

Translation

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

(Securities Code: 8601)

May 30, 2024

To Our Shareholders

Daiwa Securities Group Inc.
9-1, Marunouchi 1-Chome, Chiyoda-ku, Tokyo
Representative Corporate Executive Officer, President and CEO
Akihiko Ogino

Notice of Convocation of the 87th Ordinary General Meeting of Shareholders

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

You are hereby notified that the 87th Ordinary General Meeting of Shareholders (the “Meeting”) will be held as stated below.

When convening this Meeting, the Company takes measures for providing information in electronic format that constitutes the content of reference documents for the General Meeting of Shareholders, etc. (items for which measures for electronic provision are to be taken), and posts this information as “Notice of the 87th Ordinary General Meeting of Shareholders” on the Company’s website. Please access the Company’s website by using the Internet address shown below to check the information.

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

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

TSE website (Listed Company Search):

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

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

The Meeting will also be streamed live via the Internet.

Please examine the “Reference Documents for the General Meeting of Shareholders” provided below, and exercise your voting rights by 17:00 (5:00 p.m.) Thursday, June 20, 2024, following the instructions below.

Particulars

1. Date and Time

10:00 a.m., Friday, June 21, 2024 (Doors open at 9:00 a.m.) (JST)

2. Venue

Fuji Room, Main Building 3rd Floor, Imperial Hotel, Tokyo

1-1, Uchisaiwaicho 1-Chome, Chiyoda-ku, Tokyo

(The venue has changed from last year.)

3. Purpose of the Meeting

Matters to be reported:

1. Report on the contents of the Business Report, the Consolidated Financial Statements, and the outcome of the audit of the Consolidated Financial Statements conducted by Independent Auditors and the Audit Committee, with respect to the 87th fiscal year (from April 1, 2023 to March 31, 2024).
2. Report on the contents of the Non-Consolidated Financial Statements for the 87th fiscal year (from April 1, 2023 to March 31, 2024).

Matters to be resolved:

Proposal: Election of twelve (12) Directors (Members of the Board)

4. Matters regarding the Exercise of Voting Rights

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

5. Items Disclosed via the Internet with Measures for Electronic Provision, etc.

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

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

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

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

Reference Documents for the General Meeting of Shareholders

Proposals and reference materials

Proposal

Election of twelve (12) Directors (Members of the Board)

Member of the Board, Hiromasa Kawashima resigned as of March 31, 2024. The terms of office of all thirteen (13) members of the Board of Directors are expiring as of the conclusion of this shareholder meeting. Accordingly, the Company requests shareholders' approval to elect, in total, twelve (12) Directors pursuant to the decision of the Nominating Committee.

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

Candidate Number	Name		Title and charge in the Company (★ indicates Chairperson of the committee)	Years on Board (as of the conclusion of this shareholder meeting)	Attendance rate (FY2023)
1	Seiji Nakata	Reappointment Male	Chairperson of the Board and Corporate Executive Officer Member of the Nominating Committee Member of the Compensation Committee	9	10/10 (100%)
2	Akihiko Ogino	Reappointment Male	Member of the Board, Representative Corporate Executive Officer, President and CEO	4	10/10 (100%)
3	Shinsuke Niizuma	New appointment Male	Representative Corporate Executive Officer, Deputy President, COO and Head of Wealth Management	-	-
4	Keiko Tashiro	Reappointment Female	Member of the Board, Corporate Executive Officer and Deputy President, Head of Sustainability, Financial Education, Securities Asset Management and Think Tank	10	10/10 (100%)
5	Eiji Sato	New appointment Male	Senior Executive Managing Director and Head of Planning	-	-
6	Sachiko Hanaoka	Reappointment Female Non-Executive	Member of the Board Member of the Audit Committee	5	10/10 (100%)
7	Eriko Kawai	Reappointment Female Outside Independent	Outside Director Member of the Nominating Committee Member of the Compensation Committee	6	10/10 (100%)
8	Katsuyuki Nishikawa	Reappointment Male Outside Independent	Outside Director Member of the Nominating Committee Member of the Audit Committee	5	10/10 (100%)

9	Toshio Iwamoto	Reappointment Male Outside Independent	Outside Director ★Member of the Nominating Committee Member of the Compensation Committee	4	10/10 (100%)
10	Yumiko Murakami	Reappointment Female Outside Independent	Outside Director Member of the Audit Committee Member of the Compensation Committee	3	10/10 (100%)
11	Noriko Iki	Reappointment Female Outside Independent	Outside Directors Member of the Nominating Committee Member of the Audit Committee	1	8/8 (100%)
12	Mami Yunoki*	New appointment Female Outside Independent		-	-

Reappointment	Reappointed member of the board candidate
New appointment	Newly appointed member of the board candidate
Non-Executive	Non-executive member of the board candidate
Outside	Outside member of the board candidate
Independent	Independent Director as defined by the stock exchange

* Ms. Mami Yunoki's name in her family register is Mami Kato.

Expertise and experience of the candidates for Outside Director

Name	Corporate Management	Finance/ Accounting	Legal/ Compliance	DX /ICT	Global	Sustainability *
Seiji Nakata	They have expertise and experience to adequately manage and control the Group.					●
Akihiko Ogino						●
Shinsuke Niizuma						
Keiko Tashiro					●	●
Eiji Sato						
Sachiko Hanaoka						
Eriko Kawai		●			●	●
Katsuyuki Nishikawa			●			●
Toshio Iwamoto	●			●	●	●
Yumiko Murakami	●				●	●
Noriko Iki			●		●	●
Mami Yunoki		●				

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

* Judgment criteria: Persons with sustainability-related work experience (including work experience promoting the Group's sustainability strategy)



Candidate
Number

1

Seiji Nakata

Reappointment

Male

Date of Birth	July 16, 1960
Title and charge in the Company	Chairperson of the Board and Corporate Executive Officer
Number of shares of the Company held	(common stock 393,230 shares)
Years on Board (as of the conclusion of this shareholder meeting)	9 (Note)
Attendance Rate	Board of Directors 10/10 (100%) Nominating Committee 4/4 (100%) Compensation Committee 5/5 (100%)
(Note) The total years served as Member of the Board.	

The reason for election

He joined the Company in 1983 and served successively as the Deputy Head of Corporate Planning and Human Resources of the Company, the Head of Corporate Institution and the Head of Sales of Daiwa Securities Co. Ltd., and COO and the Head of Retail of the Company, and thereby has broad experience related to the business of the whole Daiwa Securities Group. Also, he served as the Representative Corporate Executive Officer, President and CEO of the Company from 2017 to 2024 and has broad experience and insights as a manager. Therefore, he is considered to be qualified to serve as a Member of the Board.

Brief personal history, title, charge and significant concurrent positions

Apr. 1983	Joined the Company
Apr. 1999	Transferred to Daiwa Securities SB Capital Markets Co., Ltd.
Apr. 2005	Head of Product Strategy Dept. of Daiwa Securities SMBC Co. Ltd.
Apr. 2006	Senior Managing Director and Head of Corporate Planning of the above company
Apr. 2007	Corporate Executive Officer, Deputy Head of Corporate Planning and Human Resources, and Head of Corporate Planning Dept. of the Company
Oct. 2008	Deputy Head of Corporate Planning and Human Resources of the Company
Apr. 2009	Executive Managing Director of the Company
June 2009	Member of the Board and Executive Managing Director of the Company
Apr. 2010	Member of the Board of the Company Member of the Board and Executive Managing Director of Daiwa Securities Capital Markets Co. Ltd.
June 2010	Senior Head of Corporate Sales, Corporate Institution Sales and Head of Corporate Division Planning of Daiwa Securities Capital Markets Co. Ltd.
Apr. 2011	Senior Head of Corporate Institution Sales and Head of Corporate Sales and Corporate Presiding of the above company
Apr. 2012	Member of the Board, Senior Executive Managing Director and Head of Corporate Institution of Daiwa Securities Co. Ltd.
Apr. 2015	Senior Executive Managing Director and Deputy Head of Retail of the Company
Apr. 2016	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.
June 2016	Member of the Board, and Deputy President, Representative Corporate Executive Officer of the Company
Apr. 2017	Member of the Board, Representative Corporate Executive Officer, President, CEO and Head of Retail of the Company; and Representative Director and President, Member of the Board of Daiwa Securities Co. Ltd.
Apr. 2020	CEO of the Company
Apr. 2024	Chairperson of the Board and Corporate Executive Officer of the Company (current position); and Representative Director and Chairperson of the Board of Daiwa Securities Co. Ltd. (current position)
(Significant concurrent positions)	
Representative Director and Chairperson of the Board of Daiwa Securities Co. Ltd.	



Candidate
Number

2

Akihiko Ogino

Reappointment

Male

Date of Birth	January 28, 1966
Title and charge in the Company	Member of the Board, Representative Corporate Executive Officer, President and CEO
Number of shares of the Company held	(common stock 216,800 shares)
Years on Board (as of the conclusion of this shareholder meeting)	4
Attendance Rate	Board of Directors 10/10 (100%)

The reason for election

He joined the Company in 1989 and he has served successively as the Head of Legal, the Deputy Head of Overseas Operations, and the Head of Corporate Planning of the Company and the Executive Head of Human Resources and Corporate Planning of the Company. He serves as the Representative Corporate Executive Officer, President, and CEO of the Company from 2024. He has expertise and experience to present a management strategy based on a wide vision and also to adequately execute the management and control of the Daiwa Securities Group. Therefore, he is considered to be qualified to serve as a Member of the Board.

Brief personal history, title, charge and significant concurrent positions

Apr. 1989	Joined the Company
Apr. 2010	Head of Corporate Planning Dept. of the Company
Apr. 2014	Senior Managing Director, Head of Legal and Deputy Head of Corporate Planning of the Company; and Senior Managing Director of Daiwa Securities Co. Ltd.
Apr. 2015	Head of Legal and Deputy Head of Corporate Planning and Overseas Operations of the Company
Apr. 2016	Head of Legal and Deputy Head of Corporate Planning of the Company
Apr. 2017	Executive Managing Director of the Company; and Executive Managing Director of Daiwa Securities Co. Ltd.
Apr. 2019	Senior Executive Managing Director, Corporate Executive Officer and Head of Corporate Planning and Legal, and Executive Head of Human Resources of the Company; and Senior Executive Managing Director, Member of the Board of Daiwa Securities Co. Ltd.
June 2020	Member of the Board, Senior Executive Managing Director of the Company
Apr. 2022	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 of Daiwa Securities Co. Ltd.
Apr. 2024	Member of the Board, Representative Corporate Executive Officer, President and CEO of the Company (current position); and Representative Director and President of Daiwa Securities Co. Ltd. (current position)

(Significant concurrent positions)

Representative Director and President of Daiwa Securities Co. Ltd.



Candidate
Number

3

Shinsuke Niizuma

New appointment

Male

Date of Birth	September 19, 1965
Title and charge in the Company	Representative Corporate Executive Officer, Deputy President, COO and Head of Wealth Management
Number of shares of the Company held	(common stock 166,300 shares)
Years on Board (as of the conclusion of this shareholder meeting)	—
Attendance Rate	—

The reason for election

He joined the Company in 1988 and served successively as the Head of Chiba Branch and Nagoya Branch of Daiwa Securities Co. Ltd. He became the Senior Managing Director of Daiwa Securities Co. Ltd. in 2015, and since then he has served successively as the Head of Retail Marketing Strategy, the Head of Sales, the Executive Head of Sales, and the Head of the Product Solution Division of Daiwa Securities Co. Ltd. He currently serves as the Representative Corporate Executive Officer, Deputy President and COO, and Head of Wealth Management of the Company. He has broad knowledge and experience in Wealth Management. Therefore, he is considered to be qualified to serve as a Member of the Board.

