

Quarterly Securities Report

(Pursuant to Article 24-4-7, Paragraph (1) of the Financial Instruments and Exchange Act)

First quarter of 86th term
(April 1, 2022 - June 30, 2022)

Daiwa Securities Group Inc.

(E03753)

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The Quarterly Review Report attached to the Quarterly Securities Report and Written Confirmation are included at the end of this report.

Daiwa Securities Group Inc.

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Quarterly Review Report

Written Confirmation

Cover page

Document title	Quarterly Securities Report
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Quarterly accounting period	First quarter of 86th term (April 1, 2022 - June 30, 2022)
Company name	Daiwa Securities Group Inc. (Kabushiki Kaisha Daiwa Shoken Group Honsha)
Company name in English	Daiwa Securities Group Inc.
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Part 1 Company Information

Item 1. Overview of the Company

1 Summary of business results

Term	First quarter of 85th Three months ended June 30, 2021	First quarter of 86th Three months ended June 30, 2022	85th
Accounting period	From April 1, 2021 to June 30, 2021	From April 1, 2022 to June 30, 2022	From April 1, 2021 to March 31, 2022
Operating revenue (Millions of yen)	149,836	146,640	619,471
Net operating revenue (Millions of yen)	126,721	106,122	502,093
Ordinary income (Millions of yen)	34,922	18,085	135,821
Profit attributable to owners of parent (Millions of yen)	23,560	11,878	94,891
Comprehensive income (Millions of yen)	28,504	53,840	140,781
Net assets (Millions of yen)	1,581,457	1,668,661	1,639,888
Total assets (Millions of yen)	25,586,624	28,747,174	27,531,089
Net income per share (Yen)	15.45	8.01	63.06
Diluted net income per share (Yen)	15.38	7.96	62.72
Equity ratio (%)	5.2	4.9	5.0

(Note) Reporting company's summary of business results are not disclosed as the Company prepares quarterly consolidated financial statements.

2 Description of business

In the three months ended June 30, 2022, there were no significant changes in the details of the businesses operated by the Group (the Company and its subsidiaries and affiliates).

Item 2. Overview of Business

1 Business risks

From the beginning of the three months ended June 30, 2022 to the filing date of this Quarterly Securities Report, there were no material changes to the items regarding business and other risks stated in the 85th term Annual Securities Report.

2 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 June 30, 2022.

(1) Analysis of financial position

<Assets>

Total assets as of June 30, 2022 increased by 1,216.0 billion yen (4.4%) from the end of the previous fiscal year to 28,747.1 billion yen. The breakdown shows that current assets increased by 1,198.5 billion yen (4.6%) to 27,208.1 billion yen, including a decrease in cash and deposits of 635.4 billion yen (13.8%) to 3,956.9 billion yen, an increase in trading products of 625.9 billion yen (7.8%) to 8,630.8 billion yen, an increase in operating loans of 221.5 billion yen (11.5%) to 2,155.3 billion yen, and an increase in loans secured by securities of 871.9 billion yen (10.4%) to 9,266.2 billion yen. Non-current assets increased by 17.5 billion yen (1.2%) to 1,538.9 billion yen.

<Liabilities and net assets>

Total liabilities increased by 1,187.3 billion yen (4.6%) from the end of the previous fiscal year to 27,078.5 billion yen. The breakdown shows that current liabilities increased by 1,104.5 billion yen (4.8%) to 24,049.7 billion yen, including an increase in trading products of 987.7 billion yen (20.0%) to 5,933.6 billion yen, a decrease in trade date accrual of 464.2 billion yen (84.6%) to 84.2 billion yen, an increase in borrowings secured by securities of 943.5 billion yen (10.0%) to 10,407.2 billion yen, and a decrease in short-term borrowings of 475.7 billion yen (22.1%) to 1,680.0 billion yen. Non-current liabilities increased by 82.8 billion yen (2.8%) to 3,025.0 billion yen, including a decrease in bonds payable of 104.6 billion yen (6.7%) to 1,458.9 billion yen, and an increase in long-term borrowings of 182.7 billion yen (14.8%) to 1,419.7 billion yen.

Total net assets increased by 28.7 billion yen (1.8%) to 1,668.6 billion yen. Total share capital and capital surplus was 477.8 billion yen. Retained earnings decreased by 92.4 billion yen (9.8%) to 850.3 billion yen due to the recording of 11.8 billion yen in profit attributable to owners of parent as well as 80.7 billion yen for cancellation of treasury shares, 23.7 billion yen for payment of dividends, etc. Deduction for treasury shares decreased by 81.2 billion yen (60.5%) to 52.9 billion yen as a result of cancellation of treasury shares, etc., valuation difference on available-for-sale securities decreased by 5.1 billion yen (17.4%) to 24.4 billion yen, foreign currency translation adjustment increased by 35.1 billion yen (74.4%) to 82.4 billion yen, and non-controlling interests increased by 2.1 billion yen (0.8%) to 259.6 billion yen.

(2) Analysis of operating results

(i) Status of overall business

For the three months ended June 30, 2022, operating revenue decreased by 2.1% year on year to 146.6 billion yen, and net operating revenue decreased by 16.3% to 106.1 billion yen.

Commission received decreased by 13.3% to 67.0 billion yen. Brokerage commission decreased by 18.6% to 15.1 billion yen due to a decrease in customer flows accompanying the deterioration in the market environment. In the underwriting business, equity and bond underwriting transactions, etc. decreased, and commission for underwriting, secondary distribution and solicitation for selling and others for professional investors decreased by 49.4% to 5.3 billion yen.

Net trading income decreased by 40.7% to 15.5 billion yen due to difficulty in managing positions for both equities and bonds and a decrease in revenue.

Selling, general and administrative expenses increased by 2.5% to 97.2 billion yen. Trading related expenses increased by 14.3% to 17.4 billion yen due to an increase in commission expenses, and personnel expenses decreased by 0.2% to 49.1 billion yen due to a decrease in bonuses in Japan despite the increase in personnel expenses overseas due to the impact of the weak yen.

As a result of the above, ordinary income decreased by 48.2% to 18.0 billion yen.

After adding extraordinary income to this figure and deducting extraordinary losses, income taxes and profit attributable to non-controlling interests, profit attributable to owners of parent decreased by 49.6% year on year to 11.8 billion yen.

