954
Other	*1	2,129	*1	4,251
Allowance for doubtful accounts		(725)		(1,107)
Allowance for investment loss		(4,100)		(4,100)
Total non-current assets		2,271,349		2,213,307
<b>Total assets</b>		<b>2,491,844</b>		<b>2,449,944</b>

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
<b>Liabilities</b>		
Current liabilities		
Short-term borrowings	*1 40,699	*1 83,623
Current portion of bonds	46,606	240,390
Accrued expenses	*1 4,967	*1 5,118
Borrowings secured by securities	*1 51,251	*1 47,747
Income taxes payable	9,713	765
Provision for bonuses	1,057	1,074
Other	*1 4,936	*1 2,143
Total current liabilities	159,231	380,863
Non-current liabilities		
Bonds payable	870,387	684,597
Long-term borrowings	540,856	494,201
Deferred tax liabilities	12,795	9,426
Other	*1 1,577	*1 8,358
Total non-current liabilities	1,425,617	1,196,584
Total liabilities	1,584,849	1,577,447
Net assets		
Shareholders' equity		
Share capital	247,397	247,397
Capital surplus		
Legal capital surplus	226,751	226,751
Total capital surplus	226,751	226,751
Retained earnings		
Legal retained earnings	45,335	45,335
Other retained earnings	454,617	448,895
Reserve for tax purpose reduction entry	1,860	1,860
Retained earnings brought forward	452,756	447,035
Total retained earnings	499,952	494,230
Treasury shares	(107,646)	(134,201)
Deposit for subscriptions to treasury shares	9	26
Total shareholders' equity	866,465	834,205
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	31,565	30,373
Deferred gains or losses on hedges	(161)	(1,190)
Total valuation and translation adjustments	31,404	29,182
Share acquisition rights	9,125	9,109
Total net assets	906,995	872,497
Total liabilities and net assets	2,491,844	2,449,944

## (ii) Statement of income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
<b>Operating revenue</b>		
Dividends from subsidiaries and associates	*1 37,193	*1 64,293
Interest on loans receivable from subsidiaries and associates	*1 9,110	*1 8,995
Other	*1 60	*1 4,370
<b>Total operating revenue</b>	<b>46,365</b>	<b>77,659</b>
<b>Operating expenses</b>		
<b>Selling, general and administrative expenses</b>		
Trading related expenses	*1 1,879	*1 1,909
Personnel expenses	*1, *2 6,541	*1, *2 6,332
Real estate expenses	*1 1,991	*1 1,923
Office cost	*1 4,185	*1 4,174
Depreciation	2,748	2,536
Taxes and dues	2,140	1,755
Other	*1 2,491	*1 2,904
<b>Total selling, general and administrative expenses</b>	<b>21,977</b>	<b>21,536</b>
Financial expenses	*1, *3 10,972	*1, *3 10,507
Other operating expenses	–	2,100
<b>Total operating expenses</b>	<b>32,950</b>	<b>34,144</b>
<b>Operating income</b>	<b>13,414</b>	<b>43,514</b>
<b>Non-operating income</b>		
Dividend income	2,944	4,028
Compensation income	1,394	232
Gain on investments in investment partnerships	5,939	3,922
Other	*1 821	*1 980
<b>Total non-operating income</b>	<b>11,099</b>	<b>9,164</b>
<b>Non-operating expenses</b>		
Bond issuance cost	*1 523	*1 152
Other	*1 135	*1 41
<b>Total non-operating expenses</b>	<b>659</b>	<b>194</b>
<b>Ordinary income</b>	<b>23,855</b>	<b>52,484</b>
<b>Extraordinary income</b>		
Gain on sale of investment securities	3,764	3,854
Gain on sale of shares of subsidiaries and associates	–	3,421
Gain on receipt of donated non-current assets	–	318
Other	57	–
<b>Total extraordinary income</b>	<b>3,821</b>	<b>7,594</b>
<b>Extraordinary losses</b>		
Loss on sale of investment securities	219	–
Loss on valuation of investment securities	1,689	399
Loss on sale and retirement of non-current assets	–	357
Loss on valuation of shares of subsidiaries and associates	628	–
Provision of allowance for investment loss	4,100	–
Business restructuring expenses	–	382
Other	567	181
<b>Total extraordinary losses</b>	<b>7,204</b>	<b>1,321</b>
<b>Profit before income taxes</b>	<b>20,471</b>	<b>58,758</b>
Income taxes - current	(154)	3,516
Income taxes - deferred	(139)	(2,794)
<b>Total income taxes</b>	<b>(293)</b>	<b>722</b>
<b>Profit</b>	<b>20,765</b>	<b>58,035</b>

## (iii) Statement of changes in net assets

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings		
		Legal capital surplus	Legal retained earnings	Other retained earnings	
				Reserve for tax purpose reduction entry	Retained earnings brought forward
Balance at beginning of current period	247,397	226,751	45,335	1,860	463,087
Changes of items during period					
Dividends of surplus	-	-	-	-	(30,429)
Profit	-	-	-	-	20,765
Purchase of treasury shares	-	-	-	-	-
Disposal of treasury shares	-	-	-	-	(667)
Other	-	-	-	-	-
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes of items during period	-	-	-	-	(10,330)
Balance at end of current period	247,397	226,751	45,335	1,860	452,756