Brief personal history, title, charge and significant concurrent positions

Apr. 1988	Joined the Company
Apr. 1999	Transferred to Daiwa Securities Co. Ltd.
May 2014	Head of Nagoya Branch of the above company
Apr. 2015	Senior Managing Director and Head of Regional Marketing, and Head of Nagoya Branch of the above company
Apr. 2016	Head of Retail Marketing Strategy of the above company
Apr. 2018	Executive Managing Director, Chief Customer Officer (CCO) and Head of Retail Marketing Strategy of the above company
Apr. 2019	Senior Executive Managing Director and Deputy Head of Retail of the Company Senior Executive Managing Director, Member of the Board and Head of Sales of Daiwa Securities Co. Ltd.
Apr. 2020	Head of Retail of the Company
Apr. 2022	Deputy President, Corporate Executive Officer and Head of Retail of the Company; and Representative Director and Deputy President of Daiwa Securities Co. Ltd. (current position)
Apr. 2024	Representative Corporate Executive Officer, Deputy President, COO and Head of Wealth Management of the Company (current position); and Member of the Board of Daiwa Next Bank, Ltd. (current position)

(Significant concurrent positions)

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

Member of the Board of Daiwa Next Bank, Ltd.



Candidate
Number

4

Keiko Tashiro

Reappointment

Female

Date of Birth	August 5, 1963
Title and charge in the Company	Member of the Board, Corporate Executive Officer and Deputy President, Head of Sustainability, Financial Education, Securities Asset Management and Think Tank
Number of shares of the Company held	(common stock 177,300 shares)
Years on Board (as of the conclusion of this shareholder meeting)	10
Attendance Rate	Board of Directors 10/10 (100%)

The reason for election

She joined the Company in 1986 and served successively as the Head of Investor Relations Office of the Company and the Head of the Daiwa Direct Planning Dept. of Daiwa Securities Co. Ltd. She became a Senior Managing Director of the Company in 2009, and since then she has served successively as its Head of Daiwa Direct Business, the Head of Fixed Income, Currency, and Commodities and as the Head of Americas, the Head of Overseas Operations and the Executive Head of Overseas Operations. She currently serves as the Corporate Executive Officer, Deputy President, the Head of Sustainability, Financial Education, Securities, Asset Management, and Think Tank of the Company. She has broad knowledge and experience in Overseas and Corporate Planning. Therefore, she is considered to be qualified to serve as a Member of the Board.

Brief personal history, title, charge and significant concurrent positions

Apr. 1986	Joined the Company
Apr. 1999	Transferred to Daiwa Securities SB Capital Markets Co., Ltd.
July 1999	Transferred to the Company
Sept. 2005	Head of Daiwa Direct Planning Dept. of Daiwa Securities Co. Ltd.
Apr. 2009	Senior Managing Director, Head of PTS and Daiwa Direct Business of the above company
June 2009	Head of Online Product and Daiwa Direct Business of the above company
Apr. 2011	Senior Managing Director, Head of Fixed Income, Currency and Commodities of Daiwa Securities Capital Markets Co. Ltd.
Apr. 2012	Senior Managing Director, Head of Fixed Income, Currency and Commodities of Daiwa Securities Co. Ltd.
Apr. 2013	Executive Managing Director and Head of Americas of the Company; and Chairperson of the Board of Daiwa Capital Markets America Holdings Inc.
July 2013	Chairperson of the Board of Daiwa Capital Markets America Inc.
Apr. 2014	Executive Managing Director, Corporate Executive Officer, Deputy Head of Overseas Operations and Head of Americas of the Company
June 2014	Member of the Board and Executive Managing Director of the Company
Apr. 2016	Member of the Board, Senior Executive Managing Director, 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.
Apr. 2019	Member of the Board, Deputy President, Corporate Executive Officer of the Company (current position); and Representative Director and Deputy President, Member of the Board of Daiwa Securities Co. Ltd.
Apr. 2020	Head of Overseas Operations and SDGs of the Company
Apr. 2022	Executive Head of Overseas Operations, Head of SDGs and Think Tank of the Company; and Member of the Board of Daiwa Institute of Research Ltd. (current position)
Apr. 2023	Executive Head of Overseas Operations, Head of Sustainability and Think Tank of the Company
Apr. 2024	Head of Sustainability, Financial Education, Securities Asset Management, and Think Tank of the Company (current position); and Member of the Board of Daiwa Asset Management Co. Ltd. (current position)

(Significant concurrent positions)

Member of the Board of Daiwa Asset Management Co. Ltd.

Member of the Board of Daiwa Institute of Research Ltd.



Candidate
Number

5

Eiji Sato

New appointment

Male

Date of Birth	February 14, 1969
Title and charge in the Company	Senior Executive Managing Director and Head of Corporate Planning
Number of shares of the Company held	(common stock 120,300 shares)
Years on Board	—
(as of the conclusion of this shareholder meeting)	—
Attendance Rate	—

The reason for election

He joined the Company in 1991 and served as the Head of the Finance Dept. and the Head of the Corporate Planning Dept. of the Company. He became a Senior Managing Director of the Company in 2017, and since then he has served successively as CFO, the Deputy Head of Corporate Planning, and the Deputy Head of Overseas Operations of the Company and currently serves as the Senior Executive Managing Director and the Head of Corporate Planning of the Company. He has solid record and experience in Planning and Finance and also has experience in Investment Banking. Therefore, he is considered to be qualified to serve as a Member of the Board.

Brief personal history, title, charge and significant concurrent positions

Apr. 1991	Joined the Company
Oct. 2005	Transferred to Daiwa Securities SMBC Co. Ltd.
Oct. 2014	Head of Corporate Planning Dept. of the Company
Apr. 2017	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.
Apr. 2019	Corporate Executive Officer, Chief Financial Officer (CFO) and Deputy Head of Corporate Planning and Overseas Operations of the Company
Apr. 2020	Executive Managing Director, Corporate Executive Officer of the Company; and Executive Managing Director of Daiwa Securities Co. Ltd.
Apr. 2022	Chief Financial Officer (CFO), Head of Corporate Planning and Deputy Head of Overseas Operations of the Company Executive Managing Director, Member of the Board of Daiwa Securities Co. Ltd.
Apr. 2023	Senior Executive Managing Director, Corporate Executive Officer, Chief Financial Officer (CFO) and Head of Corporate Planning of the Company Senior Executive Managing Director, Member of the Board of Daiwa Securities Co. Ltd. (current position)
Apr. 2024	Head of Corporate Planning of the Company (current position)
(Significant concurrent positions)	
Member of the Board, Senior Executive Managing Director of Daiwa Securities Co. Ltd.	



Candidate
Number

6

Sachiko Hanaoka

Non-Executive

Reappointment

Female

Date of Birth	May 28, 1967
Title and charge in the Company	Member of the Board
Number of shares of the Company held	(common stock 89,800 shares)
Years on Board (as of the conclusion of this shareholder meeting)	5
Attendance Rate	Board of Directors 10/10 (100%) Audit Committee 14/14 (100%)

The reason for election

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

Brief personal history, title, charge and significant concurrent positions

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



Candidate
Number

7

Eriko Kawai

Reappointment

Female

Outside

Independent

Date of Birth	April 28, 1958
Title and charge in the Company	Outside Director
Number of shares of the Company held	(common stock 14,300 shares)
Years on Board (as of the conclusion of this shareholder meeting)	6
Attendance Rate	Board of Directors 10/10 (100%) Nominating Committee 4/4 (100%) Compensation Committee 5/5 (100%)

The reason for election and overview of the expected roles

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

Brief personal history, title, charge and significant concurrent positions

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

(Significant concurrent positions)

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

Outside Director of Mitsui Fudosan Co., Ltd.

Senior Advisor of International Management Forum Co., Ltd.

External Director of DMG Mori Co., Ltd.



Candidate
Number

8

Katsuyuki Nishikawa

Reappointment

Male

Outside

Independent

Date of Birth	February 20, 1954
Title and charge in the Company	Outside Director
Number of shares of the Company held	(common stock 10,300 shares)
Years on Board (as of the conclusion of this shareholder meeting)	5
Attendance Rate	Board of Directors 10/10 (100%) Nominating Committee 4/4 (100%) Audit Committee 14/14 (100%)

The reason for election and overview of the expected roles

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

Brief personal history, title, charge and significant concurrent positions

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

(Significant concurrent positions)

Attorney at Nishikawa Katsuyuki Law Office

Outside Audit & Supervisory Board Member of Aeon Hokkaido Corporation



Candidate
Number

9

Toshio Iwamoto

Reappointment

Male

Outside

Independent

Date of Birth	January 5, 1953
Title and charge in the Company	Outside Director
Number of shares of the Company held	(common stock 7,000 shares)
Years on Board (as of the conclusion of this shareholder meeting)	4
Attendance Rate	Board of Directors 10/10 (100%) Nominating Committee 4/4 (100%) Compensation Committee 5/5 (100%)

The reason for election and overview of the expected roles

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

Brief personal history, title, charge and significant concurrent positions

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

(Significant concurrent positions)

Advisor of NTT DATA Group Corporation
Outside Director of East Japan Railway Company
Outside Director of Isetan Mitsukoshi Holdings Ltd.
Outside Director of Sumitomo Forestry Co., Ltd.



Candidate
Number

10

Yumiko Murakami

Reappointment

Female

Outside

Independent

Date of Birth	February 6, 1965
Title and charge in the Company	Outside Director
Number of shares of the Company held	(common stock 4,600 shares)
Years on Board (as of the conclusion of this shareholder meeting)	3
Attendance Rate	Board of Directors 10/10 (100%) Audit Committee 14/14 (100%) Compensation Committee 5/5 (100%)

The reason for election and overview of the expected roles

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

Brief personal history, title, charge and significant concurrent positions

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

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



Candidate
Number

11

Noriko Iki

Reappointment

Female

Outside

Independent

Date of Birth	March 21, 1956
Title and charge in the Company	Outside Director
Number of shares of the Company held	(common stock 3,800 shares)
Years on Board (as of the conclusion of this shareholder meeting)	1
Attendance Rate (Note)	Board of Directors 8/8 (100%) Nominating Committee 4/4 (100%) Audit Committee 10/10 (100%)

(Note) Attendance Rate at the Board of Directors' meetings, etc. since her appointment in June 2023.

The reason for election and overview of the expected roles

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

Brief personal history, title, charge and significant concurrent positions

Apr. 1979	Entered Ministry of Labour
July 2009	Director-General of Equal Employment, Children and Families Bureau, Ministry of Health, Labour and Welfare
July 2010	Research Director of Japan Institute for Labour Policy and Training
Sept. 2012	Director-General of Tokyo Labour Bureau, Ministry of Health, Labour and Welfare
Apr. 2014	Ambassador Extraordinary and Plenipotentiary to Brunei
June 2018	President of Japan Institute for Women's Empowerment & Diversity Management
June 2023	Special Adviser of Japan Institute for Women's Empowerment & Diversity Management (current position); and Member of the Board of the Company (current position)

(Significant concurrent positions)

Special Adviser of Japan Institute for Women's Empowerment & Diversity Management
Outside Director of FUJI KYUKO CO., LTD.



Candidate
Number

12

Mami Yunoki

New appointment

Female

Outside

Independent

Date of Birth	May 27, 1963
Title and charge in the Company	—
Number of shares of the Company held	(common stock 0 shares)
Years on Board (as of the conclusion of this shareholder meeting)	—
Attendance Rate	—

The reason for election and overview of the expected roles

She has been involved in auditing many listed companies as a certified public accountant for many years at PricewaterhouseCoopers Aarata (currently known as PricewaterhouseCoopers Japan LLC). The Company requests that shareholders elect her as an Outside Director since the Company expects, based on her expert knowledge and experience related to financial accounting, that she will be able to advise on the management of the Company and supervise the execution of duties by Corporate Executive Officers. Based on the above-mentioned reasons, the Company made the decision that she could adequately carry out her assignment as one of the Company's Outside Directors, even though she had never been involved directly in corporate management.