(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)			
	Three months ended June 30, 2021	Three months ended June 30, 2022	Year-on-year increase (decrease)	Composition ratio	Three months ended June 30, 2021	Three months ended June 30, 2022	Year-on-year increase (decrease)	Composition ratio
Retail Segment	47,356	40,393	(14.7)%	38.1%	10,037	6,298	(37.2)%	28.7%
Wholesale Segment	46,751	35,965	(23.1)%	33.9%	11,328	(2,672)	—	—
Global Markets	31,682	24,491	(22.7)%	23.1%	7,795	(2,073)	—	—
Global Investment Banking	15,068	11,474	(23.9)%	10.8%	3,144	(1,155)	—	—
Asset Management Segment	17,352	18,605	7.2%	17.5%	10,000	11,173	11.7%	50.9%
Securities asset management	11,096	11,306	1.9%	10.6%	5,184	5,309	2.4%	24.2%
Real estate asset management	6,255	7,299	16.7%	6.9%	4,816	5,863	21.7%	26.7%
Investment Segment	2,757	3,689	33.8%	3.5%	1,824	4,483	145.7%	20.4%
Other, adjustments, etc.	12,502	7,466	—	7.0%	1,730	(1,196)	—	—
Consolidated total	126,721	106,122	(16.3)%	100.0%	34,922	18,085	(48.2)%	100.0%

(Note) The composition ratio of ordinary income (loss) displays a percentage of the ordinary income of each segment among the total ordinary income of segments for which ordinary income was recorded in the three months ended June 30, 2022.

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.

Equity revenue decreased for the three months ended June 30, 2022, primarily due to a decrease in brokerage commission as well as a decrease in offering commission income caused by a year-on-year decline in public offerings and secondary distribution of stocks. Bond revenue decreased, primarily due to a decline in offering and secondary distribution. Due to a decline in the sales amount, sales commission income for equity investment trusts also decreased.

As a result, net operating revenue in the Retail Segment for the three months ended June 30, 2022 decreased by 14.7% year on year to 40.3 billion yen, and ordinary income decreased by 37.2% to 6.2 billion yen. Net operating revenue and ordinary income in the Retail Segment for the three months ended June 30, 2022 as a proportion of the consolidated net operating revenue and consolidated ordinary income for the entire Group were 38.1% and 28.7%, respectively.

The impact of the spread of COVID-19 on the performance in the Retail Segment for the three months ended June 30, 2022 was limited.

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. 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.

Global Markets had a decrease in revenue and a decrease in profit. Equity revenue decreased because of a decline in customer flows attributed to market uncertainty as well as difficulties in managing positions. For fixed income revenue, although

earnings opportunities increased overseas due to higher interest rate volatility, in Japan, earnings from credit declined due to the widening of credit spreads. In addition, the difficulties of managing derivative positions contributed to the decrease in revenue. As a result, net operating revenue for the three months ended June 30, 2022 was 24.4 billion yen (31.6 billion yen for the three months ended June 30, 2021), and ordinary loss was 2.0 billion yen (ordinary income of 7.7 billion yen for the three months ended June 30, 2021).

Main sources of earnings of Global Investment Banking are underwriting and secondary offering commissions from underwriting business and M&A commissions from M&A advisory services. 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.

Global Investment Banking had a decrease in revenue and a decrease in profit. We recorded decreased revenues in underwriting and secondary offering commissions compared to the three months ended June 30, 2021, when we served as global coordinator of a large-scale public offering of shares as well as accumulating many bond transactions where we served as lead manager. In addition, in M&A business, we executed many transactions overseas. As a result, net operating revenue for Global Investment Banking was 11.4 billion yen (15.0 billion yen for the three months ended June 30, 2021), and ordinary loss was 1.1 billion yen (ordinary income of 3.1 billion yen for the three months ended June 30, 2021).

As a result, net operating revenue for Wholesale Segment for the three months ended June 30, 2022 was 35.9 billion yen (46.7 billion yen for the three months ended June 30, 2021), and ordinary loss was 2.6 billion yen (ordinary income of 11.3 billion yen for the three months ended June 30, 2021). Net operating revenue in the Wholesale Segment for the three months ended June 30, 2022 as a proportion of the consolidated net operating revenue for the entire Group was 33.9%.

The impact of the spread of COVID-19 on the performance in the Wholesale Segment for the three months ended June 30, 2022 was limited.

Asset Management Segment:

Asset Management Segment comprises securities asset management and real estate asset management.

Main sources of earnings of securities asset management are the management fees for structuring and managing investment trusts from Daiwa Asset Management. 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, is recorded in ordinary income according to the Group's ownership ratio. Factors that have a major impact on operating results include the fluctuation in customer demand for investment trusts 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.

Securities asset management had an increase in revenue and an increase in profit. At Daiwa Asset Management, the balance of assets under management of publicly offered investment trusts decreased by 4.5% from the end of the previous fiscal year to 20.7 trillion yen due to the decline in fair value, but the average balance during the period exceeded the three months ended June 30, 2021. Net operating revenue for the three months ended June 30, 2022 increased by 1.9% year on year to 11.3 billion yen, and ordinary income increased by 2.4% to 5.3 billion yen.

Main sources of earnings of real estate asset management are real estate investment income from Daiwa Real Estate Asset Management, Daiwa Office Investment Corporation and Samty Residential Investment Corporation. In addition, the real estate investment income of equity method affiliates Samty Co., Ltd., and 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 include trends in the domestic real estate market and office demand.

Real estate asset management had an increase in revenue and an increase in profit. The combined balance of assets under management of Daiwa Real Estate Asset Management and Samty Residential Investment Corporation increased by 2.0% from the end of the previous fiscal year to 1,304.9 billion yen. As a result, net operating revenue for the three months ended June 30, 2022 increased by 16.7% year on year to 7.2 billion yen, and ordinary income increased by 21.7% to 5.8 billion yen. Net operating revenue in the Asset Management Segment for the three months ended June 30, 2022 increased by 7.2% year on year to 18.6 billion yen, and ordinary income increased by 11.7% to 11.1 billion yen. Net operating revenue and ordinary income in the Asset Management Segment for the three months ended June 30, 2022 as a proportion of the consolidated net operating revenue and consolidated ordinary income for the entire Group were 17.5% and 50.9%, respectively.

The impact of the spread of COVID-19 on the performance in the Asset Management Segment for the three months ended June 30, 2022 was limited.

Investment Segment:

Investment Segment mainly comprises 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.

For the three months ended June 30, 2022, Daiwa Corporate Investment secured earnings from the gains on sales of investees, while contributing to investment in domestic and overseas growth companies and listing support. In addition, Daiwa PI Partners steadily provided services related to loans, bad debts, real estate, and domestic and overseas private equity investment, while Daiwa Energy & Infrastructure recorded income and capital gains while expanding energy and infrastructure related investment that contributes to the Sustainable Development Goals (SDGs) such as the acquisition of solar power plants.

As a result, net operating revenue in the Investment Segment for the three months ended June 30, 2022 increased by 33.8% year on year to 3.6 billion yen, and ordinary income increased by 145.7% to 4.4 billion yen. Net operating revenue and ordinary income in the Investment Segment for the three months ended June 30, 2022 as a proportion of the consolidated net operating revenue and consolidated ordinary income for the entire Group were 3.5% and 20.4%, respectively.

The impact on the performance in the Investment Segment for the three months ended June 30, 2022 due to factors such as the drop in stock prices and deterioration of performance of investees caused by COVID-19 was limited.

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.

Daiwa Institute of Research contributed to the earnings of the Group by steadily advancing the development of the Group's systems as well as strengthening relationships with customers through high-value-added solution proposals, in addition to being involved in system development projects for large-scale customers.