	Shareholders' equity			Valuation and translation adjustments		Share acquisition rights
	Treasury shares	Deposit for subscriptions to treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	
Balance at beginning of current period	(110,351)	13	874,095	10,068	75	8,901
Changes of items during period						
Dividends of surplus	-	-	(30,429)	-	-	-
Profit	-	-	20,765	-	-	-
Purchase of treasury shares	(9)	-	(9)	-	-	-
Disposal of treasury shares	2,714	-	2,047	-	-	-
Other	-	(3)	(3)	-	-	-
Net changes of items other than shareholders' equity	-	-	-	21,497	(237)	223
Total changes of items during period	2,704	(3)	(7,629)	21,497	(237)	223
Balance at end of current period	(107,646)	9	866,465	31,565	(161)	9,125

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings		
		Legal capital surplus	Legal retained earnings	Other retained earnings	
				Reserve for tax purpose reduction entry	Retained earnings brought forward
Balance at beginning of current period	247,397	226,751	45,335	1,860	452,756
Changes of items during period					
Dividends of surplus	-	-	-	-	(63,790)
Profit	-	-	-	-	58,035
Purchase of treasury shares	-	-	-	-	-
Disposal of treasury shares	-	-	-	-	33
Other	-	-	-	-	-
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes of items during period	-	-	-	-	(5,721)
Balance at end of current period	247,397	226,751	45,335	1,860	447,035

	Shareholders' equity			Valuation and translation adjustments		Share acquisition rights
	Treasury shares	Deposit for subscriptions to treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	
Balance at beginning of current period	(107,646)	9	866,465	31,565	(161)	9,125
Changes of items during period						
Dividends of surplus	-	-	(63,790)	-	-	-
Profit	-	-	58,035	-	-	-
Purchase of treasury shares	(29,297)	-	(29,297)	-	-	-
Disposal of treasury shares	2,742	-	2,776	-	-	-
Other	-	16	16	-	-	-
Net changes of items other than shareholders' equity	-	-	-	(1,192)	(1,028)	(15)
Total changes of items during period	(26,554)	16	(32,260)	(1,192)	(1,028)	(15)
Balance at end of current period	(134,201)	26	834,205	30,373	(1,190)	9,109

## Notes to the financial statements

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

##### (4) Derivatives

Valued at fair value.

#### 2 Depreciation methods for depreciable assets

##### (1) Property, plant and equipment

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

##### (2) Intangible fixed assets, investments and other assets

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

#### 3 Accounting policies for provisions

##### (1) Allowance for doubtful accounts

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

##### (2) Allowance for investment loss

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

##### (3) Provision for bonuses

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

#### 4 Other significant items associated with the preparation of Non-Consolidated 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) Tax consolidation

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

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

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

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

(Changes in accounting policies)

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

There was no significant impact on the current fiscal year.

(Notes to balance sheet)

\*1 Monetary claims and obligations with related companies

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Short-term monetary claims	177,226	188,456
Long-term monetary claims	940,471	1,144,255
Short-term monetary liabilities	75,465	75,042
Long-term monetary liabilities	1,051	31,291

\*2 The fair value of securities loaned to subsidiaries

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Investment securities	81,235	78,323

3 Guarantee

Name of the guaranteed (details of liabilities guaranteed) are described below.

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Employees (borrowing)	15	5
Related companies (derivative liabilities)	2,245	3,427
Good Time Living Co. Ltd. (Lump-sum payment for occupancy refundable debt)	11,929	10,996
Total	14,191	14,429

(Notes to statement of income)

\*1 Transactions with related companies

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Operating transactions	56,381	83,402
Non-operating transactions	2,345	1,374

\*2 Allowance for provision for bonuses included in personnel expenses

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	1,057	1,074

\*3 Breakdown of financial expenses

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Interest expenses	10,972	10,507

(Securities)

Subsidiary stock and affiliated company stock

As of March 31, 2021

(Millions of yen)

Classification	Amounts in balance sheet	Fair Value	Difference total
(1) Stock of subsidiaries and affiliates			
Affiliated company stock	22,854	33,986	11,132
(2) Investments in other securities of subsidiaries and affiliates			
Subsidiaries	39,401	81,177	41,776
Affiliates	31,093	36,409	5,316
Total	93,348	151,574	58,225

As of March 31, 2022

(Millions of yen)

Classification	Amounts in balance sheet	Fair Value	Difference total
(1) Stock of subsidiaries and affiliates			
Affiliated company stock	32,377	65,799	33,422
(2) Investments in other securities of subsidiaries and affiliates			
Subsidiaries	45,826	88,565	42,738
Affiliates	32,416	39,929	7,513
Total	110,620	194,294	83,674

(Note) Amounts of subsidiary stock and affiliated company stock without market price recorded on the balance sheet

(Millions of yen)

Classification	As of March 31, 2021	As of March 31, 2022
(1) Stock of subsidiaries and affiliates		
Subsidiary stock	847,917	549,257
Affiliated company stock	32,048	33,495
(2) Investments in other securities of subsidiaries and affiliates		
Subsidiaries	69,527	84,606
Total	949,494	667,359

These are not included in “subsidiary stock and affiliated company stock” because there are no market prices.

\* Subsidiary stock decreased by 298,660 million yen from the end of the previous fiscal year due to the impact of dividend, etc. on capital surplus from some subsidiaries.