Brief personal history, title, charge and significant concurrent positions

May 1985	Joined Aoyama Audit Corporation
Sept. 2006	Joined PricewaterhouseCoopers Aarata (currently known as PricewaterhouseCoopers Japan LLC)
July 2008	Partner of the above corporation
July 2016	Member of the firm management committee and executive officer in charge of the manufacturing, distribution, and services divisions of the above corporation Member of the Examination Board for Strengthening of Financial Function, Financial Services Agency (current position)
Sept. 2020	Part-time lecturer at Graduate School of Hitotsubashi University (current position)
July 2023	Representative of Mami Yunoki Certified Public Accountant Office (current position)
Mar. 2024	Outside Audit & Supervisory Board Member of Chugai Pharmaceutical Co., Ltd. (current position)
(Significant concurrent positions)	
Representative of Mami Yunoki Certified Public Accountant Office	
Outside Audit & Supervisory Board Member of Chugai Pharmaceutical Co., Ltd.	

(Notes)

1. *The independence of the candidates for Outside Director from the Company is as follows.*
 - *None of the candidates for Outside Director has executed business of or has become an executive of the Company or its subsidiaries by means other than being an Outside Director of the Company in the past.*
 - *None of the candidates for Outside Director executes business of or is an executive of, or has done or been so during the last ten (10) years, any entity that has a special relationship with the Company.*
 - *None of the candidates for Outside Director has received a large sum of money or other financial benefits from the Company or any entity that has a special relationship with the Company in the past, and none of them anticipates receiving them in the future.*
 - *None of the candidates for Outside Director has a spouse, family member within the third degree of kinship, or other similar person who executes business of or is an executive of the Company or any entity that has a special relationship with the Company.*
 - *All of the candidates for Outside Director fulfill the requirements for Independent Directors as defined by the Tokyo Stock Exchange, Inc. and the Nagoya Stock Exchange, Inc. The Company is scheduled to designate all of the candidates for Outside Director as Independent Directors and to report this designation to the exchanges mentioned above.*
2. *Ms. Mami Yunoki's name in her family register is Mami Kato.*
3. *Violations of laws, regulations and the Articles of Incorporation, incidents of unjust execution of business, and actions taken to prevent the occurrence of such incidents during the term of office are as follows.*

In February 2024, it was found that IHI Power Systems Co., Ltd., a subsidiary of IHI Corporation where Mr. Toshio Iwamoto served as Outside Audit & Supervisory Board Member until June 23, 2023, made improper alterations in the test operation records for engines manufactured by IHI Power Systems Co., Ltd. In April 2024, IHI Power Systems Co., Ltd. was subject to an on-site inspection by the Ministry of Land, Infrastructure, Transport and Tourism. While he was unaware of these incidents until they came to light after he retired, he had been making recommendations in a timely manner regarding the importance of compliance with laws and regulations and internal control on a regular basis during his term of office.
4. *The current five Outside Directors, Ms. Eriko Kawai, Mr. Katsuyuki Nishikawa, Mr. Toshio Iwamoto, Ms. Yumiko Murakami, and Ms. Noriko Iki, have each executed an agreement to limit liability to the Company. Each agreement stipulates that the maximum amount of liability is 10 million yen or the minimum amount of liability provided in Paragraph 1 of Article 425 of the Companies Act, whichever is higher. In case the election of those candidates for Outside Director is duly approved, the Company will continue to be a party to such agreement with each Outside Director. Also, in the event Ms. Mami Yunoki's appointment is approved, there is a plan to conclude an agreement to limit liability to the Company in the same way with her.*
5. *The Company has entered into a directors and officers liability insurance agreement as provided in Paragraph 1 of Article 430-3 of the Companies Act with an insurance company, and the insurance agreement is designed to cover damages that may be incurred by the insured Directors of the Company who are liable for the execution of their duties or receiving a claim for pursuing their liability. If each candidate is appointed and assumes office as Director, he/she will be insured under the insurance agreement. The Company also plans to renew the insurance agreement on the same terms at the time of the next renewal.*

[References]

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

Name	Title	Nominating Committee	Audit Committee	Compensation Committee
Seiji Nakata	Chairperson of the Board and Corporate Executive Officer	○		○
Akihiko Ogino	Member of the Board, Representative Corporate Executive Officer and President	○		○
Sachiko Hanaoka	Member of the Board		○	
Eriko Kawai	Member of the Board (Outside) Independent Officer	○		◎
Katsuyuki Nishikawa	Member of the Board (Outside) Independent Officer	○	◎	
Toshio Iwamoto	Member of the Board (Outside) Independent Officer	◎		○
Yumiko Murakami	Member of the Board (Outside) Independent Officer		○	○
Noriko Iki	Member of the Board (Outside) Independent Officer	○	○	
Mami Yunoki	Member of the Board (Outside) Independent Officer		○	○

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

Business Report (From April 1, 2023 to March 31, 2024)

Status of the Group's Business Activities

The Group (Note) strives to improve the corporate value of the Group through its core business - the securities business. The outline of the Group's performance in the current fiscal year (FY2023) is as follows.

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

Outline of the Consolidated Performance

(1) Profits and Losses of the Group

(Billions of yen)

	Fiscal 2023 (Year ended March 31, 2024)	YoY Change
Operating revenue	1,277.4	47.5%
Net operating revenue	590.9	27.3%
Ordinary income	174.5	100.8%
Profit attributable to owners of parent	121.5	90.3%

(Millions of yen)

	Net operating revenue			Ordinary income		
	Fiscal 2022 (86th term)	Fiscal 2023 (87th term)	YoY Change	Fiscal 2022 (86th term)	Fiscal 2023 (87th term)	YoY Change
Retail	164,336	208,380	26.8%	25,886	58,924	127.6%
Wholesale	160,891	220,479	37.0%	2,822	44,037	15 Times
Global Markets	102,850	149,394	45.3%	(3,130)	37,648	—
Global Investment Banking	58,041	71,084	22.5%	4,738	4,510	(4.8)%
Asset Management	70,394	73,182	4.0%	44,526	45,940	3.2%
Securities Asset Management	42,882	47,179	10.0%	18,076	20,959	15.9%
Real Estate Asset Management	27,512	26,003	(5.5)%	26,450	24,981	(5.6)%
Investment	16,446	22,910	39.3%	13,068	19,669	50.5%
Others	52,157	65,956	—	626	6,015	—
Total	464,226	590,910	27.3%	86,930	174,587	100.8%

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

(Billions of yen)

	Fiscal 2023 (As of March 31, 2024)	YoY Change
Total assets	32,027.2	5,614.0
Total liabilities	30,238.6	5,500.8
Total net assets	1,788.6	113.1
Net assets per share (yen)	1,086.20	117.27

Economic and Market Environment

During the FY2023 under review, Japan's economy gradually recovered due to normalization of economic activity, expansion of external demand, and accommodative domestic fiscal and monetary policies. However, stagnation in domestic demand was noticeable, with wage increases unable to keep up with rising prices and then personal consumption declining. In the April-June quarter, real GDP grew for the third consecutive quarter compared to the same period in the previous year, with domestic automobile production accelerating due to the easing of the semiconductor shortage and the number of foreign visitors to Japan increasing, and real GDP reaching a record high in amount. In the July-September period, exports continued to increase due to the increasing growth rate of the U.S. and Chinese economies, and government consumption, including public expenditures for medical expenses, also increased. However, real GDP turned to negative growth as personal consumption, capital investment, and housing investment continued to decline from the previous quarter. In the October-December period, military conflicts between Hamas and Israel occurred in October, and there were concerns about the impact on energy prices, etc., but crude oil prices remained stable until December. Meanwhile, in Japan, as personal consumption continues to decline, the government in early November compiled a comprehensive economic package worth approximately 37 trillion yen, which included an extension of measures to counter high energy prices, fixed tax cut, and related cash handouts. In the January-March period, Domestic production was significantly pushed down from January to February due to the Noto Peninsula earthquake in Ishikawa Prefecture, which caused some automobile manufacturers to suspend operations. In March, not only large companies but also small and medium-sized enterprises reached a series of agreements with large wage increases in the annual wage negotiation between employers and unions. The wage increase rate, which includes regular wage increases, was calculated by the Japanese Trade Union Confederation (Union) on March 21 to be 5.25%, which was the second highest rate since 1991. After confirming that the virtuous cycle between wages and prices was strengthening, the Bank of Japan decided at its monetary policy meeting in March to abolish its negative interest rate policy.

In the stock market, Tokyo Stock prices trended upward as increased expectations for an end to deflation against the backdrop of wage increases and progress in price pass-through, and the governance reforms requested of listed companies by the stock exchange were well received, etc., in addition to progress in global economic normalization that has continued since the previous fiscal year, and increased profits of exporting companies due to the weaker yen. In February 2024, the Nikkei Stock Average hit a new all-time high since December 1989, and exceeded 40,000 yen in March. The Nikkei Stock Average at the end of the current period was 40,369.44 yen, a significant increase of 44.0% compared to the end of the previous period.

In the bond market, upward pressure on interest rates in Japan increased during the first half of FY2023 due to continued interest rate hikes by European and American central banks. In addition, the Bank of Japan made its long-term interest rate operations more flexible in July and October 2023, and the yield on 10-year government bonds at one point exceeded 0.9%. Subsequently, interest rate increases were halted in Europe and the United States, putting a brake on the rise in interest rates, and the yield on 10-year government bonds at the end of FY2023 was 0.725%.

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

Retail Business

[Main products and services]

Stocks, bonds, investment trusts, wrap account services, insurance, deposits, loans, inheritance-related services, etc.

In order to achieve “Customer First” & “Quality No. 1,” Daiwa Securities Co. Ltd. is pursuing the customer's best interests by establishing a wealth management business model, providing products and services responding to various customer needs, expanding its solutions-based business through a total assets approach, and developing new business that utilizes partnerships with external channels.

During FY2023, in order to establish a wealth management business model, Daiwa Securities Co. Ltd. continued to listen to customers about their asset status and needs, and proposed optimal portfolios. As a result, the number of contracts for wrap account services increased and the contract asset balance reached a record high, contributing to the creation of a revenue base that is less susceptible to market conditions.

In addition, in order to provide products and services that meet the needs of diverse customers, Daiwa Securities Co. Ltd. launched the Daiwa Blackstone Private Credit Fund in April 2023 and the Blackstone Private Equity Strategies Fund in March 2024 and worked to expand investment opportunities in alternative assets (Note 1) for a wide range of customers. In December 2023, we began handling U.S. stocks through online trading, working to improve customer convenience.

Based on the deliberations of the Customer Satisfaction Council, which aims to improve products and services based on customer feedback, we simplified various procedures and held webinars to provide after-sales care for our products. As a result of focusing on these initiatives, Daiwa Securities Co. Ltd. ranked first in the face-to-face securities section in an external NPS survey (Note 2).

Furthermore, Daiwa Securities Co. Ltd. provides “Yucho Fund Wrap” at JAPAN POST BANK Co., Ltd., which has a solid customer base in Japan, and worked to expand the customer base and enhance services in the asset formation field. In addition to the above, based on the comprehensive business tie-up with Shikoku Bank, Ltd., we started business tie-up in April 2023 to provide a wide range of products and services of the Group, as well as comprehensive consulting.

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

(Note 2) The NPS survey is the NPS (a measure that quantifies customer loyalty) benchmark results of an industry specific survey conducted on users, announced in November 2023 by NTTCom Online Marketing Solutions Corporation.

Wholesale Business

[Main products and services]

Global Markets: Stocks, Bonds/FX, Derivatives

Global Investment Banking: Stock underwriting, bond underwriting, M&A advisory, listing consulting, etc.

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

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

During FY2023, Daiwa Securities Co. Ltd. established the Global Markets Strategy Planning Department in April 2023 and worked to strengthen customer-oriented marketing and rebuild its overseas business through collaboration with the sales headquarters.

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

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

In underwriting business, we served as a global coordinator (Note 1) for Rakuten Group Inc.’s public capital increase and Trial Holdings Inc.’s initial listing, served as an advisor for Japan’s issuance of GX Economy Transition Bonds (Note 2), and served as lead manager and structuring agent (Note 3) in the issuance of various SDGs bonds in Japan.

In M&A advisory business, Daiwa Securities Co. Ltd. has been involved in projects in a variety of industries in various countries and regions, in addition to domestic projects including TAISHO PHARMACEUTICAL HOLDINGS CO., LTD.’s delisting, Benesse Holdings, Inc.’s delisting, sponsored by EQT, the largest private equity fund in Northern Europe, and NIDEC CORPORATION’s tender offer for Takisawa Machine Tool Co., Ltd.