Daiwa Next Bank continued to conduct various promotions in collaboration with its bank agency Daiwa Securities. The balance of deposits (including negotiable certificates of deposit) as of June 30, 2022 decreased by 1.1% from the end of the previous fiscal year to 4,151.5 billion yen, and the number of bank accounts increased by 1.3% to 1.58 million.

The earnings of some Group companies belonging to the Other Segment decreased year on year for the three months ended June 30, 2022. As a result, net operating revenue related to other adjustments, etc. was 7.4 billion yen (12.5 billion yen for the three months ended June 30, 2021), and ordinary loss was 1.1 billion yen (ordinary income of 1.7 billion yen for the three months ended June 30, 2021). Net operating revenue in other adjustments, etc. for the three months ended June 30, 2022 as a proportion of the consolidated net operating revenue for the entire Group was 7.0%.

The impact of the spread of COVID-19 on the performance in other adjustments, etc. for the three months ended June 30, 2022 was limited.

- (iii) Management policy, management strategy and the objective indicators for determining the achievement status of the managerial goals

There has been no material change in the management indicators and no new matters have arisen in the three months ended June 30, 2022 concerning the management policy, management strategy and the objective indicators for determining the achievement status of the managerial goals as described in "Achievement status of target management indicators, etc." in the Annual Securities Report for the 85th term (April 1, 2021 - March 31, 2022).

(iv) Macroeconomic environment of the three months ended June 30, 2022 assumed for the operating results

<Overseas>

The global economy has continued its recovery trend from the slump caused by the spread of COVID-19 in the first half of 2020, but the pace of improvement is becoming sluggish as progress is being made on restoring a normal economy. According to the World Economic Outlook released by the International Monetary Fund (IMF) in July 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. On the other hand, the global growth rate is forecast to fall to +3.2% in 2022. Although they forecast ongoing recovery in services activity, which had slumped with the global COVID-19 pandemic, the historically-high inflation rate and consequent monetary tightening by the authorities is likely to curb the pace of economic expansion. In addition, the heightened geopolitical risks triggered by Russia's invasion of Ukraine, which started at the beginning of 2022, has become a new risk for the global economy.

The US economy continues its recovery, but the pace of recovery is slowing. 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 -1.6% compared to the previous quarter. Final domestic demand accelerated its growth from the previous quarter, but sluggish exports backed by the supply constraints including the global semiconductor shortage, increased imports and inventory adjustments weighed on GDP. In addition, even with firm final domestic demand, growth in personal consumption and housing investment was sluggish compared with the previous quarter. This was attributed to the constraint on personal consumption due to the deterioration in consumer sentiment, amid prices rising at a record pace as well as the constraints on housing investment due to higher interest rates. In addition to the extremely high inflation rate that has also continued in the April-June quarter, stock prices continue to fall and the slowdown in domestic demand, particularly in relation to personal consumption, has continued. Real GDP growth in the April-June quarter recorded a second-consecutive quarter of negative growth, declining at an annualized rate of -0.9% compared to the previous quarter.

From a financial perspective, the Federal Reserve Board (FRB) ended the accommodative monetary policy it had continued since the COVID-19 pandemic, and changed its stance towards one of tapering monetary easing and towards monetary tightening. With the recovery made in the US economy from the slump caused by the COVID-19 pandemic, the FRB decided to commence scaling back its quantitative easing at the November 2021 Federal Open Market 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, as the US inflation rate rose substantially above the target of 2%, 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. Then at the May FOMC, in addition to an interest rate hike of 0.50% points, the FRB decided to commence contraction of the balance sheet. They decided to increase policy interest rates for the third consecutive meeting at the June FOMC, and the size of the rate hike itself was also increased to 0.75% points.

European economies (eurozone economy) are continuing their moderate recovery trend. Up until the end of 2021, the behavioral restrictions caused by the spread of COVID-19 put downward pressure on the economy in Europe, while such downward pressure on the economy moderated with the easing of behavioral restrictions from 2022. On the other hand, the deterioration in sentiment and 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 accelerated at an annualized rate of +2.0% compared to the previous quarter mainly due to a decrease in imports, but domestic demand slowed quarter on quarter, so there was only a small increase in the rate of growth. The problems surrounding Ukraine were not resolved in the April-June quarter, and in particular, the uncertainty of energy supply due to the embargoes against Russia is contributing to sluggish corporate activities. Although real GDP growth in the April-June quarter has remained positive at an annualized rate of +2.8% compared to the previous quarter, the sense of future uncertainty has increased mainly due to higher inflation mainly attributed to the rise in energy prices, which has been a blow to companies and households.

From a financial perspective, the European Central Bank (ECB) is making moves towards enacting normalization from the monetary easing since the COVID-19 pandemic. The decision was made at the December 2021 ECB Governing Council meeting to end outright purchases of assets under the Pandemic Emergency Purchase Programme (PEPP), which it established because of the COVID-19 pandemic, 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 Programme (APP), which it had been conducting since before the COVID-19 pandemic. The decision was made at the June ECB Governing Council meeting to conclude the APP on July 1. Furthermore, an indication was given at that same June ECB Governing Council meeting of a 0.25% point hike in policy interest rates at the next meeting in July, as well as indication of the likelihood of subsequent interest rate hikes.

The economies of emerging countries have recorded an overall ongoing recovery since the second half of 2020. According to the IMF, the real GDP growth of emerging countries was high at +6.8% in 2021, in a rebound from the slump in the

previous year. In addition, they forecast growth of +3.6% in 2022.

Amongst emerging countries, in China, the world's second largest economy, real GDP growth in the January-March 2022 quarter was +4.8% year on year, an acceleration in growth from the previous quarter. However, a surge in the number of COVID-19 cases and lockdowns in many cities such as Shanghai under the zero COVID policy mainly led to a sudden slowdown in the Chinese economy in the first half of the April-June quarter, resulting in low real GDP growth in the April-June quarter of +0.4% year on year. Nevertheless, in addition to the steady lifting of lockdowns with the decline in the number of cases, there was also support from fiscal and monetary policy with the Chinese economy headed for another recovery from the second half of the April-June quarter.

Viewed as a whole, the recovery trend continued in emerging countries other than China. Not only did the increase in export demand due to the recovery of major advanced economies including the US and Europe underpin the economies of emerging countries, but higher resource prices were boosting the economies of some resource countries. On the other hand, high inflation 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 even in emerging countries.

<Japan>

The Japanese economy continues to be greatly affected by COVID-19, while there is a recovery trend in FY2022. In the January-March 2022 quarter, in addition to the application of key measures to prevent the spread of infection in many regions due to the resurgence in the number of COVID-19 cases, there was also the impact of supply constraints caused by semiconductor shortages, and the real GDP growth rate declined at an annualized rate of -0.5% compared with the previous quarter, which was the first negative growth in two quarters, albeit small. However, there were renewed moves towards an economic recovery in the April-June quarter with the lifting of key measures to prevent the spread of infection and progress made towards normalization of economic activity. Nevertheless, the economy has been undermined by matters such as the turmoil in the supply chain and reduced demand caused by the lockdown in Shanghai, China, so the pace of economic recovery has been moderate.