(Deferred tax accounting)

1 Breakdown of main cause for deferred tax assets and liabilities

	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2022
Deferred tax assets		
Loss on valuation of investment securities	7,309	7,650
Allowance for doubtful accounts	5,489	6,660
Net operating losses carry-forward	4,435	3,155
Excess Depreciation	1,712	1,614
Loss on valuation of shares of subsidiaries and associates	1,172	1,035
Other	2,806	5,416
Subtotal of deferred tax assets	22,926	25,532
Valuation allowance for tax loss carried forward	(4,435)	(3,155)
Valuation allowance for deductible temporary difference	(17,646)	(18,250)
Subtotal of valuation allowance	(22,082)	(21,406)
Total deferred tax assets	844	4,126
Deferred tax liabilities		
Valuation difference on available-for-sale securities	12,328	12,207
Other	1,311	1,345
Total deferred tax liabilities	13,639	13,552
Deferred tax assets (liabilities), net	(12,795)	(9,426)

2 Reconciliation of significant differences between the statutory effective tax rate and the actual effective rate of income taxes after application of deferred tax accounting

	(%)	
	As of March 31, 2021	As of March 31, 2022
Statutory effective tax rate	30.62	30.62
(Adjustments)		
Valuation allowance	8.38	0.11
Permanent difference (income)	(51.29)	(31.45)
Permanent difference (expense)	10.53	1.36
Other	0.33	0.59
Effective rate of income taxes after application of deferred tax accounting	(1.44)	1.23

(Revenue recognition)

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

(Subsequent events)

(Share repurchase and cancellation)

The Company adopted the resolution at the Board of Directors meeting on April 27, 2022 regarding the share repurchase under the provisions of the Articles of Incorporation pursuant to Article 459, Paragraph 1 of the Companies Act of Japan. At a meeting of the Executive Board held on the same day, the Company resolved to cancel treasury stock in accordance with the provisions of Article 178 of the Companies Act of Japan, and implemented the cancellation on May 10, 2022.

(1) Purpose of the share repurchase

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

(2) Details of the share repurchase

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

(3) Details of cancellation

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

## (iv) Annexed Non-Consolidated Detailed Schedules

[Non-Consolidated Detailed Schedule of Property, Plant and Equipment, etc.]

(Millions of yen)

Type of assets	Balance at beginning of current period	Increase	Decrease	Balance at end of current period	Accumulated depreciation and amortization as of March 31, 2022	Depreciation and amortization in the fiscal year	Net balance at end of period
Property, plant and equipment							
Buildings	1,009	33,526	318	34,218	1,508	813	32,709
Machinery and equipment	–	4	–	4	0	0	3
Equipment	2,849	127	2	2,974	565	34	2,409
Land	6,886	48,411	–	55,297	–	–	55,297
Construction in progress	77,837	8,996	84,712	2,121	–	–	2,121
Total property, plant and equipment	88,583	91,064	85,032	94,614	2,074	847	92,540
Intangible assets							
Software	–	–	–	22,899	17,863	2,395	5,036
Other	–	–	–	2,594	693	36	1,900
Total intangible assets	–	–	–	25,493	18,556	2,431	6,936

- (Notes) 1 The “balance at beginning of current period”, “increase” and “decrease” are omitted because the balance of intangible assets at end of current period is less than 1% of total assets.
- 2 The “increase” for “Buildings”, “Machinery and equipment”, “Equipment” and “Land” and the “decrease” for “Construction in progress” include a transfer amount of 81,587 million yen due to the completion of some redevelopment projects.
- 3 The “increase” in “Construction in progress” records the amount of increase in land for redevelopment projects held by the Company.

[Non-Consolidated Detailed Schedule of Provisions]

(Millions of yen)

Classification	Balance at beginning of current period	Increase	Decrease (utilized)	Decrease (due to other reason)	Balance at end of current period
Allowance for doubtful accounts	3,920	382	–	0	4,302
Allowance for investment loss	4,100	–	–	–	4,100
Provision for bonuses	1,057	1,074	1,057	–	1,074

- (Notes) 1 The “other reason” in the decrease for allowance for doubtful accounts is the reversal amounts from the collection of debts.
- 2 In the balance sheet, 3,195 million yen of allowance for doubtful accounts is deducted directly from the amount of debts.

## (2) Details of major assets and liabilities

This information has been omitted as the consolidated financial statements have been prepared.

## (3) Other

Not applicable.

## Item 6. Overview of Operational Procedures for Shares

Fiscal year	From April 1 to March 31
Annual Shareholders Meeting	June
Record Date	March 31
Record date for dividends of surplus	September 30 and March 31
Number of shares constituting one unit	100 shares
Repurchase of shares less than one unit	
Handling office	(Special accounts) 4-1, Marunouchi 1-Chome, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business Planning Department
Administrator of shareholders' register	(Special accounts) 4-1, Marunouchi 1-Chome, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Offices available for repurchase	–
Charges for repurchase	Amounts separately determined by the Company
Sale of shares less than one unit	
Handling office	(Special accounts) 4-1, Marunouchi 1-Chome, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business Planning Department
Administrator of shareholders' register	(Special accounts) 4-1, Marunouchi 1-Chome, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Offices available for sale	–
Handling fees	Amounts separately determined by the Company

(Note) In accordance with the Company's Articles of Incorporation, the Company's shareholders may not exercise rights other than the following in relation to shares less than one unit that they hold.