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

(Note 2) GX Economy Transition Bond: Decarbonized growth economic structure transition bond. A government bond issued to achieve net zero greenhouse gas emissions by 2050.

(Note 3) Structuring Agent: A person that provides support in issuing SDGs debt, etc. through providing advice related to drafting framework and getting second opinions when issuing SDGs debt, etc.

Asset Management Business

[Main products and services]

Various investment trust products (composition and investment), investment advisory, customer and sales company support, real estate investment trusts (composition and management), etc.

Daiwa Asset Management Co. Ltd. has been working to expand assets under management by improving its fund management capabilities, development of new products with high added value, and promotion in line with the start of the new NISA. Sales of the “Daiwa Blackstone Private Credit Fund,” which was established in May 2023, were strong, and as of the end of FY2023, the fund had increased by 77.1 billion yen. In addition, mainly due to the inflow of funds into new NISA products such as the iFree series and Fund Wrap, the total amount of funds increased by 850.7 billion yen for publicly offered stock investment trusts during FY2023, and the company’s assets under management (Note 1) at the end of FY2023 were 32.3 trillion yen.

Global X Japan Co. Ltd. provided twelve listed ETFs, including a growth theme-based ETF (Note 2) and income ETF (Note 3). Its assets under management were 339.7 billion yen at the end of the company’s FY2023

Daiwa Real Estate Asset Management Co. Ltd. conducted a public offering in October 2023 at Daiwa Securities Living Investment Corporation, which it manages, and acquired new assets, including large-scale acquisitions of 19 properties totaling 45.3 billion yen. As a result of its efforts to improve the quality of its real estate portfolio and increase the value of existing properties through property acquisition and asset replacement, its assets under management at the end of FY2023 amounted to 1,295.0 billion yen.

(Note 1) Total of investment trusts and the balances of discretionary investment and advisory contracts (The figure is an estimate including the assets under management for some overseas subsidiaries of the company. The finalized figure excluding the assets under management for those overseas subsidiaries was 31.9 trillion yen.)

(Note 2) Growth theme-based ETF: An ETF that aims to benefit from structural changes while paying attention to the theme of expected advancement and growth.

(Note 3) Income ETF: An ETF that aspires to obtain a high dividend yield, paying attention to dividend yield, dividend continuity, etc.

Investment Business

[Main products and services]

Venture investment, private equity investment, monetary debt investment, energy/infrastructure investment, etc.

Daiwa Corporate Investment Co., Ltd. has invested in venture companies at various stages in Japan and overseas and has promoted the exit of existing investments.

Daiwa PI Partners Co. Ltd. invested in monetary claims, real estate loans and equity, and loans to corporations at home and abroad in addition to proceeding with collection of existing projects. Additionally, in September 2023, Daiwa PI Capital Co., Ltd., a wholly owned subsidiary of the company, established DPIC growth support fund I L.P., a private equity fund.

Daiwa Energy & Infrastructure Co. Ltd. invested in and financed small and medium-sized solar power plants and storage battery businesses in Japan, and overseas investment, it invested and financed in power distribution companies in Finland, solar power plants in the U.S. and Australia, and an Irish toll highway operator, among others, based on partnerships with external companies. Also, it proceeded with collection of existing projects.

Other

[Main products and services]

Economic and social research/recommendations, consulting, system consulting, system integration, AI/data science, banking operations, etc.

As a think tank, Daiwa Institute of Research Co., Ltd. has disseminated information based on economic and social trends, such as countermeasures against the declining birthrate and social security. In addition, in system development for the Group and other systems, it steadily implemented system support for the launch of the new NISA. In addition to promoting the health tech business through the establishment of a health tech promotion office and a capital and business alliance with Value HR Co., Ltd., it also worked to utilize cutting-edge technologies such as generative AI.

Daiwa Next Bank, Ltd. started handling “foreign currency savings” in April 2023 with the aim of further improving services.

Daiwa Connect Securities Co., Ltd. has begun mutual customer referrals based on a basic agreement signed in June 2023 as order to collaboration with Minna Bank Co., Ltd. on multifaceted services. In addition, in line with the launch of the new NISA in January 2024, we worked to improve convenience by raising the upper limit for investment savings with a credit card to 100,000 yen.

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

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

Status of the Capital Investment of the Group

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

During FY2023, Daiwa's online trading system has created a system that enables real-time entrusted trading of U.S. stocks during the trading hours of U.S. exchanges, and has launched "U.S. Stock Real Market Price Information," which provides real-time market price information on U.S. stocks, and has introduced functions such as timely notification of stock prices and trade results. Additionally, as an investment in cutting-edge technology, we have developed a highly scalable security token wallet (Note 2) in preparation for future expansion of the security token market. Furthermore, we implemented system development in line with system reforms such as the new NISA that started in January 2024 and the inclusion of English characters in securities codes. Additionally, regarding the Zero Trust (Note 3) type security infrastructure that we built last year, we proceeded with technical verification to enable our systems to be used safely and quickly by our collaborators and partners. As a result of these measures, the Group made 35.4 billion yen in IT-related capital investments.

Additionally, Daiwa Securities Co., Ltd. has newly established its Kurashiki, Tsukuba, and Narita Sales offices.

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

(Note 2) Security token wallet: A system for managing the private keys of security tokens, which are digitized securities whose rights are transferred and recorded using blockchain technology, and for processing the transfer of rights on the blockchain.

(Note 3) Zero trust: The security concept under which the security of every access to data systems requiring protection, whether from inside or outside the company, is verified and not based solely on trust.

Status of Financing of the Group

The Company issued the bonds below amounting to 197 billion yen in total.

Bonds payable	Amount of liabilities	Payment date
40th Series of Unsecured Bonds	50 billion yen	Nov. 28, 2023
41st Series of Unsecured Bonds	50 billion yen	Nov. 28, 2023
42nd Series of Unsecured Bonds	41 billion yen	Dec. 18, 2023
43rd Series of Unsecured Bonds	45 billion yen	Dec. 18, 2023
44th Series of Unsecured Bonds (Green Bond)	10 billion yen	Feb. 27, 2024
1st Series of Unsecured Security Token Bonds	1 billion yen	Mar. 21, 2024

Five-Year Trend of Consolidated Performance and Assets

(Billions of yen)					
Item \ Term	83 rd	84 th	85 th	86 th	87 th
	(April 1, 2019- March 31, 2020)	(April 1, 2020- March 31, 2021)	(April 1, 2021- March 31, 2022)	(April 1, 2022- March 31, 2023)	(April 1, 2023- March 31, 2024)
Operating revenue	672.2	576.1	619.4	866.0	1,277.4
Net operating revenue	426.2	466.6	502.0	464.2	590.9
Ordinary income	70.2	115.1	135.8	86.9	174.5
Profit attributable to owners of parent	60.3	108.3	94.8	63.8	121.5
Total net assets	1,257.7	1,591.8	1,639.8	1,675.4	1,788.6
Total assets	23,822.0	26,099.3	27,531.0	26,413.2	32,027.2
Net assets per share (Yen)	796.33	875.12	925.81	968.93	1,086.20
Net income per share (Yen)	39.11	71.20	63.06	43.53	84.94
Return on equity (ROE)	4.9%	8.5%	7.0%	4.6%	8.3%
Number of consolidated subsidiaries	66	118	136	140	144
Number of affiliates accounted for using the equity method	15	17	18	17	21

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

Issues to Be Addressed by the Group

FY2023 marked a major turning point for the Japanese economy. Japan is on the verge of a full departure from the deflationary trend it has endured for the past 30 years. A complete return to post-pandemic economic normalcy has begun, led by increasingly clear signs of recovery in areas such as inbound demand. The Japanese stock market has also been performing well, with the Nikkei index surpassing its all-time high of 38,915 yen for the first time in 34 years. The rise reflects solid corporate earnings, a push by the Tokyo Stock Exchange for greater awareness of cost of capital and stock price among the management of listed companies, and greater foreign investor demand for Japanese equities. Monetary policy has also taken a step toward normalization by getting rid of the negative interest rates that persisted for the past eight years. The Group's steady advances in transitioning to a wealth management business model and in growing our hybrid business areas have led to a recovery in earnings.

"Passion for the Best" 2026 is the name of the New Medium-term Management Plan that the Group has devised to respond to this outside environment and Japan's incipient tidal shift from savings to asset building. The Plan will run for the three-year period from FY2024 to 2026. This Medium-term Management Plan is a collection of priority strategies and policies that draw on backcasting to achieve the Group's FY2030 vision—creating a solid earnings foundation resistant to impacts from the outside environment. "Maximizing the value of customer assets" is the Group's basic management policy. All Group business activities are designed to grow client asset value over the medium to long term by providing high-quality consulting services and solutions driven by accurate analysis of market environments and in-depth understanding of client needs.

As the inaugural year of the Medium-term Management Plan, FY2024 will be devoted to executing the action plans detailed below. The Japanese government has recently announced a policy plan for promoting Japan as a leading asset management center. The Group's activities will help bring this plan to life and ultimately help create a prosperous future made possible by financial and capital markets.

Action Plan for Each Business Division

Wealth Management Division

- 1 Refining our wealth management business by providing optimum consulting services rooted in an in-depth understanding of client needs
- 2 Augmenting our lineup of high-added-value bespoke products, services and solutions tailored to the advanced demands of high-net-worth and corporate clients
- 3 Using digital marketing to create an organization for providing the right services for client needs in a timely manner
- 4 Growing our client base through outside partnerships and workplace business
- 5 Augmenting our banking solutions for high-net-worth clients

Asset Management Division

- 1 Providing high-added-value asset management services by offering more advanced asset management options and improving our product development capabilities
- 2 Building a new business foundation by augmenting our alternative product lineup and fully entering the investment advisory sector
- 3 Working on our real estate asset management segment by enhancing our asset management and property sourcing capabilities, and having Group members work together
- 4 Drawing on our alternative investment expertise and experience to provide high-quality investment opportunities that seek to outperform

Global Markets & Investment Banking Division

- 1 Providing a diverse and advanced lineup of products and solutions tailored to a wide range of client needs
- 2 Growing our business foundation by working more closely with our Wealth Management Division
- 3 Providing more solutions to unlisted companies while enhancing M&A activities inside and outside Japan
- 4 Boosting profitability by reallocating management resources

Other (Daiwa Institute of Research Group)

- 1 Enhancing research quality to provide higher quality information in a timely manner
- 2 Enhancing client services by creating an IT service platform and drawing on AI and data science
- 3 Helping extend healthy life expectancy by providing solutions driven by data gathered by our social insurance business

Status of the Group

(1) The Group's Primary Business

The Group's primary business is the investment/financial business, with securities-related business at its core. Specifically, the Group is involved in trading and brokerage of securities and derivative products, underwriting and secondary offering of securities, dealing in public offering, secondary offering and private placement of securities and other security-related business, banking business and other financial business.