Considering each demand item, personal consumption has been heading towards recovery since the beginning of FY2022. Many regions implemented key measures to prevent the spread of infections due to a resurgence of infections, so the recovery in services consumption was at a standstill in the January-March 2022 quarter. The increase in stay-at-home consumption underpinned personal consumption, but the consumption of durable goods declined due to factors such as automobile supply shortages caused by semiconductor shortages, and overall personal consumption was flat on the previous quarter. Subsequently, key measures to prevent the spread of infections were completely lifted by March 21, and personal consumption, particularly services consumption, has been heading towards recovery since the beginning of the April-June quarter. Housing investment continued to decline at a moderate pace from the second half of 2021 because of the rise in prices due to the higher price of materials, etc.

Capital investment, which is in demand in the corporate sector, is generally flat. Capital investment declined from the previous quarter in the January-March 2022 quarter due to the decline in personal consumption attributed to key measures to prevent the spread of infections, the stagnation of production activities caused by supply constraints, as well as the sense of future uncertainty due to Russia's invasion of Ukraine. However, the number of COVID-19 cases declined from the April-June quarter and economic activity resumed in Japan, so signs of a resurgence in capital investment were also evident. Nevertheless, there was also the impact of turmoil in the supply chain caused by lockdowns in China, so the recovery for capital investment in the April-June quarter was extremely moderate. Some capital investment that was put-off in 2021 due to factors such as the spread of COVID-19 appears to have been postponed to 2022, and according to the Bank of Japan's Tankan (Short-Term Economic Survey of Enterprises in Japan) (June 2022 Survey), FY2022 Fixed Investment Plans (including Land Purchasing Expenses) are forecast to have high growth at +14.1% 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. Nevertheless, amid the recovery in the Japanese economy from the slump caused by the COVID-19 pandemic, the Bank of Japan decided at its December 2021 Policy Board meeting to end part of the increase in outright purchase amount for corporate bonds, etc., which it introduced in response to the COVID-19 pandemic, in March 2022. The upward pressure on 10-year JGB yields has intensified amid the rising US long-term interest rates since the beginning of 2022, despite the Bank of Japan's ongoing accommodative monetary policy. From around March 2022, rates have been moving at close to 0.25%, the upper limit of the range for the Bank of Japan's policy target.

Looking at the foreign exchange market, overall there has been a trend for a weak yen since 2022. In the US, the FRB indicated its stance to continue hiking interest rates to curb high inflation, and long-term interest rates continued to rise, but in Japan, the Bank of Japan maintained its low interest rate policy, so the Japan-US interest rate differential widened and the yen depreciated against the dollar at a very rapid pace. The rate against the dollar, which had been in the 115 yen levels at

the beginning of the year, temporarily reached 137 yen levels in June, the weakest yen level in almost 24 years. There was a similar depreciation of the yen against the euro due to widening of the interest rate differential with the Eurozone, and the rate against the euro, which had been in the 130 yen levels at the beginning of the year, temporarily reached 144 yen levels in June.

In the stock market, stock prices continued on a roller coaster trend in 2022. In addition to the rapid growth in expectations for interest rate hikes by the FRB, there was also deterioration in market sentiment due to Russia's invasion of Ukraine, and Japanese stocks fell from a peak at the beginning of the year. The Nikkei Stock Average fell from 29,300 yen levels at the beginning of the year to below 25,000 yen in mid-March. However, in addition to the temporary recovery in US stocks from the second half of March, the Nikkei Stock Average also recovered due to the rapid depreciation of the yen. Subsequently, in the April-June quarter, amid a monetary tightening in the US and a roller coaster trend for US stock prices due to concerns of an economic slowdown, the market was unstable with repeated ups and downs in the Nikkei Stock Average as well.

The Nikkei Stock Average at the end of June 2022 was 26,393.04 yen (down 1,428.39 yen from the end of March 2022), 10-year JGB yields were 0.242% (up 0.024% points), and the yen fell to 136.20 yen/dollar (down 14.56 yen).

(3) Business and financial issues to be addressed

There has been no material change and no new matters have arisen in relation to business and financial issues to be addressed for the three months ended June 30, 2022.

(4) Research and development activities

Not applicable.

(5) Information about resources for capital and liquidity

(i) 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 efficient and stable fundraising by combining these various methods appropriately.

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 Group is required to comply with the minimum standard (100%) for both the consolidated liquidity coverage ratio (hereinafter "LCR") and the consolidated net stable funding ratio (hereinafter "NSFR") based on the "Criteria that indicate 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 Group's daily average LCR for the three months ended June 30, 2022 was 141.1%. The NSFR as of June 30, 2022 is expected to exceed the minimum standard ratio. The Group 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 outflow of funds in the case where some stress events occur in such period, we verify every day that enough liquidity portfolio 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 daily average LCR for the three months ended June 30, 2022 was as follows.

(100 millions of yen)

		Daily average (From April 2022 to June 2022)
High-quality liquid assets	(A)	24,470
Cash outflows	(B)	36,422
Cash inflows	(C)	19,083
Consolidated liquidity coverage ratio (LCR)		
Total eligible high-quality liquid assets	(D)	24,470
Net cash outflows	(E)	17,338
Consolidated liquidity coverage ratio	(D)/(E)	141.1%

<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 as necessary 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 of fluctuations in financial markets and for which the importance of securing liquidity is significant, have established their own contingency funding plans and periodically revised 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 themselves considering crisis scenarios to be assumed and also tries to preliminarily execute countermeasures, both increasing liquidity and reducing assets at the same time.

(ii) 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 as of June 30, 2022 decreased by 11.2 billion yen from the end of the previous fiscal year to 1,275.2 billion yen. In addition, the total share capital and capital surplus was 477.8 billion yen. Retained earnings decreased by 92.4 billion yen from the end of the previous fiscal year to 850.3 billion yen due to the recording of 11.8 billion yen in profit attributable to owners of parent as well as 80.7 billion yen for cancellation of treasury shares and 23.7 billion yen for payment of dividends. Deduction for treasury shares decreased by 81.2 billion yen to 52.9 billion yen as a result of cancellation of treasury shares, etc.

3 Critical contracts for operation

Not applicable for the three months ended June 30, 2022.

Item 3. 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 June 30, 2022) (shares)	Number of shares issued as of issuance date of this report (as of August 9, 2022) (shares)	Stock exchange	Description
Common Stock	1,569,378,772	1,569,378,772	Prime Market of the Tokyo Stock Exchange Premier Market of the Nagoya Stock Exchange	The number of shares to constitute a share unit of the Company is 100 shares.
Total	1,569,378,772	1,569,378,772	—	—

(2) Status of share acquisition rights, etc.