- (i) Rights stipulated in each item of Paragraph 2, Article 189 of the Companies Act
- (ii) Rights to make a request pursuant to the provisions of Paragraph 1, Article 166 of the Companies Act
- (iii) Rights to receive an allotment of shares for subscription and allotment of share acquisition rights for subscription corresponding to the number of shares held by the shareholder
- (iv) Right to request to sell the number of unit shares combined with the number of shares less than one unit held

Method of public notice	<p>Electronic public notice.  <a href="https://www.daiwa-grp.jp/ir/shareholders/public_notice.html">https://www.daiwa-grp.jp/ir/shareholders/public_notice.html</a>  However, if the Company is unable to make electronic public notice due to an accident or any other compelling reason, it will make an alternative public notice in a newspaper the Nihon Keizai Shimbun.</p>																																
Special benefit for Shareholders	<p>Shareholder benefits program at the end of September</p> <p>(1) Eligible shareholders: Shareholders or registered pledgees holding 1,000 shares or more as reported in the shareholder register as of September 30 each year</p> <p>(2) Details of benefits: “Choose from the Shareholder Benefits Catalog”, “Discount on costs when moving into housing for seniors” and “Discounts and benefits at hotels and golf courses”</p> <p>Details of available options in the Shareholder Benefits Catalog</p> <table border="1" data-bbox="387 533 1426 792"> <thead> <tr> <th>Shareholder benefits</th> <th>1,000 or more shares Less than 3,000 shares</th> <th>3,000 or more shares Less than 5,000 shares</th> </tr> </thead> <tbody> <tr> <td>(i) Local produce, etc. (2,000 yen value)</td> <td rowspan="3">Select one item only either from shareholder benefits (i) to (iii) shown on the left or from the products only available through the Web</td> <td rowspan="3">Select two of the items 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## Item 7. Reference Information of Reporting Company

### 1 Information about parent company, etc. of reporting company

The Company does not have a parent company.

### 2 Other reference information

Between the date of beginning of this fiscal year and the filing date of this Annual Securities Report, the Company has filed the following documents.

1	Securities Registration Statement and Appendices, and Written Confirmation	(Issuance of Share Acquisition Rights as a result of the stock option system)	July 29, 2021 Filed to Director-General of Kanto Local Finance Bureau
	Securities Registration Statement and Appendices, and Written Confirmation	(Stock subscription as a result of the Restricted Stock Compensation Plan)	June 23, 2021 June 28, 2022 Filed to Director-General of Kanto Local Finance Bureau
2	Amended Registration Statement of Securities Registration Statement	Amendments to the Securities Registration Statement and Appendices (Filed June 23, 2021)	June 24, 2021
		same as above	June 30, 2021 Filed to Director-General of Kanto Local Finance Bureau
		Amendments to the Securities Registration Statement and Appendices (Filed July 29, 2021)	August 11, 2021 August 16, 2021 Filed to Director-General of Kanto Local Finance Bureau
3	Shelf Registration Statement supplementary document and Appendices	Filing concerning Shelf Registration Statements (Filed July 15, 2020)	May 27, 2021 Filed to Director-General of Kanto Local Finance Bureau
4	Amendment to Shelf Registration Statements	Filing concerning Shelf Registration Statements (Filed July 15, 2020)	June 24, 2021 Filed to Director-General of Kanto Local Finance Bureau
5	Annual Securities Report and Appendices, and Written Confirmation	Business year: from April 1, 2020 to March 31, 2021	June 24, 2021 Filed to Director-General of Kanto Local Finance Bureau
6	Internal Control Report	Business year: from April 1, 2020 to March 31, 2021	June 24, 2021 Filed to Director-General of Kanto Local Finance Bureau
7	Quarterly Securities Reports and Written Confirmations	First quarter of the 85th term (from April 1, 2021 to June 30, 2021)	August 11, 2021 Filed to Director-General of Kanto Local Finance Bureau
		Second quarter of the 85th term (from July 1, 2021 to September 30, 2021)	November 12, 2021 Filed to Director-General of Kanto Local Finance Bureau
		Third quarter of the 85th term (from October 1, 2021 to December 31, 2021)	February 10, 2022 Filed to Director-General of Kanto Local Finance Bureau

July 13, 2021  
August 11, 2021  
September 9, 2021  
October 12, 2021  
November 9, 2021  
December 8, 2021  
January 11, 2022  
February 4, 2022  
March 4, 2022  
April 7, 2022  
May 9, 2022  
June 8, 2022  
Filed to Director-General of Kanto  
Local Finance Bureau

Part 2 Information About Company Which Provides Guarantee to Reporting Company

Not applicable.

**Independent Auditor's Report on the Financial Statements**  
**and**  
**Internal Control Over Financial Reporting**

June 29, 2022

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

KPMG AZSA LLC  
Tokyo Office, Japan

Kanao 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

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the accompanying consolidated financial statements of Daiwa Securities Group Inc. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”) provided in the “Financial Information” section in the company’s Annual Securities Report, which comprise the consolidated balance sheet as at March 31, 2022 and the consolidated statement of income and comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies, other explanatory information and supplementary schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended 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.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In our audits of the consolidated financial statements of the current period, we have selected key audit matters by taking into account the impact of the spread of COVID-19 pandemic, as well as recent changes in the economic environment arising from the situation in Russia and Ukraine. As a result, we continued to include the key audit matters for the prior period audit, “Reasonableness of the valuation of private equity and other investments, and loans receivable from customers (the Investment Division)” and “Reasonableness of the valuation of Level 3 derivative instruments held as part of trading products” as the key audit matters for the current period.