(2) Status of Major Subsidiaries and Affiliates

Company name	Location	Capital (millions of yen)	Ratio of voting rights (directly owned)	Main businesses
Daiwa Securities Co. Ltd.	Chiyoda-ku, Tokyo	100,000	100.0% (100.0%)	Securities-related business Investment advisory and agency business
Daiwa Asset Management Co. Ltd.	Chiyoda-ku, Tokyo	15,174	100.0% (100.0%)	Investment management business Investment advisory and agency business
Daiwa Institute of Research Ltd.	Koto-ku, Tokyo	3,898	100.0% (100.0%)	Information service
Daiwa Securities Business Center Co. Ltd.	Koto-ku, Tokyo	100	100.0% (100.0%)	Back office operation
Daiwa Facilities Co., Ltd.	Chuo-ku, Tokyo	100	100.0% (100.0%)	Lending, borrowing and management of real estate
Daiwa Next Bank, Ltd.	Chiyoda-ku, Tokyo	50,000	100.0% (100.0%)	Banking business
Daiwa Corporate Investment Co., Ltd.	Chiyoda-ku, Tokyo	100	100.0% (—)	Investment business
Daiwa PI Partners Co. Ltd.	Chiyoda-ku, Tokyo	12,000	100.0% (—)	Investment business
Daiwa Energy & Infrastructure Co. Ltd.	Chiyoda-ku, Tokyo	500	100.0% (—)	Investment business
Daiwa Real Estate Asset Management Co. Ltd.	Chuo-ku, Tokyo	200	100.0% (100.0%)	Investment management business Investment advisory and agency business
Daiwa Securities Realty Co. Ltd.	Chuo-ku, Tokyo	500	100.0% (100.0%)	Real estate related business
Daiwa Office Investment Corporation	Chuo-ku, Tokyo	238,093	41.0% (14.1%)	Investment in specified assets
Samty Residential Investment Corporation	Chiyoda-ku, Tokyo	81,642	40.2% (38.9%)	Investment in specified assets
Daiwa Capital Markets Europe Limited	London, U.K.	GBP732 million	100.0% (—)	Securities-related business
Daiwa Capital Markets Hong Kong Limited	Hong Kong, China	HKD100 million USD276 million	100.0% (—)	Securities-related business
Daiwa Capital Markets Singapore Limited	Singapore, Singapore	SGD140 million	100.0% (—)	Securities-related business
Daiwa Capital Markets America Holdings Inc.	New York, U.S.A.	USD621 million	100.0% (—)	Integration and management of subsidiaries
Daiwa Capital Markets America Inc.	New York, U.S.A.	USD100 million	100.0% (—)	Securities-related business

(3) Situation of Specified Wholly-Owned Subsidiary at the End of FY2023

Not applicable.

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

Not applicable.

(5) Status of Major Business Alliances

On May 13, 2024, the Company agreed with Aozora Bank, Ltd. to form a capital and business alliance.

On May 15, 2024, the Company and Daiwa Asset Management Co., Ltd. agreed with JAPAN POST INSURANCE Co., Ltd. on a capital and business alliance in the field of asset management.

(6) The Group's Primary Business Locations

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

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

Hokkaido / Tohoku	Sapporo Branch, Sendai Branch, and 8 other branches
Kanto (excluding Tokyo)	Yokohama Branch, Chiba Branch, Omiya Branch, and 43 other branches
Tokyo	Head Office, Ginza Branch, Shinjuku Branch, Shibuya Branch, Ikebukuro Branch, and 33 other branches
Chubu / Hokuriku	Nagoya Branch, Shizuoka Branch, and 27 other branches
Kinki	Kyoto Branch, Osaka Branch, Namba Branch, Kobe Branch, and 29 other branches
Chugoku / Shikoku	Hiroshima Branch, and 13 other branches
Kyushu / Okinawa	Fukuoka Branch, and 11 other branches

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

Number of employees	Change from previous fiscal year
14,600	Decrease of 131

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

(ii) The Company's Employees

Number of employees	Average age	Average years of service
588	43.2	13.8 years

(Note 1) The number of employees reflects the number of the people who actually work in the Company. 588 employees work for both the Company and Daiwa Securities Co. Ltd.

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

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

(8) Major Lenders

Name of lender	Type of loan	Balance (millions of yen)
Sumitomo Mitsui Banking Corporation	Short-Term Borrowings	30,000
	Long-Term Borrowings	180,141
Mizuho Bank Ltd.	Long-Term Borrowings	102,000
MUFG Bank, Ltd.	Long-Term Borrowings	61,000
Resona Bank Ltd.	Long-Term Borrowings	31,000

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

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

Not applicable.

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

Summary of the Company (as of March 31, 2024)

Status of Shares

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

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

Type of shares	Total number of authorized class shares
Common Stock	4,000,000,000
Class 1 Preferred Stock	100,000,000
Class 2 Preferred Stock	100,000,000
Class 3 Preferred Stock	100,000,000

(2) **Total number of issued and outstanding shares:** 1,569,378,772 shares of Common Stock (including treasury stock)

(3) **Total number of Shareholders:** 148,746

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

Name	Number of shares of common stocks held (% of total outstanding shares)
The Master Trust Bank of Japan, Ltd. (Trust Account)	230,614 thousand shares (16.45%)
Custody Bank of Japan, Ltd. (Trust Account)	72,313 thousand shares (5.16%)
Taiyo Life Insurance Company	41,140 thousand shares (2.93%)
Barclays Securities Japan Limited	34,000 thousand shares (2.42%)
Nippon Life Insurance Company	31,164 thousand shares (2.22%)
JAPAN POST HOLDINGS Co., Ltd.	30,000 thousand shares (2.14%)
STATE STREET BANK WEST CLIENT - TREATY 505234	29,842 thousand shares (2.12%)
JP MORGAN CHASE BANK 385781	19,272 thousand shares (1.37%)
Daiwa's Employee Stock Ownership Association	19,091 thousand shares (1.36%)
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	17,314 thousand shares (1.23%)

(Note 1) The Company holds 168,064,760 of its own shares as treasury stock as of March 31, 2024, and the Company is excluded from the above list of major shareholders.

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

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

The Company has introduced the Restricted Stock Compensation Plan for the purpose of further enhancing incentives to improve medium- and long-term business performance and promoting further value sharing between the Company, its subsidiaries' Directors, Corporate Executive Officers, etc. and shareholders. The Restricted Stock allotted to Directors and Corporate Executive Officers during FY2023 is as follows.

Executive category	Numbers allotted (persons)	Allotted Shares
Directors	2	22,400
Corporate Executive Officers	12	246,000
Outside Directors	—	—

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

The Corporate Governance System of the Group

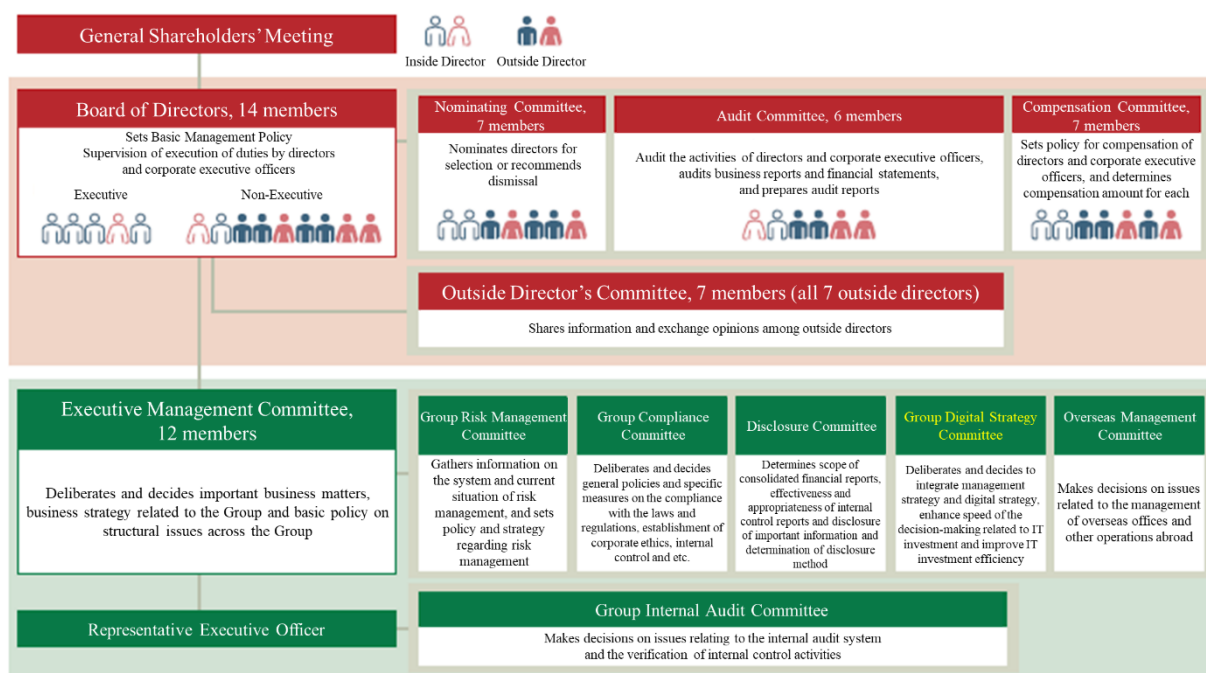
Basic Stance on Corporate Governance

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

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

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

Corporate Governance System (as of March 31, 2024)



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

State of Activities of Three Committees

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

Nominating Committee	
State of activities for period	In FY2023, the Nominating Committee met four (4) times to discuss matters, including the composition of the Board of Directors with consideration of corporate governance, the basic policy for nominating candidates for Director, the selection of Director candidates, the candidates for Representative Corporate Executive Officer, President and CEO, and the skill matrix of Directors. The Nominating Committee selects candidates for Director in light of the Group's selection standards for Directors. These standards include criteria to ensure the independence of Outside Directors.
Members	Toshio Iwamoto (Chairperson, Outside Director) Takashi Hibino Seiji Nakata Hirotaka Takeuchi (Outside Director) Eriko Kawai (Outside Director) Katsuyuki Nishikawa (Outside Director) Noriko Iki (Outside Director)
Audit Committee	
State of activities for period	In FY2023, the Audit Committee met fourteen (14) times. The committee evaluated the execution of duties of Directors and Corporate Executive Officers, audited documentation, including financial statements and business reports, and prepared an audit report for the period under review.
Members	Ikuo Nishikawa (Chairperson, Outside Director) Sachiko Hanaoka Hiromasa Kawashima Katsuyuki Nishikawa (Outside Director) Yumiko Murakami (Outside Director) Noriko Iki (Outside Director)
Compensation Committee	
State of activities for period	In FY2023, the Compensation Committee met five (5) 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 and a compensation system based on the new medium-term management plan.
Members	Hirotaka Takeuchi (Chairperson, Outside Director) Takashi Hibino Seiji Nakata Ikuo Nishikawa (Outside Director) Eriko Kawai (Outside Director) Toshio Iwamoto (Outside Director) Yumiko Murakami (Outside Director)

State of Outside Director's Meeting Activities

In FY2023, the meeting was held five (5) times to cover topics such as the new medium-term business plan, the role of outside directors in the event of a takeover proposal, human resources strategy, geopolitical risk, and crisis management in the financial and capital markets, as well as a discussion with the Representative Corporate Executive Officer, President (CEO). Mr. Katsuyuki Nishikawa was appointed as the chairperson.

Status of the Company's Officers

(1) Status of Directors

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

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

(Note 2) One of Directors, Hiromasa Kawashima, resigned as of March 31, 2024. Furthermore, Hiromasa Kawashima resigned as Audit & Supervisory Board Member of Daiwa Securities Co., Ltd. and Daiwa Real Estate Asset Management Co., Ltd. as of March 31, 2024, and as Audit & Supervisory Board Member of Daiwa Food & Agriculture Co. Ltd. as of April 1, 2024, and was appointed as a Director of Daiwa Food & Agriculture Co. Ltd. as of April 1, 2024.

(Note 3) Mr. Ikuo Nishikawa is a certified public accountant and has considerable knowledge of finance and accounting.

(Note 4) As a “company with a nominating committee, etc.,” the Company formed the following three committees, composed of the following Directors.

Nominating Committee	Toshio Iwamoto (Chairperson), Takashi Hibino, Seiji Nakata, Hirotaka Takeuchi, Eriko Kawai, Katsuyuki Nishikawa, Noriko Iki
Audit Committee	Ikuo Nishikawa (Chairperson), Sachiko Hanaoka, Hiromasa Kawashima, Katsuyuki Nishikawa, Yumiko Murakami, Noriko Iki
Compensation Committee	Hirotaka Takeuchi (Chairperson), Takashi Hibino, Seiji Nakata, Ikuo Nishikawa, Eriko Kawai, Toshio Iwamoto, Yumiko Murakami

Effective April 1, 2024, the composition of the Audit Committee has been changed as follows.