(i) Description of stock option plan

Not applicable.

(ii) 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 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 surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
May 10, 2022 (Note)	(130,000)	1,569,378	—	247,397	—	226,751

(Note) Reduced due to the cancellation of treasury shares.

(5) Status of major shareholders

As the current quarterly accounting period is the first quarter, there are no items to report.

(6) Status of voting rights

The Company could not confirm the information stated in the shareholder register as of the end of the first quarter of the current fiscal year. Therefore, because the Company cannot present the information as of that date, the Company has presented the information from the shareholder register as of the immediately preceding record date (March 31, 2022) in the section “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 number of shares issued	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 number of shares issued 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 number of shares held (shares)	Ownership percentage to total number of shares issued (%)
(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 number of shares issued by 130,000,000 shares.

2 Status of the Company's officers

Changes in the Company's officers in the three months ended June 30, 2022 after the filing date of the Annual Securities Report for the previous fiscal year are as follows.

(1) Status of Directors

Not applicable.

(2) Status of Corporate Executive Officers

Not applicable.

Item 4. Financial Information

1 Basis for preparation of the quarterly consolidated financial statements

The Company's quarterly 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 Quarterly Consolidated Financial Statements (Cabinet Office Order No. 64, 2007) and the provisions of Article 61 and Article 82 of the said Regulation.

2 Audit certification

The Company has had its quarterly consolidated financial statements for the first quarter ended June 30, 2022 and the three months ended June 30, 2022 reviewed by KPMG AZSA & Co. based on the provisions of Paragraph 1, Article 193-2 of the Financial Instruments and Exchange Act.

1 Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

<i>Assets</i>	(Millions of yen)			
	As of			
	March 31, 2022		June 30, 2022	
Current assets:				
Cash and deposits	¥	4,592,384	¥	3,956,935
Cash segregated as deposits		559,729		552,760
Notes and accounts receivable - trade, and contract assets		22,420		20,689
Securities		1,177,898		1,155,314
Trading products:		8,004,920		8,630,884
Trading securities and other		5,919,617		6,263,426
Derivatives		2,085,303		2,367,457
Operational investment securities		123,839		134,997
Allowance for investment loss		(151)		(187)
Operating loans		1,933,758		2,155,308
Work in process		768		999
Margin transaction assets:		177,401		175,506
Loans on margin transactions		170,555		168,831
Cash collateral pledged for securities borrowing on margin transactions		6,845		6,675
Loans secured by securities:		8,394,277		9,266,201
Cash collateral pledged for securities borrowed		5,283,874		6,366,511
Loans on Gensaki transactions		3,110,403		2,899,690
Advances paid		22,454		21,531
Short-term loans receivable		439		653
Accrued income		40,062		42,506
Other		967,025		1,102,207
Allowance for doubtful accounts		(7,589)		(8,116)
Total current assets		26,009,638		27,208,192
Non-current assets:				
Property, plant and equipment		913,879		915,681
Intangible assets:		121,482		121,816
Goodwill		19,657		19,699
Other		101,825		102,117
Investments and other assets:		486,088		501,484
Investment securities		443,446		460,654
Long-term loans receivable		6,451		6,468
Guarantee deposits		16,748		16,825
Deferred tax assets		11,992		8,374
Other	*1	12,491	*1	14,204
Allowance for doubtful accounts	*1	(1,422)	*1	(1,421)
Allowance for investment loss		(3,620)		(3,620)
Total non-current assets		1,521,450		1,538,981
Total assets	¥	27,531,089	¥	28,747,174

<i>Liabilities</i>	(Millions of yen)	
	As of	
	March 31, 2022	June 30, 2022
Current liabilities:		
Notes and accounts payable - trade	¥ 6,361	¥ 5,540
Trading products:	4,945,900	5,933,696
Trading securities and other	2,948,427	3,689,599
Derivatives	1,997,473	2,244,097
Trade date accrual	548,406	84,204
Margin transaction liabilities:	70,318	62,949
Borrowings on margin transactions	5,327	1,631
Cash received for securities lending on margin transactions	64,991	61,318
Borrowings secured by securities:	9,463,697	10,407,202
Cash received on debt credit transaction of securities	4,761,437	5,899,241
Borrowings on Gensaki transaction	4,702,259	4,507,960
Deposits from banking business	4,189,105	4,142,009
Deposits received	456,384	551,140
Guarantee deposits received	347,468	408,653
Short-term borrowings	2,155,782	1,680,005
Commercial papers	116,000	145,000
Current portion of bonds	446,760	465,035
Income taxes payable	8,649	4,361
Provision for bonuses	37,586	13,899
Other	152,851	146,079
Total current liabilities	22,945,274	24,049,778
Non-current liabilities:		
Bonds payable	1,563,631	1,458,959
Long-term borrowings	1,237,048	1,419,797
Deferred tax liabilities	42,241	44,467
Retirement benefit liability	44,236	44,336
Provision for loss on litigation	115	122
Other	54,934	57,332
Total non-current liabilities	2,942,208	3,025,015
Reserves under special laws:		
Reserve for financial instruments transaction liabilities	3,717	3,718
Total reserves under special laws	3,717	3,718
Total liabilities	¥ 25,891,200	¥ 27,078,513

<i>Net assets</i>	(Millions of yen)			
	As of			
	March 31, 2022		June 30, 2022	
Shareholders' equity:				
Share capital	¥	247,397	¥	247,397
Capital surplus		230,451		230,451
Retained earnings		942,793		850,340
Treasury shares		(134,201)		(52,944)
Deposit for subscriptions to treasury shares		26		7
Total shareholders' equity		1,286,467		1,275,251
Accumulated other comprehensive income:				
Valuation difference on available-for-sale securities		29,587		24,452
Deferred gains or losses on hedges		9,940		18,419
Foreign currency translation adjustment		47,288		82,467
Total accumulated other comprehensive income		86,815		125,339
Share acquisition rights		9,109		8,433
Non-controlling interests		257,497		259,637
Total net assets		1,639,888		1,668,661
Total liabilities and net assets	¥	27,531,089	¥	28,747,174

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income

Quarterly consolidated statements of income

	(Millions of yen)	
	Three Months Ended	
	June 30, 2021	June 30, 2022
Operating revenue:		
Commission received:	¥ 77,309	¥ 67,004
Brokerage commission	18,600	15,137
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	10,595	5,357
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	6,295	3,620
Other fees received	41,817	42,889
Net trading income	*1 26,293	*1 15,594
Net gain on private equity and other securities	1,681	2,544
Financial revenue	21,295	34,836
Other operating revenue	23,257	26,659
Total operating revenue	149,836	146,640
Financial expenses	10,421	23,556
Other operating expenses	12,692	16,961
Net operating revenue	126,721	106,122
Selling, general and administrative expenses:		
Trading related expenses	15,230	17,409
Personnel expenses	*2 49,200	*2 49,116
Real estate expenses	9,137	9,704
Office cost	5,657	6,178
Depreciation	8,771	8,623
Taxes and dues	2,858	2,283
Provision of allowance for doubtful accounts	0	36
Other	4,017	3,921
Total selling, general and administrative expenses	94,873	97,274
Operating income	31,848	8,847
Non-operating income:		
Dividend income	1,532	1,492
Share of profit of entities accounted for using equity method	493	1,639
Foreign exchange gains	—	780
Gain on investments in partnerships	679	5,004
Other	1,036	1,208
Total non-operating income	3,742	10,127
Non-operating expenses:		
Interest expenses	458	476
Bond issuance cost	18	—
Other	191	412
Total non-operating expenses	668	889
Ordinary income	¥ 34,922	¥ 18,085