Reasonableness of the valuation of private equity and other investments, and loans receivable from customers (the Investment Division)	
The key audit matter	How the matter was addressed in our audit
<p>As described in Note, “Significant accounting estimates” to the consolidated financial statements, Daiwa Securities Group Inc. (the “Company”) and its subsidiaries recognized private equity and other investments of ¥123.8 billion and loans receivable from customers of ¥76.8 billion in the Investment Division. These amounts included the balances held by the consolidated subsidiaries, Daiwa PI Partners Co. Ltd. and Daiwa Energy &amp; Infrastructure Co. Ltd. In relation to these investments, a loss on aircraft-related investments of ¥3.2 billion and a loss on foreign investments and loans of ¥1.1 billion were recognized for the current fiscal year due to revaluation in light of the deteriorating investees’ performance or for other reasons.</p> <p>The Company is engaged in a principal investment business that mainly aims to make profit by acquiring/holding investments such as entities’ shares using its own capital and reselling them after adding value to the investee companies through business improvements or other means. The Company is also engaged in energy and infrastructure investment businesses to principally make profit by acquiring/holding domestic and foreign investment assets within the energy and infrastructure sectors and recognizing investment income during the holding period or gains upon reselling them. These businesses are conducted by the Investment Division, and impairment losses on its investments may be recognized if the value of the investments, such as shares, has declined during the holding period. Furthermore, if the Company cannot resell investments, such as shares, at prices above their acquisition costs, it may recognize a loss upon reselling them.</p> <p>As described in Note, “4 Accounting policies, (1) Valuation standards and methods for major assets” to the consolidated financial statements, of the private equity and other investments, investments, such as shares, with no readily available market prices are measured at cost using the moving average cost method in the consolidated balance sheet. If the substantive value of an investment has declined significantly, an impairment loss shall be recognized unless its recoverability is supported by sufficient evidence. In addition, as described in the same note, even if any impairment loss is not eventually recognized, the amount of an estimated loss shall be recognized as an allowance for possible investment losses if it is probable that a loss has been incurred in light of the operating results or other factors of the investee companies. Furthermore, as described in Note, “4 Accounting policies, (3) Accounting policies for material allowances and provisions”, the estimated amount of uncollectible loans receivable from customers shall be recognized as an allowance for doubtful accounts if it is probable that a credit loss has been incurred.</p> <p>In the case of the deteriorating investees’ performance or for other reasons, the Company determines whether an impairment loss or an allowance for possible investment losses on private equity and other investments, and an allowance for doubtful accounts on loans receivable from customers should be recognized based on the valuation of investments, calculated in view of the investee companies’ operating status and the estimated future cash flows to be generated from these investee companies considering the extent to which a loss has been incurred, as well as whether there is sufficient evidence supporting their recoverability. The evaluation of the operating status of the investee companies involves an understanding of the business environment of the industries to which the investee</p>	<p>To assess the reasonableness of the valuation of private equity and other investments, and loans receivable from customers (the Investment Division), we primarily performed the following audit procedures:</p> <p><b>(1) Internal control testing</b></p> <p>We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the valuation of private equity and other investments, and loans receivable from customers. In this assessment, we focused our testing on the following controls:</p> <ul style="list-style-type: none"> <li>controls to ensure that the internal rules for the valuation of private equity and other investments, and loans receivable from customers comply with accounting standards and other applicable requirements; and</li> <li>controls to ensure that the estimated future cash flows from the investee companies are reasonable.</li> </ul> <p><b>(2) Assessment of the reasonableness of the valuation of private equity and other investments, and loans receivable from customers</b></p> <p>For a selection of investments which were significant in amount and for which there was a deterioration in the investee companies’ performance compared to the initial plan, or in the business environment of the industries to which the investee companies belong among the investments held by the Investment Division, we assessed the extent to which a loss had been incurred, as well as whether there was sufficient evidence supporting their recoverability. This assessment included the following audit procedures:</p> <ul style="list-style-type: none"> <li>Evaluation of the operating status of the investee companies <ul style="list-style-type: none"> <li>We assessed the reasonableness of management’s evaluation of the operating status of the investee companies by inspecting materials used in management’s evaluation and an evaluation report from an external valuation company, inquiring of the personnel responsible for the investing department and the risk management department regarding the matter, and performing an analysis based on publicly available information on the investee companies we independently obtained. In evaluating the operating status of the investee companies, we considered: <ul style="list-style-type: none"> <li>the status of the industries as a whole to which the investee companies belong;</li> <li>the investee companies’ business model;</li> <li>the investee companies’ performance;</li> <li>the investee companies’ cash flow position and financing arrangements;</li> <li>the progress of energy and infrastructure related projects;</li> </ul> </li> </ul> </li> </ul>

companies belong and specialized knowledge of those industries requiring significant management judgment. Management judgment is also required in evaluating the feasibility of business improvement measures and investment recovery plans, among others, as they have a significant effect on the estimated future cash flows to be generated from the investee companies.

The balance of investments held by the Investment Division increased during the current fiscal year. In particular, in the event of a deterioration in the performance and business environment of significant investees, the assessment of the extent to which a loss has been incurred, as well as whether there was sufficient evidence supporting their recoverability had a significant effect on the consolidated financial statements. Also, there was an uncertainty in the estimate of future cash flows of investees who were impacted by the spread of COVID-19 pandemic or the recent changes in the economic environment and soaring prices of natural resources, among others, arising from the situation in Russia and Ukraine.