Audit Committee	Ikuo Nishikawa (Chairperson), Sachiko Hanaoka, Katsuyuki Nishikawa, Yumiko Murakami, Noriko Iki
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(Note 5) The Company selected Sachiko Hanaoka and Hiromasa Kawashima as full-time Audit Committee Members to hear from the Corporate Executive Officers, receive reports from the Internal Audit Department, gather information through the audit of subsidiaries, and attend the meetings continuously and effectively. Effective March 31, 2024, Hiromasa Kawashima resigned as Audit Committee Member.

(Note 6) Effective April 1, 2024, the roles of Directors have been changed as follows.

Member of the Board	Takashi Hibino
Chairperson of the Board	Seiji Nakata

(2) Status of Corporate Executive Officers

Title	Name	Area of responsibility and significant concurrent positions
President/ Representative Corporate Executive Officer	Seiji Nakata	Chief Executive Officer (CEO) of the Company and Representative Director and President of Daiwa Securities Co. Ltd.
Deputy President/ Representative Corporate Executive Officer	Toshihiro Matsui	Chief Operating Officer (COO) and Head of Wholesale of the Company Representative Director/Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Keiko Tashiro	Executive Head of Overseas Operations and Head of Sustainability and Think Tank of the Company Representative Director/Deputy President of Daiwa Securities Co. Ltd. Member of the Board of Daiwa Institute of Research Ltd.
Deputy President	Akihiko Ogino	Executive Head of Corporate Planning and Human Resources of the Company Representative Director/Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Shinsuke Niizuma	Head of Retail of the Company Representative Director/Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Tomoyuki Murase	Head of Information Technology, Chief Information Officer (CIO), and Head of Data Management of the Company Representative Director/Deputy President of Daiwa Securities Co. Ltd.
Senior Executive Managing Director	Hiroko Sakurai	Head of Compliance of the Company Representative Director/Senior Executive Managing Director of Daiwa Securities Co. Ltd.

Title	Name	Area of responsibility and significant concurrent positions
Senior Executive Managing Director	Eiji Sato	Chief Financial Officer (CFO) and Head of Corporate Planning of the Company Member of the Board/Senior Executive Managing Director of Daiwa Securities Co. Ltd. Member of the Board of Daiwa Asset Management Co. Ltd.
Senior Executive Managing Director	Kana Shirakawa	Head of Human Resources and Chief Health Officer (CHO) of the Company Member of the Board/Senior Executive Managing Director of Daiwa Securities Co. Ltd.
Executive Managing Director	Shikou Yanagisawa	Head of Internal Audit of the Company Member of the Board/Executive Managing Director of Daiwa Securities Co. Ltd.
Executive Managing Director	Tsutomu Kobayashi	Chief Risk Officer (CRO) of the Company Member of the Board/Executive Managing Director of Daiwa Securities Co. Ltd.
Corporate Executive Officers	Takashi Hibino	Member of the Board/Chairperson of the Board of Daiwa Securities Co. Ltd. Outside Director of Imperial Hotel, Ltd.

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

(Note 2) Two of Corporate Executive Officers, Takashi Hibino and Shikou Yanagisawa, resigned as of March 31, 2024. Effective on the same date, Takashi Hibino resigned his position as Member of the Board, Chairperson of the Board of Daiwa Securities Co. Ltd. and Shikou Yanagisawa resigned his position as Member of the Board, Executive Managing Director of Daiwa Securities Co. Ltd.

(Note 3) Effective March 31, 2024, Seiji Nakata and Toshihiro Matsui resigned the position of Representative Corporate Executive Officer, and effective April 1, 2024, Akihiko Ogino and Shinsuke Niizuma assumed office as Representative Corporate Executive Officer.

(Note 4) Effective April 1, 2024, Junichi Serizawa, Kotaro Yoshida, and Keiichi Ishikawa were appointed as Corporate Executive Officers, and on the same date Corporate Executive Officer's positions and responsibilities were changed as follows:

President/Representative	Akihiko	Chief Executive Officer (CEO)
Corporate Executive Officer	Ogino	
Deputy President/Representative	Shinsuke	Chief Operating Officer (COO) and Head of Wealth Management
Corporate Executive Officer	Niizuma	
Deputy President	Keiko Tashiro	Head of Sustainability, Financial Education, Securities Asset Management, and Think Tank of the Company
Senior Executive Managing Director	Junichi Serizawa	Deputy Head of Wealth Management
Senior Executive Managing Director	Eiji Sato	Head of Corporate Planning
Executive Managing Director	Kotaro Yoshida	Chief Financial Officer (CFO)
Corporate Executive Officers	Keiichi Ishikawa	Head of Internal Audit
Corporate Executive Officers	Seiji Nakata	

Effective March 31, 2024, Keiko Tashiro resigned the position of Representative Director and Deputy President of Daiwa Securities Co. Ltd., and Eiji Sato resigned the position of Member of the Board of Daiwa Asset Management Co. Ltd. Effective April 1, 2024, Seiji Nakata assumed office as Representative Director and Chairperson of the Board of Daiwa Securities Co. Ltd., Toshihiro Matsui assumed office as Representative Director and Deputy Chairperson of the Board of Daiwa Securities Co. Ltd., Akihiko Ogino assumed office as Representative Director and President of Daiwa Securities Co. Ltd., Keiko Tashiro assumed office as Member of the Board of Daiwa Asset Management Co. Ltd., and Shinsuke Niizuma assumed office as Member of the Board of Daiwa Next Bank, Ltd.

(3) Outside Officers

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

Name	Significant concurrent positions
Hirotaka Takeuchi	Outside Director of Integral Corporation (Audit and Supervisory Committee Member)
	Senior Advisor of P&E Directions, Inc.
	Outside Director of BrightPath Biotherapeutics Co., Ltd.
	Director of T-Lab.
	Principal of Global Academy K. K.
	Chair of the Board of Trustees of International Christian University
	EHL (Ecole Hoteliere de Lausanne) Group International Advisory Board member
	Councilor of Yanai Family Association
Ikuo Nishikawa	Outside Director of MEGMILK SNOW BRAND Co., Ltd.
	Guest Professor of Graduate School of Keio University, Faculty of Business & Commerce
	Outside Audit & Supervisory Board Member of Tokio Marine & Nichido Fire Insurance Co., Ltd.
Eriko Kawai	Outside Audit & Supervisory Board Member of Yamaha Motor Co., Ltd.
	Outside Director of Mitsui Fudosan Co., Ltd.
	Senior Advisor of International Management Forum Co., Ltd.
	External Director of DMG Mori Co., Ltd.
Katsuyuki Nishikawa	Attorney at Nishikawa Katsuyuki Law Office
	Outside Audit & Supervisory Board Member of AEON Hokkaido Corporation
Toshio Iwamoto	Advisor of NTT DATA Group Corporation
	Outside Director of East Japan Railway Company
	Outside Director of Isetan Mitsukoshi Holdings Ltd.
	Outside Director of Sumitomo Forestry Co., Ltd.
Yumiko Murakami	General Partner of MPower KK
	Outside Director of Raksul Inc.
Noriko Iki	Special Adviser of Japan Institute for Women's Empowerment & Diversity Management
	Outside Director of FUJI KYUKO CO., LTD.

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

(ii) Major activities during FY2023

Name	Status of attendance and remarks and overview of the performed duties regarding expected roles
Hiroataka Takeuchi	Attended all 10 Board of Directors' meetings and, as a chairperson of the Compensation Committee and a member of the Nominating Committee, attended all 5 meetings of the Compensation Committee and 4 meetings of the Nominating Committee held in FY2023. Made remarks on the resolutions, contributed to discussion in such meetings, and played a role related to advice for and supervision over management based mainly on his knowledge and experience relating to management strategies.
Ikuo Nishikawa	Attended all 10 Board of Directors' meetings and, as a chairperson of the Audit Committee and a member of the Compensation Committee, attended all 14 meetings of the Audit Committee and 5 meetings of the Compensation Committee held in FY2023. Made remarks on the resolutions, contributed to discussion in such meetings, and plays a role related to advice for and supervision over management from his professional perspectives as a certified public accountant.
Eriko Kawai	Attended all 10 Board of Directors' meetings and, as a member of the Nominating Committee and Compensation Committee, attended all 4 meetings of the Nominating Committee and 5 meetings of the Compensation Committee in FY2023. Made remarks on the resolutions, contributed to discussion in such meetings, and plays a role related to advice for and supervision over management based mainly on her knowledge and experience relating to the financial business.
Katsuyuki Nishikawa	Attended all 10 Board of Directors' meetings and, as a member of the Nominating Committee and Audit Committee, attended all 4 meetings of the Nominating Committee and 14 meetings of the Audit Committee held in FY2023. Made remarks on the resolutions, contributed to discussion in such meetings, and played a role related to advice for and supervision over management from his professional perspectives as a lawyer.
Toshio Iwamoto	Attended all 10 Board of Directors' meetings and, as a chairperson of the Nominating Committee and a member of the Compensation Committee, attended all 4 meetings of the Nominating Committee and 5 meetings of the Compensation Committee in FY2023. Made remarks on the resolutions, contributed to discussion in such meetings, and played a role related to advice for and supervision over management based mainly on his abundant experience as a manager and knowledge of IT.
Yumiko Murakami	Attended all 10 Board of Directors' meetings and, as a member of the Audit Committee and Compensation Committee, attended all 14 meetings of the Audit Committee and 5 meetings of the Compensation Committee held in FY2023. Made remarks on the resolutions, contributed to discussion in such meetings, and played a role related to advice for and supervision over management based mainly on her abundant international experience and her experience and achievements in business, as well as her knowledge about the securities business.

Name	Status of attendance and remarks and overview of the performed duties regarding expected roles
Noriko Iki	Attended all 8 Board of Directors' meeting held after her appointment in FY2023, and as a member of the Nominating Committee and Audit Committee, attended all 4 meetings of the Nominating Committee and 10 meetings of the Audit Committee held after her appointment in FY2023. Made remarks on the resolutions, contributed to discussion in such meetings, and played a role related to advice for and supervision over management based mainly on her professional knowledge and experience regarding labor administration and diversity, as well as knowledge based on her extensive international experience.

(iii) Outline of the Agreement to limit liability

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

(4) Outline of Directors and Officers liability insurance agreement

(i) Scope of insured

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

(ii) Outline of insurance agreement

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

(5) Remuneration of Directors and Corporate Executive Officers

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

a) Decision of the policy

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

b) Outline of the contents of the policy

Policies for Determination of Remuneration of Directors and Corporate Executive Officers

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

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

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

Base remuneration

- A fixed amount calculated based on his/her position, duties and role, and paid monthly and in cash.

Stock-linked remuneration

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

Performance-linked remuneration

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

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

Regarding individual remuneration, etc., for directors and corporate executive officers in FY2022, the Compensation Committee decided on the content of such remuneration after confirming the consistency of the Policies for Determination of Remuneration of Directors and Corporate Executive Officers. Therefore, the Committee judges that the remuneration is in line with the guiding policies.

(ii) Matters regarding the performance-linked remuneration

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

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

b) How to determine performance-linked remuneration and (c) Performance of indicators related to the performance-linked remuneration for FY2023

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

Evaluation and Quality Evaluation are determined in the Compensation Committee. Performance-linked remuneration is calculated by multiplying the base amount for each position by the performance assessment, and reflects the individual's level of contribution.

		Financial Performance Evaluation (100)		±	Quality Evaluation (-10 – +10)		
Financial KPIs	Performance KPIs	Consolidated ROE	Points	Reference Value			8.3%
			50	10%			
		Consolidated Ordinary Income	50	JPY 200 billion			174.5 billion yen
Non-Financial KPIs	Hybrid KPI				Hybrid-related ordinary income	JPY 50 billion or more	46.3 billion yen
					Hybrid-related ordinary income percentage	Approximately 25%	26%
	Financial KPI				Consolidated capital ratio	Maintain 18% or higher (lower Gradually since regulations applied)	22.4% (Note)
	Quality No.1 (Customer-first) KPI				Retail Division asset based revenue ratio	50% or higher (FY2023 4Q)	43.0%
					Daiwa Securities AUM	JPY 90 trillion or more	91.0 trillion yen
	Digital KPI				Number of Digital IT Master	200 personnel or more	204 persons
					Number of Python 3 Certified Engineer Basic Examination certifications	1,000 personnel or more	1,050 persons
	Sustainability KPI				Number of CFP and CMA	3,000 personnel or more	3,123 persons
					Balance of Investment SDGs-related business	JPY 150 billion or more	163.7 billion yen
					SDGs bond league table	In top 3	3
					“Ouen (Supporting)” term deposits balance	JPY 200 billion or more	117.6 billion yen
					Ratio of women on the board of directors	30% or higher (By 2030)	35.7%
					Ratio of women in management positions (Daiwa Securities Co. Ltd.)	25% or higher (FY2025)	21.1%
					Employee satisfaction	Maintain at 80% or higher	94%

(Note) The figure of consolidated capital ratio is as of the end of December 2023.