	(Millions of yen)	
	Three Months Ended	
	June 30, 2021	June 30, 2022
Extraordinary income:		
Gain on receipt of donated non-current assets	¥ 318	¥ –
Gain on sales of investment securities	236	2,179
Reversal of provision for loss on litigation	686	–
Gain on reversal of share acquisition rights	–	667
Total extraordinary income	1,241	2,846
Extraordinary losses:		
Loss on sales and retirement of non-current assets	66	30
Impairment loss	495	–
Loss on valuation of investment securities	380	308
Loss on change in equity	–	42
Provision of reserve for financial products transaction liabilities	–	1
Structural reform cost	*3 44	–
Business restructuring expenses	–	*4 91
Expenses related to the 120th anniversary project	–	276
Total extraordinary losses	987	751
Income before income taxes	35,176	20,180
Income taxes - current	4,561	1,214
Income taxes - deferred	4,743	4,309
Total income taxes	9,304	5,524
Profit	25,871	14,656
Profit attributable to non-controlling interests	2,310	2,778
Profit attributable to owners of parent	¥ 23,560	¥ 11,878

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Three Months Ended	
	June 30, 2021	June 30, 2022
Profit	¥ 25,871	¥ 14,656
Other comprehensive income:		
Valuation difference on available-for-sale securities	696	(5,071)
Deferred gains or losses on hedges	(2,198)	8,528
Foreign currency translation adjustment	1,410	33,075
Share of other comprehensive income of entities accounted for using equity method	2,723	2,651
Total other comprehensive income	2,632	39,183
Comprehensive income	¥ 28,504	¥ 53,840
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	¥ 25,741	¥ 50,401
Comprehensive income attributable to non-controlling interests	2,762	3,438

Notes to the quarterly consolidated financial statements

(Changes in accounting policies, etc.)

Three months ended June 30, 2022
The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policy provided for by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact for the quarterly consolidated financial statements.

(Additional information)

Three months ended June 30, 2022
(1) Application of tax effect accounting for transition from the consolidated taxation system to the Group Tax Sharing System The Company and some domestic consolidated subsidiaries have transitioned from the consolidated taxation system to the Group Tax Sharing System from the beginning of the first quarter of the current fiscal year. Accordingly, the treatment of accounting and disclosure for corporation tax, regional corporation tax, and tax effect accounting is in accordance with the “Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System” (PITF No. 42, issued on August 12, 2021; hereinafter “PITF No. 42”). In addition, the change in accounting policy with the application of PITF No. 42 in accordance with Paragraph 32 (1) of PITF No. 42 is considered to have no impact. (2) The assumptions for accounting estimates concerning the impact of COVID-19 There has been no material change and no new matters have arisen in the three months ended June 30, 2022 relating to the assumptions for accounting estimates concerning the impact of COVID-19 from such assumptions as described in Note, “Significant accounting estimates” to the consolidated financial statements, in the Annual Securities Report for the 85th Term.

(Notes to quarterly consolidated balance sheet)

*1 Allowance for doubtful accounts deducted directly from assets

	(Millions of yen)	
	As of March 31, 2022	As of June 30, 2022
Investments and other assets, other	9,231	9,262

2 Liabilities on guarantees

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

	(Millions of yen)	
	As of March 31, 2022	As of June 30, 2022
Employees (borrowing)	6	4
Good Time Living Co. Ltd. (Lump-sum payment for occupancy refundable debt)	10,996	10,874
Other (Standby letter of credit)	2,302	2,402
Total	13,305	13,281

(Notes to quarterly consolidated statement of income)

*1 Breakdown of net trading income

	(Millions of yen)	
	Three months ended June 30, 2021	Three months ended June 30, 2022
Equities and others	18,023	9,987
Bond, forex and others	8,269	5,607
Total	26,293	15,594

*2 Allowance for provision for bonuses included in personnel expenses

	(Millions of yen)	
	Three months ended June 30, 2021	Three months ended June 30, 2022
	12,609	9,896

*3 Three months ended June 30, 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 44 million yen in expenses related to the return of business offices as structural reform cost.

*4 Three months ended June 30, 2022

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

(Notes to quarterly consolidated statement of cash flows)

Quarterly consolidated statement of cash flows for the three months ended June 30, 2022 is not prepared. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the three months ended June 30, 2022 are as follows.

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Depreciation	11,252	11,001
Amortization of goodwill	383	411

(Shareholders' equity)

Three months ended June 30, 2021

1 Amount of dividends

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

2 Among dividends with record dates during the three months ended June 30, 2021, dividends to be distributed after the end of the first quarter of the current fiscal year
Not applicable.

3 There is a significant change in the amount of shareholders' equity from the end of the previous fiscal year
Not applicable.

Three months ended June 30, 2022

1 Amount of dividends

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

2 Among dividends with record dates during the three months ended June 30, 2022, dividends to be distributed after the end of the first quarter of the current fiscal year
Not applicable.

3 There is a significant change in the amount of shareholders' equity from the end of the previous fiscal year
On May 10, 2022, the Company canceled 130 million treasury shares based on a resolution of the meeting of the Executive Management Committee held on April 27, 2022. Because of this cancellation, retained earnings and treasury shares decreased by 80,744 million yen, respectively, for the three months ended June 30, 2022. Accordingly, as of June 30, 2022, retained earnings was 850,340 million yen and treasury shares was 52,944 million yen.

(Segment information)

[Segment information]

Three months ended June 30, 2021

- 1 Information about net operating revenue and segment profit or loss by reportable segment, and information on disaggregation of revenue

(Millions of yen)

	Reportable segments					Others (Note) 1	Total
	Retail Segment	Wholesale Segment	Asset Manage- ment Segment	Investment Segment	Total		
Revenue from customer contracts (Note) 2	30,030	27,184	28,457	2,411	88,085	12,342	100,428
Commission received	30,030	27,184	19,528	407	77,151	158	77,309
Other operating revenue (unaffiliated customers)	—	—	8,929	2,004	10,933	12,184	23,118
Gain on financial instruments - trading	12,096	19,199	—	2,010	33,306	(31)	33,274
Others (Note) 3	(23)	(3)	(7,401)	(1,085)	(8,513)	(3,432)	(11,945)
Net operating revenue							
Net operating revenue for unaffiliated customers	42,104	46,380	21,055	3,337	112,878	8,879	121,757
Internal net operating revenue and elimination amount between segments	5,252	370	(3,703)	(579)	1,340	2,544	3,884
Total	47,356	46,751	17,352	2,757	114,218	11,423	125,642
Segment income (Ordinary income)	10,037	11,328	10,000	1,824	33,191	1,748	34,940

(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)”.