We, therefore, determined that our assessment of the reasonableness of the valuation of investments held by the Investment Division including private equity and other investments, and loans receivable from customers, was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

- the impact of the spread of COVID-19 pandemic; and
- the impact of recent changes in the economic environment and soaring natural resource prices, among others, arising from the situation in Russia and Ukraine.

- Evaluation of the method of calculating the valuation  
We assessed the reasonableness of the method of calculating the valuation by inspecting materials used in management's valuation calculations and a valuation report from an external valuation company and inquiring of the personnel responsible for the investing department and the risk management department regarding the matter.

- Assessment of key assumptions underlying the future cash flows

We inspected the documents prepared by the Company that described significant assumptions, including the investee companies' business plans and the forecast of their future business environment, which formed the basis for estimating future cash flows, and inquired of management regarding the effect of those assumptions on the valuation of investments. Additionally, we assessed the appropriateness of those assumptions by comparing them with the results of our own analysis using external data we independently obtained.

For the valuation of energy related investments and loans, we recognized that the trend of import prices of fuel and the prospect for the use of renewable energy in Japan, including related regulatory trends, which formed a basis for future electricity prices and electricity generation costs, were significant assumptions, and assessed whether the several scenarios used by the Company for the valuation and the discount rates were appropriate with the assistance of valuation specialists and personnel with specialized knowledge of the energy business within our domestic network firms. Especially, in our consideration of assumptions related to the trend of import prices of fuel, we evaluate the appropriateness of the assumptions related to the effect of soaring prices of natural resources arising mainly from the situation in Russia and Ukraine by performing a comparison between the forecasts adopted by the Company and other alternative forecasts published by international organizations and other institutions.

Furthermore, for the valuation of aircraft related investments, we recognized that the prospect for recovery of air travel demand depressed by the spread of COVID-19 pandemic which formed a basis for future aircraft prices, was a significant assumption, and assessed the appropriateness of management's assumption by comparing it with air travel demand forecasts published by airline industry groups.

Reasonableness of the valuation of Level 3 derivative instruments held as part of trading products	
The key audit matter	How the matter was addressed in our audit
<p>The Company and its subsidiaries recognized derivative instruments held as part of trading products of ¥2,085 billion in current assets and ¥1,997 billion in current liabilities. As described in Note, “Significant accounting estimates” and “Financial instruments, 2 Concerning the fair value and the breakdown of each level for financial instruments” to the consolidated financial statements, the derivative assets and liabilities held as part of trading products categorized within Level 3 of the fair value hierarchy, or Level 3 derivative assets and liabilities, were ¥99 billion and ¥17 billion, respectively.</p> <p>As described in Note, “4 Accounting policies, (1) Valuation standards and methods for major assets” to the consolidated financial statements, derivative instruments held as part of trading products are measured at fair value in the consolidated balance sheet, while valuation gains or losses are reported within net gains or losses on trading in the consolidated income statement. The valuation gains recognized in the consolidated income statement for the Level 3 derivatives instruments that were recognized in the consolidated balance sheet were ¥52.4 billion. The information regarding Level 3 fair value is provided in Note, “Financial instruments, 2 Concerning the fair value and the breakdown of each level for financial instruments” to the consolidated financial statements.</p> <p>The fair values of over-the-counter derivative instruments are calculated using pricing models including those generally recognized in the market or the updated versions thereof. These pricing models are adjusted to reflect market trends by performing an analysis through the comparison with observable market information and alternative pricing models, or other means.</p> <p>To calculate fair values using pricing models, various inputs, including interest rates, exchange rates, stock prices, volatilities and correlation coefficients, are used. In particular, unobservable inputs, including long-term swap-rates, long-term currency basis, long-term volatilities of stock prices, long-term credit spreads and correlation coefficients, are used to calculate the fair value of Level 3 derivative instruments.</p> <p>Selecting and adjusting pricing models and determining inputs used in the pricing models to estimate the fair value of Level 3 derivative instruments required management judgments. In addition, since complex processes involving a high level of expertise in the market and valuation methodologies were necessary while making management judgments, the fair value of Level 3 derivative instruments involved a high degree of estimation uncertainty.</p>	<p>To assess the reasonableness of the valuation of Level 3 derivative instruments held as part of trading products, we primarily performed the following audit procedures:</p> <p><b>(1) Internal control testing</b></p> <p>We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the valuation of Level 3 derivative instruments held as part of trading products. In this assessment, we focused our testing on the following controls:</p> <ul style="list-style-type: none"> <li>controls in which inputs used in the pricing models and the marked-to-market valuation are validated by a department independent of the trading department; and</li> <li>controls in which the appropriateness of assumptions embedded in the pricing models and the appropriateness of valuation techniques, as well as adjustments to the pricing models are validated by a department independent of the department which developed the pricing models.</li> </ul> <p><b>(2) Assessment of the reasonableness of the valuation of the Level 3 derivative instruments held as part of trading products</b></p> <ul style="list-style-type: none"> <li>Assessment of the reasonableness of pricing models <p>We assessed the continuing appropriateness of assumptions embedded in the pricing models used to calculate the valuation of derivative instruments and the reasonableness of adjustments to those assumptions. We involved valuation specialists in financial instruments within our international network firms (hereinafter, the “financial instrument valuation specialists”) who assisted in our assessment of the reasonableness of the adjustments made to the pricing models during the current fiscal year.</p> </li> <li>Assessment of the reasonableness of inputs <p>We compared observable market inputs with data we independently obtained from information vendors and other sources. We also compared unobservable inputs mainly with consensus pricing data provided by a consensus pricing service provider and the values we estimated independently.</p> </li> <li>Assessment of the reasonableness of the valuation of derivative instruments calculated using the pricing models <p>For a selection of derivative instruments selected considering quantitative and qualitative significance, we independently calculated the valuation of those derivative instruments and compared them with the fair values calculated by management, with the assistance</p> </li> </ul>