(iii) Matters regarding the non-monetary remuneration

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

Stock Remuneration I (Stock-linked remuneration)	It is intended to provide restricted stock for amount which equals the fixed ratio of the Base remuneration, and to function effectively as an incentive for long-term performance improvement, restriction will be released when he/she resigns his/her position as director, officers etc., of the Company and its subsidiaries and affiliates.
Stock Remuneration II (Performance-linked remuneration)	A fixed limit is set for Performance-linked remuneration, which is provided in 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 deferral when Performance-linked remuneration exceeds a certain limit.

(iv) Remuneration paid to Directors and Corporate Executive Officers

Executive category	Total amount of remuneration (Millions of yen)	Total amount by type of remuneration, etc. (millions of yen)				Number paid (person)
		Base remuneration	Restricted stocks	Performance-linked remuneration	Retirement benefits	
Directors	90	75	15	–	–	2
Corporate Executive Officers	1,402	528	166	707	–	12
Outside Directors	144	144	–	–	–	8

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

(Note 2) The amount of performance-linked remuneration is the amount to be paid for FY2023.

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

Status of Independent Auditors

(1) Name: KPMG AZSA LLC

(2) Amount of Fees, etc.

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

96 million yen

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

606 million yen

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

(Note 2) The Audit Committee consented to the audit fees after reviewing the adequacy of the fees in FY2023, by examining the appropriateness of the audit plan explained by the independent auditor and also by confirming the calculation basis of the fee estimate such as working hours and hourly rate through the procedure of analysis and evaluation of actual records in previous fiscal years, comparison to other companies, etc.

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

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

(i) Discharge in the cases stipulated in law

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

(ii) Discharge or refusal of reappointment in other cases

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

(4) Other

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

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

Policies for Determination of Distribution of Surpluses

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

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

Based on the basic policies above, we have decided that the distributions of surplus for FY2023 are 19 yen per share as the mid-term dividend (resolved at the Board of Directors' meeting held on October 31, 2023) and 25 yen per share as the year-end dividend. Accordingly, the annual dividend will be 44 yen per share.

At the Board of Directors' meeting held on May 17, 2024, the Company resolved to set a minimum dividend for the full year of 44 yen per share from FY2024 to FY2026 based on the basic policies above.

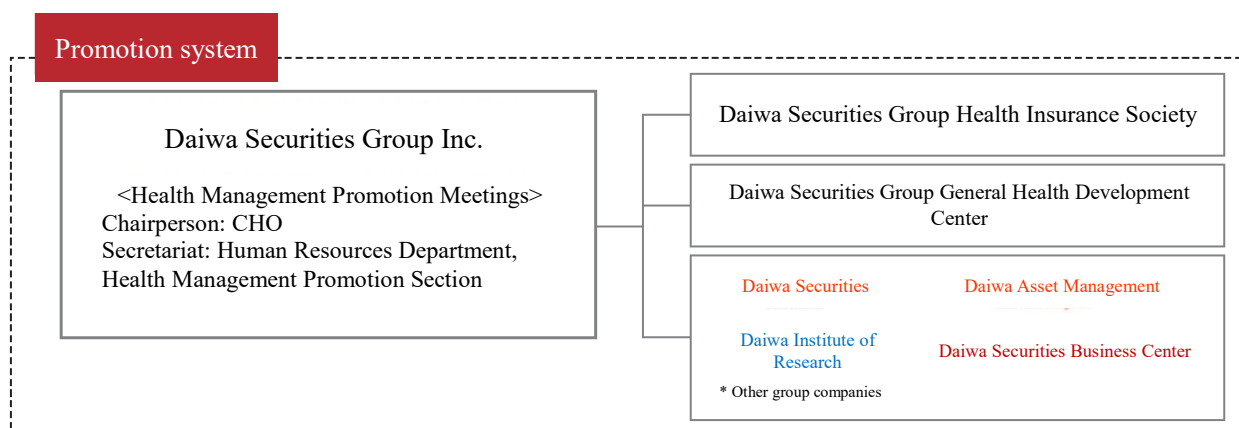
[References] Health Management of the Group

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

As a result, the Group has been selected as a "Health & Productivity Stock Selection" jointly sponsored by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange in March 2024. This is the ninth time we have been selected since the selection began in 2015.

Structure to Promote Health Management

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



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

Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2023 (As of Mar. 31, 2024)	[References] Fiscal 2022 (As of Mar. 31, 2023)
<i>Assets</i>		
Current assets:		
Cash and deposits	4,398,616	3,866,819
Cash segregated as deposits	544,815	541,629
Notes and accounts receivable-trade, and contract assets	29,627	22,062
Securities	1,410,877	1,131,682
Trading products:	7,534,999	7,625,713
Trading securities and other	4,870,657	5,425,159
Derivatives	2,664,341	2,200,554
Private equity and other investments	138,663	127,693
Allowance for investment loss	(4)	(70)
Operating loans receivable	2,722,321	2,015,034
Work in process	839	853
Margin transaction assets:	158,635	160,255
Loans on margin transactions	149,301	153,574
Cash collateral pledged for securities borrowing on margin transactions	9,333	6,680
Loans secured by securities:	12,368,472	8,341,562
Cash collateral pledged for securities borrowed	9,128,456	6,844,292
Securities purchased under resale agreements	3,240,015	1,497,270
Advances paid	33,633	18,756
Short-term loans receivable	791	810
Accrued income	88,460	63,805
Other current assets	1,018,117	965,074
Allowance for doubtful accounts	(9,554)	(8,822)
Total current assets	30,439,313	24,872,860
Non-current assets:		
Property, plant and equipment:	921,181	916,873
Buildings	238,526	241,775
Machinery and equipment	6,096	9,103
Furniture and fixtures	17,123	17,449
Land	643,845	643,695
Construction in progress	15,589	4,850
Intangible assets:	127,602	125,571
Goodwill	17,139	18,526
Leasehold right	5,638	5,638
Software	69,502	65,251
Other	35,322	36,154
Investments and other assets:	539,201	497,943
Investment securities	492,226	455,317
Long-term loans receivable	7,216	6,498
Long-term guarantee deposits	15,903	15,796
Deferred tax assets	6,825	7,840
Other	19,813	17,771
Allowance for doubtful accounts	(2,783)	(1,660)
Allowance for investment loss	—	(3,620)
Total non-current assets	1,587,986	1,540,388
Total assets	32,027,299	26,413,248

(Millions of yen)

	Fiscal 2023 (As of Mar. 31, 2024)	[References] Fiscal 2022 (As of Mar. 31, 2023)
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	8,507	8,120
Trading products:	5,863,821	5,442,548
Trading securities and other	3,368,679	3,451,608
Derivatives	2,495,141	1,990,940
Trade date accrual	1,457,301	1,155,831
Margin transaction liabilities:	54,414	52,785
Borrowings on margin transactions	4,769	3,817
Cash received for securities lending on margin transactions	49,645	48,967
Borrowings secured by securities:	11,698,956	7,929,609
Cash collateral received for securities lent	8,270,945	6,508,873
Securities sold under repurchase agreements	3,428,011	1,420,735
Deposits for the banking business	4,511,603	3,932,761
Deposits received	562,416	430,664
Guarantee deposits received	522,809	431,383
Short-term borrowings	1,272,859	1,292,848
Commercial papers	440,000	261,300
Current portion of bonds payable	159,780	485,029
Income taxes payable	42,916	10,675
Provision for bonuses	43,054	33,287
Other current liabilities	159,110	114,430
Total current liabilities	26,797,550	21,581,275
Non-current liabilities:		
Bonds payable	1,276,312	1,304,543
Long-term borrowings	2,020,812	1,706,985
Deferred tax liabilities	45,616	42,280
Retirement benefit liability	43,715	44,309
Provision for loss on litigation	235	169
Other non-current liabilities	48,761	53,906
Total non-current liabilities	3,435,452	3,152,195
Reserves under special laws:		
Reserve for financial instruments transaction liabilities	5,637	4,287
Total reserves under special laws	5,637	4,287
Total liabilities	30,238,640	24,737,758
Net assets		
Shareholders' equity:		
Share capital	247,397	247,397
Capital surplus	232,461	230,274
Retained earnings	961,438	886,160
Treasury shares	(123,153)	(71,522)
Deposits for subscriptions of treasury shares	83	—
Total shareholders' equity	1,318,227	1,292,309
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	52,936	24,717
Deferred gains or losses on hedges	16,873	16,028
Foreign currency translation adjustment	134,149	74,785
Total accumulated other comprehensive income	203,959	115,531
Share acquisition rights	6,956	8,793
Non-controlling interests	259,515	258,855
Total net assets	1,788,658	1,675,489
Total liabilities and net assets	32,027,299	26,413,248

Consolidated Statements of Income

(Millions of yen)

	Fiscal 2023 (Apr. 1, 2023 to Mar. 31, 2024)	[References] Fiscal 2022 (Apr. 1, 2022 to Mar. 31, 2023)
Operating revenue:		
Commission received:	358,532	279,991
Brokerage commission	93,427	64,272
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	38,490	28,165
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	18,390	11,316
Other commission received	208,225	176,237
Net trading income	98,160	70,253
Net gain on private equity and other investments	14,381	3,692
Financial revenue	607,590	332,548
Other operating revenue	198,816	179,604
Total operating revenue	1,277,482	866,090
Financial expenses	525,853	268,498
Other operating expenses	160,718	133,365
Net operating revenue	590,910	464,226
Selling, general, and administrative expenses:		
Trading related expenses	80,635	71,545
Personnel expenses	222,532	199,790
Real estate expenses	40,273	38,704
Office expenses	26,586	25,768
Depreciation	35,141	34,497
Taxes and dues	12,881	10,191
Provision of allowance for doubtful accounts	15	49
Other	19,138	17,404
Total selling, general and administrative expenses	437,205	397,952
Operating income	153,705	66,273
Non-operating income:		
Dividend income	6,513	3,535
Share of profit of entities accounted for using the equity method	4,828	8,954
Foreign exchange gains	4,629	2,274
Gain on investments in investment partnerships	2,508	7,851
Other	6,303	2,063
Total non-operating income	24,782	24,679
Non-operating expenses:		
Interest expenses	2,020	1,909
Bond issuance costs	213	177
Other	1,665	1,935
Total non-operating expenses	3,900	4,022
Ordinary income	174,587	86,930
Extraordinary income:		
Gain on sale of non-current assets	11,031	12,235
Gain on sale of investment securities	6,206	5,282
Gain on sale of shares of subsidiaries and associates	39	—
Gain on reversal of share acquisition rights	1,164	667
Total extraordinary income	18,441	18,185
Extraordinary losses:		
Loss on sale and retirement of non-current assets	1,818	2,279
Impairment losses	3,799	—
Loss on sale of investment securities	7	142
Loss on valuation of investment securities	232	2,215
Loss on valuation of shares of subsidiaries and associates	2,587	432
Loss on change in equity	71	85
Provision of reserve for financial instruments transaction liabilities	1,349	570
Business restructuring expenses	3,024	2,173
Expenses related to the 120th anniversary project	—	452
Other	140	—
Total extraordinary losses	13,032	8,350
Income before income taxes	179,997	96,766
Income taxes-current	55,960	19,980
Income taxes-deferred	(6,399)	3,102
Profit	130,436	73,683
Profit attributable to non-controlling interests	8,878	9,808
Profit attributable to owners of parent	121,557	63,875

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

Independent Auditor's Report

May 15, 2024

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

KPMG AZSA LLC
Tokyo Office, Japan

Kenji Tanaka
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Tomomi Mase
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Koji Fukai
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, a summary of significant accounting policies and other explanatory information of Daiwa Securities Group Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), as at March 31, 2024 and for the year from April 1, 2023 to March 31, 2024 in accordance with Article 444-4 of the Companies Act.