- 2 The amount of difference between total of profit or loss of the reportable segments and the amount recorded in the quarterly consolidated statement of income, and the main details

(Millions of yen)

Ordinary income (loss)	Amount
Reportable segments total	33,191
Income from “Others”	1,748
Elimination between segments	5
Adjustments for unrealized gains or losses	391
Other adjustments	(414)
Ordinary income in quarterly consolidated statement of income	34,922

- 3 Information on impairment loss on non-current assets, goodwill, etc. by reportable segment
In the overseas Wholesale Segment, an impairment loss of 495 million yen on goodwill was recorded.

Three months ended June 30, 2022

- 1 Information about net operating revenue and segment profit or loss by reportable segment, and information on disaggregation of revenue

(Millions of yen)

	Reportable segments					Others (Note) 1	Total
	Retail Segment	Wholesale Segment	Asset Manage- ment Segment	Investment Segment	Total		
Revenue from customer contracts (Note) 2	25,484	21,196	29,244	2,929	78,855	13,891	92,746
Commission received	25,484	21,196	19,764	347	66,793	211	67,004
Other operating revenue (unaffiliated customers)	—	—	9,480	2,581	12,061	13,679	25,741
Gain on financial instruments - trading	9,377	14,828	—	2,771	26,977	46	27,024
Others (Note) 3	(24)	(55)	(7,545)	(1,366)	(8,991)	(10,074)	(19,065)
Net operating revenue							
Net operating revenue for unaffiliated customers	34,838	35,969	21,699	4,335	96,841	3,863	100,705
Internal net operating revenue and elimination amount between segments	5,555	(3)	(3,093)	(645)	1,813	1,804	3,618
Total	40,393	35,965	18,605	3,689	98,655	5,668	104,324
Segment income (loss) (Ordinary income (loss))	6,298	(2,672)	11,173	4,483	19,282	(913)	18,369

(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)”.

- 2 The amount of difference between total of profit or loss of the reportable segments and the amount recorded in the quarterly consolidated statement of income, and the main details

(Millions of yen)

Ordinary income (loss)	Amount
Reportable segments total	19,282
Loss from “Others”	(913)
Elimination between segments	—
Adjustments for unrealized gains or losses	204
Other adjustments	(488)
Ordinary income in quarterly consolidated statement of income	18,085

- 3 Information on impairment loss on non-current assets, goodwill, etc. by reportable segment
Not applicable.

(Financial instruments)

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

The following table shows the fair value of trading products in each level as of June 30, 2022.

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.

Financial instruments booked at fair value on the consolidated balance sheet

As of March 31, 2022

(Millions of yen)

	Fair Value			
	Level 1	Level 2	Level 3	Total
Assets				
(1) Trading products				
(i) Trading securities and other				
Equities	115,391	140	73	115,605
Government, municipal and other bonds	2,265,332	189,523	–	2,454,856
General business bonds	7,319	445,249	20	452,589
Non-Japanese 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
Total assets	4,288,209	3,449,491	152,001	7,889,703
Liabilities				
(1) Trading products				
(i) Trading securities and other				
Equities	178,321	–	–	178,321
Government, municipal and other bonds	1,221,603	158	–	1,221,762
Non-Japanese 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

*1 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”.

*2 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.

As of June 30, 2022

(Millions of yen)

	Fair Value			
	Level 1	Level 2	Level 3	Total
Assets				
(1) Trading products				
(i) Trading securities and other				
Equities	76,090	11,082	153	87,326
Government, municipal and other bonds	2,437,940	125,337	—	2,563,278
General business bonds	1,900	310,860	41	312,802
Non-Japanese bonds	2,093,514	525,106	33,403	2,652,023
Beneficiary certificates	98,728	18,392	—	117,121
Other	16,219	513,178	1,475	530,873
(ii) Derivatives				
Equity	55,080	182,540	162,257	399,878
Interest rate	1,795	1,278,096	5,125	1,285,017
Currency	8	647,465	4,169	651,643
Credit / Other	—	20,585	10,332	30,917
Total assets	4,781,279	3,632,646	216,958	8,630,884
Liabilities				
(1) Trading products				
(i) Trading securities and other				
Equities	195,952	563	—	196,515
Government, municipal and other bonds	1,575,190	136	—	1,575,326
Non-Japanese bonds	1,685,878	50,816	—	1,736,694
Beneficiary certificates	22,092	—	—	22,092
Other	—	158,970	—	158,970
(ii) Derivatives				
Equity	130,409	252,596	3,161	386,167
Interest rate	186	1,266,436	3,433	1,270,057
Currency	4	554,454	759	555,218
Credit / Other	—	24,923	7,730	32,653
Total liabilities	3,609,714	2,308,898	15,083	5,933,696

*1 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.

(Securities)

As of March 31, 2022

1 Held-to-maturity debt securities

(Millions of yen)

Type	Amounts in consolidated balance sheet	Fair Value	Difference total
Government, municipal and other bonds	—	—	—
Corporate bonds	171,576	170,315	(1,260)
Other	—	—	—
Total	171,576	170,315	(1,260)

2 Available-for-sale securities

(Millions of yen)

Type	Acquisition cost or amortized cost	Amounts in consolidated balance sheet	Difference total
Stocks	101,599	142,547	40,947
Bonds	836,538	817,698	(18,840)
Government, municipal and other bonds	227,842	220,349	(7,493)
Corporate bonds	229,352	230,692	1,340
Other	379,343	366,656	(12,687)
Other	229,458	237,260	7,802
Total	1,167,596	1,197,505	29,909

(Notes) 1 Securities without market prices (unlisted stocks, etc.) and partnership investments whose partnership assets consist of unlisted stocks, etc. and non-current assets such as real estate, etc. are not included in the above table.

2 In the previous fiscal year, we recognized 730 million yen of impairment losses on available-for-sale securities with market prices (comprising 399 million yen for stocks and 331 million yen for other).

As of June 30, 2022

1 Held-to-maturity debt securities

(Millions of yen)

Type	Amounts in quarterly consolidated balance sheet	Fair Value	Difference total
Government, municipal and other bonds	—	—	—
Corporate bonds	173,603	171,212	(2,390)
Other	—	—	—
Total	173,603	171,212	(2,390)

2 Other securities

(Millions of yen)

Type	Acquisition cost or amortized cost	Amounts in quarterly consolidated balance sheet	Difference total
Stocks	104,357	146,035	41,678
Bonds	825,979	792,592	(33,387)
Government, municipal and other bonds	150,151	139,334	(10,816)
Corporate bonds	186,003	187,292	1,289
Other	489,824	465,964	(23,860)
Other	227,756	236,966	9,209
Total	1,158,094	1,175,594	17,500

(Notes) 1 Securities without market prices (unlisted stocks, etc.) and partnership investments whose partnership assets consist of unlisted stocks, etc. and non-current assets such as real estate, etc. are not included in the above table.