<p>We, therefore, determined that our assessment of the reasonableness of the valuation of Level 3 derivative instruments held as part of trading products was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>of the financial instrument valuation specialists.</p> <ul style="list-style-type: none"> <li>• Assessment of the appropriateness of relevant disclosures</li> </ul> <p>We assessed the appropriateness of the balances by level and the information related to Level 3 fair value disclosed in accordance with the “Accounting Standard for Calculation of Fair Value Measurement.”</p>
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## Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the financial statements, and our auditor’s reports thereon. 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 including 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.

From the matters communicated with the audit committee we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the Audit of the Internal Control Report**

### **Opinion**

We also have audited the accompanying internal control report of Daiwa Securities Group Inc. as at March 31, 2022, in accordance with Article 193-2(2) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at March 31, 2022, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

### **Basis for Opinion**

We conducted our audit of the internal control report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Internal Control Report* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report 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.

### **Responsibilities of Management and the Audit Committee for the Internal Control Report**

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The audit committee is responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

### **Auditor's Responsibilities for the Audit of the Internal Control Report**

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.

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

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.

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**

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Notes to the Reader of Audit Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan.

## Independent Auditor's Report on the Financial Statements

June 29, 2022

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

KPMG AZSA LLC  
Tokyo Office, Japan

Kanao 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 accompanying financial statements of Daiwa Securities Group Inc. (“the Company”) provided in the “Financial Information” section in the company’s Annual Securities Report, which comprise the balance sheet as at March 31, 2022 and the statement of income and statement of changes in net assets for the year then ended, and a summary of significant accounting policies, other explanatory information and supplementary schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2022, and its financial performance for the year then ended 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* 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.

### Key Audit Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

In our audit of the financial statements of the current period, we continued to include the key audit matter for the prior period audit, “Reasonableness of the valuation of shares of subsidiaries and associates” as the key audit matter for the current period.

Reasonableness of the valuation of shares of subsidiaries and associates	
The key audit matter	How the matter was addressed in our audit
Daiwa Securities Group Inc. (the “Company”), as a holding company of a comprehensive securities group, holds large amounts of shares of subsidiaries and associates. The Company recognized shares of subsidiaries and associates of ¥615 billion and an allowance for investment losses of ¥4 billion on the balance sheet as at the end of the current fiscal	To assess the reasonableness of the valuation of shares of subsidiaries and associates, we primarily performed the following audit procedures:  <b>(1) Internal control testing</b>  We tested the design and operating effectiveness of certain of

<p>year. Shares of subsidiaries and associates include shares without market prices the Company acquired at a prices that reflect future excess earning power.</p> <p>As described in Note, “Significant accounting policies, 1 Valuation standards and methods for major assets” to the financial statements, shares of subsidiaries and associates are valued at cost based on the moving average method in the balance sheet. If the substantive value of the subsidiaries and associates has declined significantly, an impairment loss shall be recognized unless its recoverability is supported by sufficient evidence. In addition, as described in the Note, “Significant accounting policies, 3 Accounting policies for provisions” to the financial statements, even if any impairment loss is not eventually recognized, to prepare for losses arising from the shares of subsidiaries and associates, the Company provides an allowance for investment loss in an amount equivalent to a decline in the substantive value of the shares, taking into consideration of their actual situation.</p> <p>The amount of shares of subsidiaries and associates decreased significantly, mainly due to a decrease of ¥298.6 billion in shares of subsidiaries without market prices compared to the end of the previous fiscal year, due to the impact of dividend that a subsidiary made from capital surplus. However, they still continue to account for a certain percentage (approximately 25%) of the total assets, and the measurement of excess earning power, which is taken into consideration in the calculation of the substantive value, includes elements of judgment by management, which have a significant impact on the financial statements.</p> <p>We, therefore, determined that our assessment of the reasonableness of the valuation of shares of subsidiaries and associates was the most significant matter in our audit of the financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>the Company’s internal controls relevant to the valuation of shares of subsidiaries and associates. In this assessment, we focused our testing on the following controls:</p> <ul style="list-style-type: none"> <li>controls to ensure that the internal rules for the valuation of shares of subsidiaries and associates comply with accounting standards and other applicable requirements; and</li> <li>controls to ensure that substantive value of shares of subsidiaries and associates by taking into account reflecting excess earning power are reasonable.</li> </ul> <p><b>(2) Assessment of the reasonableness of the valuation of shares of subsidiaries and associates</b></p> <p>In order to evaluate the reasonableness of judgments on recognizing an impairment loss or an allowance for investment loss on shares of subsidiaries and associates with declining the substantive value, we assessed the extent to which a loss had been incurred, as well as whether there was sufficient evidence supporting their recoverability. This assessment included the following audit procedures:</p> <ul style="list-style-type: none"> <li><b>Evaluation of the operating status and excess earning power of subsidiaries and associates</b></li> </ul> <p>In order to understand the operating status of the subsidiaries and associates and to reevaluate the excess earning power reflected in their acquisition costs, we inspected materials used in management’s evaluation of the operating status, including results of the analysis on the status of achievement of their business plans and the causes of the difference between the plan and actual results. In addition, we assessed the reasonableness of management’s evaluation of shares of subsidiaries and associates by inspecting an evaluation report from an external valuation company and performing an analysis based on publicly available information on the industry trends of subsidiaries and associates we independently obtained. In particular, we paid attention to whether there were any impacts caused by the spread of COVID-19 pandemic.</p>
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## Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the financial statements, the financial statements, and our auditor’s reports thereon. 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 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, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 including the design, implementation and maintenance of the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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 are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements 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.