- 2 In the three months ended June 30, 2022, we recognized 281 million yen of impairment losses on available-for-sale securities with market prices (comprising 281 million yen for others).

(Derivatives)

As of March 31, 2022

Trading transactions

(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	—	—
Other	2,133,890	40,843	2,180,990	45,795
Total	2,133,985	40,855	2,180,990	45,795

As of June 30, 2022

Trading transactions

(1) Equity-related transactions

(Millions of yen)

Type	Assets		Liabilities	
	Contract amount, etc.	Fair Value	Contract amount, etc.	Fair Value
Futures and forwards	194,782	4,717	1,573,226	23,506
Swaps	720,066	143,818	163,868	4,341
Options	3,867,324	251,342	4,496,476	358,319
Total	4,782,174	399,878	6,233,572	386,167

(2) Interest rate-related transactions

(Millions of yen)

Type	Assets		Liabilities	
	Contract amount, etc.	Fair Value	Contract amount, etc.	Fair Value
Futures and forwards	3,613,594	11,477	1,665,899	7,674
Swaps	45,474,668	1,273,514	44,397,483	1,262,199
Options	91,025	25	91,025	183
Total	49,179,287	1,285,017	46,154,407	1,270,057

(3) Currency-related transactions

(Millions of yen)

Type	Assets		Liabilities	
	Contract amount, etc.	Fair Value	Contract amount, etc.	Fair Value
Futures and forwards	126,974	25,441	38,086	5,005
Foreign exchange forward	3,401,746	95,214	4,045,223	127,757
Swaps	4,824,979	449,374	4,455,910	273,188
Options	537,494	81,614	967,849	149,266
Total	8,891,194	651,643	9,507,069	555,218

(4) Credit / Other

(Millions of yen)

Type	Assets		Liabilities	
	Contract amount, etc.	Fair Value	Contract amount, etc.	Fair Value
Credit / Other	1,596,339	30,917	1,554,305	32,653
Total	1,596,339	30,917	1,554,305	32,653

(Revenue recognition)

Disaggregation of revenue from contracts with customers is included in “Notes to the quarterly consolidated financial statements (Segment information)”.

(Per share information)

Net income per share and the calculation bases, and diluted net income per share and the calculation bases are as follows.

(Millions of yen)

Items	Three months ended June 30, 2021	Three months ended June 30, 2022
(1) Net income per share	15.45 yen	8.01 yen
Calculation bases		
Profit attributable to owners of parent	23,560	11,878
Profit not attributable to common stockholders	—	—
Profit attributable to common stock	23,560	11,878
Average number of common stock outstanding during the period (thousands of shares)	1,524,567	1,483,794
(2) Diluted net income per share	15.38 yen	7.96 yen
Calculation bases		
Adjustment of profit attributable to owners of parent	—	—
Increase in common stock (thousands of shares)	7,136	7,658
Summary of potential shares that are not included in calculation of diluted net income per share, due to a lack of dilution effect, and that have changed materially since the end of the previous fiscal year	—	—

(Subsequent events)

Not applicable.

2 Other

(Dividends of surplus)

It was resolved at the meeting of the Board of Directors on April 27, 2022 regarding the dividends of surplus with a record date of March 31, 2022 as follows:

- | | |
|---|--------------------|
| (i) Total amount of dividends | 23,732 million yen |
| (ii) Amount per share | 16.00 yen |
| (iii) Effective date of request for payment, and commencement date of payment | June 6, 2022 |
| (Note) Dividends have been paid to shareholders or registered pledgees recorded in the shareholder register as of March 31, 2022. | |

Part 2 Information About Company Which Provides Guarantee to Reporting Company

Not applicable.

Independent Auditor's Report on Review of Quarterly Consolidated Financial Statements

August 9, 2022

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

KPMG AZSA LLC
Tokyo Office, Japan

Kanako Ogura
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Tomomi Mase
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Koji Fukai
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Conclusion

We have reviewed the accompanying quarterly consolidated financial statements of Daiwa Securities Group Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the quarterly consolidated balance sheet as at June 30, 2022, the quarterly consolidated statements of income and comprehensive income for the three-month period then ended, and the related notes, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying quarterly consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2022, and its consolidated financial performance for the three-month period then ended in accordance with accounting principles for quarterly consolidated financial statements generally accepted in Japan.

Basis for Conclusion

We conducted our review in accordance with quarterly review standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Review of the Quarterly Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our review of the quarterly consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Responsibilities of Management, the Audit Committee for the Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the quarterly consolidated financial statements in accordance with accounting principles for quarterly consolidated financial statements 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 quarterly 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 for quarterly consolidated financial statements generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Review of the Quarterly Consolidated Financial Statements

Our responsibility is to express a conclusion on these quarterly consolidated financial statements based on our review in our report on the review of quarterly consolidated financial statements.

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

- Make inquiries, primarily of management and persons responsible for financial and accounting matters, and apply analytical and other review procedures. A quarterly review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan.
- Conclude, based on the evidence obtained, that nothing has come to our attention that causes us to believe that the quarterly consolidated financial statements do not present fairly in accordance with accounting principles for quarterly consolidated financial statements generally accepted in Japan, if a material uncertainty relating to events or conditions comes to our attention 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 report on the review of quarterly consolidated financial statements to the related disclosures in the quarterly consolidated financial statements or, if such disclosures are inadequate, to express a qualified conclusion or an adverse conclusion. Our conclusions are based on the evidence obtained up to the date of our report on the review of quarterly consolidated financial statements; however, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate that nothing has come to our attention that causes us to believe that the presentation and disclosures in the quarterly consolidated financial statements are not in accordance with accounting principles for quarterly consolidated financial statements generally accepted in Japan, the overall presentation, structure and content of the quarterly consolidated financial statements, including the disclosures, and that nothing has come to our attention that causes us to believe that the quarterly consolidated financial statements do not represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express a conclusion on the quarterly consolidated financial statements. We are responsible for the direction, supervision and performance of the group review. We remain solely responsible for our review conclusion.

We communicate with the audit committee regarding, the planned scope and timing of the review, significant review findings that we identify during our review.

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 Review Report:

This report is an English translation of the Independent Auditor's Report on Review of Quarterly Consolidated Financial Statements as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

Cover page

Document title	Written Confirmation
Clause of stipulation	Paragraph 1, Article 24-4-8 of the Financial Instruments and Exchange Act of Japan
Place of filing	Director-General of Kanto Local Finance Bureau
Filing date	August 9, 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 Quarterly 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 Quarterly Securities Report for its 86th period (April 1, 2022 - June 30, 2022) is reasonable based on the Financial Instruments and Exchange Act and related regulations.

2 Special Notes

Confirmed with no specific matters to report.