From the matters communicated with the audit committee we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

### **Notes to the Reader of Audit Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan.

## Cover page

Document title	Internal Control Report
Clause of stipulation	Paragraph 1, Article 24-4-4 of the Financial Instruments and Exchange Act of Japan
Place of filing	Director-General of Kanto Local Finance Bureau
Filing date	June 29, 2022
Company name	Daiwa Securities Group Inc. (Kabushiki Kaisha Daiwa Shoken Group Honsha)
Company name in English	Daiwa Securities Group Inc.
Title and name of representative	Seiji Nakata, President and CEO
Title and name of CFO	Executive Managing Director Eiji Sato
Address of registered headquarters	9-1, Marunouchi 1-Chome, Chiyoda-ku, Tokyo
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-Chome, Naka-ku, Nagoya)

## 1 Basic Framework of Internal Control over Financial Reporting

Seiji Nakata, the Company's Representative Corporate Executive Officer and Eiji Sato, Chief Financial Officer are responsible for designing and operating the Company's internal control over financial reporting. They design and operate internal control over financial reporting in accordance with the basic framework of internal control presented in "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" issued by the Business Accounting Council.

Internal control achieves its objectives to a reasonable extent given that all individual components of internal control are integrated and function as a whole. Internal control over financial reporting for consolidated financial statements may not completely prevent or detect misstatements in financial reporting.

## 2 Scope of Assessment, Assessment Date and Assessment Procedure

Assessment of internal control over financial reporting was carried out as of March 31, 2022, which is the final day of the Company's business year, in accordance with generally accepted assessment standards for internal control over financial reporting.

In this assessment, the business processes to be assessed are selected after an assessment of internal control that has a significant impact on overall financial reporting on a consolidated basis ("company-level internal control") is carried out, and in consideration of the results of the said assessment. In assessing the said business processes, an assessment of the effectiveness of internal control was conducted by identifying the key controls that would have a material impact on the reliability of financial reporting after analyzing the selected business processes and by assessing the status of design and operation of the said key controls.

The scope of assessment of internal control over financial reporting was determined to be the scope that is necessary from the viewpoint of materiality of the impact on the reliability of financial reporting regarding the Company, its consolidated subsidiaries and its equity-method entities. The materiality of the impact on the reliability of the financial reporting is determined with consideration of the materiality of the monetary and qualitative impacts. The Company has reasonably determined the scope of assessment of internal control relating to business processes taking account of the assessment results of company-level internal controls at the Company, its consolidated subsidiaries and equity-method entities. Further, consolidated subsidiaries and equity-method entities deemed to be insignificant from a monetary and qualitative materiality perspective are not included in the scope of company-level internal control.

For the scope of assessment of internal control relating to business processes, taking the average for the past five fiscal years in each business location as well as summing from the locations that recorded high net operating revenue (after eliminating dividends between consolidated companies) for the current fiscal year, we referred to two business locations that accounted for roughly two-thirds of the average for the past five fiscal years as well as the consolidated net operating revenue in the current fiscal year as "Significant business locations". Commission received, net trading income, trading products, margin transaction assets and liabilities, and loans and borrowings secured by securities were selected as accounts that have a large involvement with the corporate business objectives of the selected significant business locations and their related business processes were subject to assessment. In addition, the scope of assessment includes other business locations as well as selected significant business locations with respect to certain business processes. Specifically, business processes that have a high risk of misstatement and relate to significant accounting items involving estimates and forecasts, and business processes relating to a business or operation dealing with high-risk transactions, are added to the scope of assessment as business processes with substantial significance in terms of effects on financial reporting, regardless of whether they occur at selected significant business locations.

## 3 Assessment Result

As a result of the above assessment, we judge that the Company's internal control over its financial reporting is effective as of March 31, 2022.

## 4 Supplementary Matters

Not applicable.

## 5 Special Notes

Not applicable.

## Cover page

Document title	Written Confirmation
Clause of stipulation	Paragraph 1, Article 24-4-2 of the Financial Instruments and Exchange Act of Japan
Place of filing	Director-General of Kanto Local Finance Bureau
Filing date	June 29, 2022
Company name	Daiwa Securities Group Inc. (Kabushiki Kaisha Daiwa Shoken Group Honsha)
Company name in English	Daiwa Securities Group Inc.
Title and name of representative	Seiji Nakata, President and CEO
Title and name of CFO	Executive Managing Director Eiji Sato
Address of registered headquarters	9-1, Marunouchi 1-Chome, Chiyoda-ku, Tokyo
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-Chome, Naka-ku, Nagoya)

## 1 Matters Concerning the Appropriateness of the Content Stated in the Annual Securities Report

Seiji Nakata, the Company's Representative Corporate Executive Officer and Eiji Sato, Chief Financial Officer have confirmed that the content stated in the Company's Annual Securities Report for its 85th period (Apr. 1, 2021 - Mar. 31, 2022) is reasonable based on the Financial Instruments and Exchange Act and related regulations.

## 2 Special Notes

Confirmed with no specific matters to report.