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

Basis for Opinion

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

Other Information

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

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

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

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

We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depends on the auditor's judgment.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Notes to the Reader of Independent Auditor's Report:

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

Auditor's Report from Audit Committee

Auditor's Report

The Audit Committee has audited the execution of duties by the Directors and the Corporate Executive Officers for the 87th fiscal year from April 1, 2023 to March 31, 2024. We report the methods and the results of the audit as follows.

1. Methods used in audits and content of audits

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

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

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

2. Results of the Audit

- (1) Results of audit of the business report, etc.
 - In our opinion, the business report and its supporting schedules fairly present the situation of the Company, in compliance with the provisions of applicable laws, regulations and the Articles of Incorporation.

- In our opinion, none of the actions taken by Directors and Corporate Executive Officers in executing their duties were fraudulent and none of their actions materially violated the provisions of applicable laws, regulations or the Articles of Incorporation.
- Details of Board of Directors resolution related to internal system are considered to be appropriate. Also, the contents of the business report regarding internal control systems were appropriate, and, furthermore, all actions of Directors and Corporate Executive Officers with respect to executing internal control systems were carried out appropriately.

(2) Results of the audit of the consolidated financial statements

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

(3) Results of the audit of the financial statements and its supplementary schedules

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

May 15, 2024

Audit Committee
Daiwa Securities Group Inc.

Committee Chairperson
Ikuo Nishikawa (stamp)

Member of the Audit Committee
Sachiko Hanaoka (stamp)

Member of the Audit Committee
Katsuyuki Nishikawa (stamp)

Member of the Audit Committee
Yumiko Murakami (stamp)

Member of the Audit Committee
Noriko Iki (stamp)

(Note 1) Mr. Ikuo Nishikawa, Mr. Katsuyuki Nishikawa, Ms. Yumiko Murakami, and Ms. Noriko Iki are the outside directors provided under the provisions of Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.

(Note 2) Mr. Hiromasa Kawashima resigned as his position of member of the Audit Committee as of March 31, 2024.

Translation

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

May 30, 2024

**Matters Subject to Measures for Electronic Provision When Convening
the 87th Annual General Meeting of Shareholders**

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Daiwa Securities Group Inc.

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

Status of Share Acquisition Rights, etc.

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

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

Name (Record date)	Number of Rights (Class and Number of shares)	Amount to be paid in upon issuance	Amount to be paid in upon exercise	Period of exercise
Share Acquisition Rights issued in June 2005 (June 24, 2005)	49 (Common stock 49,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2005 to June 30, 2025

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

Name (Record date)	Number of Rights (Class and Number of shares)	Amount to be paid in upon issuance	Amount to be paid in upon exercise	Period of exercise
Share Acquisition Rights issued in July 2006 (July 1, 2006)	32 (Common stock 32,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2006 to June 30, 2026
Share Acquisition Rights issued in July 2007 (July 1, 2007)	43 (Common stock 43,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2007 to June 30, 2027
Share Acquisition Rights issued in July 2008 (July 1, 2008)	73 (Common stock 73,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2008 to June 30, 2028
Share Acquisition Rights issued in July 2009 (July 1, 2009)	213 (Common stock 213,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2009 to June 30, 2029
Share Acquisition Rights issued in July 2010 (July 1, 2010)	466 (Common stock 466,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2010 to June 30, 2030
Share Acquisition Rights issued in July 2011 (July 1, 2011)	773 (Common stock 773,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2011 to June 30, 2031
Share Acquisition Rights issued in Feb. 2013 (February 12, 2013)	599 (Common stock 599,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 12, 2013 to June 30, 2032
Share Acquisition Rights issued in Feb. 2014 (February 10, 2014)	307 (Common stock 307,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 10, 2014 to June 30, 2033
Share Acquisition Rights issued in Feb. 2015 (February 9, 2015)	394 (Common stock 394,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 9, 2015 to June 30, 2034
Share Acquisition Rights, Series 11 (February 9, 2015)	3,783 (Common stock 3,783,000 shares)	Gratuitous grant	931,000 yen (931 yen per share)	From July 1, 2019 to June 25, 2024
Share Acquisition Rights issued in Feb. 2016 (February 16, 2016)	526 (Common stock 526,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 16, 2016 to June 30, 2035
Share Acquisition Rights, Series 12 (February 16, 2016)	2,727 (Common stock 2,727,000 shares)	Gratuitous grant	733,000 yen (733 yen per share)	From July 1, 2020 to June 24, 2025

Name (Record date)	Number of Rights (Class and Number of shares)	Amount to be paid in upon issuance	Amount to be paid in upon exercise	Period of exercise
Share Acquisition Rights issued in Feb. 2017 (February 8, 2017)	530 (Common stock 530,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 8, 2017 to June 30, 2036
Share Acquisition Rights, Series 13 (February 8, 2017)	4,989 (Common stock 4,989,000 shares)	Gratuitous grant	767,000 yen (767 yen per share)	From July 1, 2021 to June 27, 2026
Share Acquisition Rights issued in Feb. 2018 (February 8, 2018)	563 (Common stock 563,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 8, 2018 to June 30, 2037
Share Acquisition Rights, Series 14 (February 8, 2018)	5,710 (Common stock 5,710,000 shares)	Gratuitous grant	815,000 yen (815 yen per share)	From July 1, 2022 to June 27, 2027
Share Acquisition Rights, Series 15 (August 10, 2018)	47,454 (Common stock 4,745,400 shares)	Gratuitous grant	68,600 yen (686 yen per share)	From July 1, 2023 to June 26, 2028
Share Acquisition Rights, Series 16 (August 26, 2019)	84,625 (Common stock 8,462,500 shares)	Gratuitous grant	50,200 yen (502 yen per share)	From July 1, 2024 to July 30, 2029
Share Acquisition Rights, Series 17 (August 17, 2020)	79,200 (Common stock 7,920,000 shares)	Gratuitous grant	50,800 yen (508 yen per share)	From July 1, 2025 to July 30, 2030
Share Acquisition Rights, Series 18 (August 13, 2021)	79,465 (Common stock 7,946,500 shares)	Gratuitous grant	63,300 yen (633 yen per share)	From July 1, 2026 to July 28, 2031
Share Acquisition Rights, Series 19 (August 15, 2022)	79,778 (Common stock 7,977,800 shares)	Gratuitous grant	60,700 yen (607 yen per share)	From September 1, 2024 to July 28, 2032
Share Acquisition Rights, Series 20 (August 15, 2023)	78,969 (Common stock 7,896,900 shares)	Gratuitous grant	77,400 yen (774 yen per share)	From September 1, 2025 to July 30, 2033
Total	471,219 (Common stock 66,677,100 shares)			

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

(Note 2) As to the Share Acquisition Rights issued in June 2005, July 2006, July 2007, July 2008, July 2009, July 2010, July 2011, February 2013, February 2014, February 2015, February 2016, February 2017, and February 2018, it was stipulated in the applicable issue terms and grant agreement that each holder of these share acquisition rights may exercise 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 its affiliated companies which are determined by the Board of Directors of the Company or the Corporate Executive Officers to whom the determination has been delegated by a resolution of the Board of Directors of the Company; provided, however, that he/she can exercise his/her rights from the day 30 days before the end of his/her exercise period subject to other conditions for exercise of such rights.

(Note 3) Other conditions for exercise shall be set forth in the allocation agreement for each share acquisition right.

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

(Note 5) As for Share acquisition rights, Series 15, 16, 17, 18, 19 and 20, the number of shares underlying one share option is 100, because the share unit of common stock has been changed to 100.

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

Name of Share Acquisition Rights	Number of holders (Directors and Corporate Executive Officers)	Number of Rights
Share Acquisition Rights issued in June 2005	1	7
Share Acquisition Rights issued in July 2006	2	7
Share Acquisition Rights issued in July 2007	2	7
Share Acquisition Rights issued in July 2008	2	8
Share Acquisition Rights issued in July 2009	4	30
Share Acquisition Rights issued in July 2010	4	43
Share Acquisition Rights issued in July 2011	4	70
Share Acquisition Rights issued in Feb. 2013	4	53
Share Acquisition Rights issued in Feb. 2014	4	26
Share Acquisition Rights issued in Feb. 2015	5	34
Share Acquisition Rights, Series 11	8	40
Share Acquisition Rights issued in Feb. 2016	7	54
Share Acquisition Rights, Series 12	6	35
Share Acquisition Rights issued in Feb. 2017	9	64
Share Acquisition Rights, Series 13	4	36
Share Acquisition Rights issued in Feb. 2018	11	76
Share Acquisition Rights, Series 14	3	25
Share Acquisition Rights, Series 15	1	90
Share Acquisition Rights, Series 16	1	95

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

(Note 2) The officers at the end of the current fiscal year did not hold Share Acquisition Rights, Series 17, 18, 19, and 20.

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

Name of Share Acquisition Rights	Class of holders	Number of holders	Number of Rights
Share Acquisition Rights, Series 20	Directors of Subsidiaries	0	0
	Employees of Subsidiaries	5,400	78,969
	Total	5,400	78,969

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

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

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

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

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

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

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

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

<Outline of the status of the operation>

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

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

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

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

<Outline of the status of the operation>

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

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

(3) Reporting system to the Audit Committee

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

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

- Directors (excluding Audit Committee Members), Corporate Executive Officers, and employees must report the following matters to the Audit Committee or the Selected Committee Member by adequate means, such as by using the whistleblowing system.
 - 1) Any facts that have the potential to cause significant damage to the Company or the Group, immediately after they learn of such facts
 - 2) Any activities of officers or employees of the Company or the Group that violate or may violate any laws and regulations or the Articles of Incorporation

- 3) Matters that the Audit Committee or the Selected Committee Member of the Company requests be reported and other matters that are deemed useful for the audit
- (ii) System to ensure that Directors, Audit & Supervisory Board Members, and employees of the Company's subsidiaries or the persons who receive reports from them shall report to Audit Committee of the Company**

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

- Directors, Audit & Supervisory Board Members, and employees of the Company's subsidiaries or the persons who receive reports from them must report the following matters to the Audit Committee or the Selected Committee Member by adequate means, such as by using the internal whistleblowing system.
 - 1) Any facts that have the potential to cause significant damage to the Company's subsidiaries or the Group, immediately after they learn of such facts
 - 2) Any activities of officers or employees of the Company's subsidiaries or the Group that violate or may violate any laws and regulations or the Articles of Incorporation
 - 3) Matters that the Audit Committee or the Selected Committee Member of the Company requests be reported and other matters that are deemed useful for the audit

<Outline of the status of the operation>

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

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

The Company adopted a rule that the persons who make reports in accordance with the preceding item shall not suffer dismissal, demotion, salary reduction, or any other disadvantages due to their report. In order to secure the effectiveness of such rule, we established the rules on reporting to the Audit Committee, etc. and rules on reporting to Audit & Supervisory Board Member, etc. of the Company's subsidiaries.

<Outline of the status of the operation>

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

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

- When the Audit Committee or Audit Committee Members request the Company to carry out the following matters, the Company shall not refuse such requests unless the Company proves that the expenses and obligations concerning such requests are unnecessary for execution of the duties of the Audit Committee or Audit Committee Members.
 - a. Prepayment of expenses
 - b. Reimbursement of expenses paid and interest accrued after payment
 - c. Payment to creditors of obligations (or, in the case where such obligations are not due, the provision of collateral equivalent to such obligation)

<Outline of the status of the operation>

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

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

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

<Outline of the status of the operation>

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

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

2. **The outline of the system to ensure the compliance with laws and regulations and the Articles of Incorporation in execution of Corporate Executive Officers' duties and other systems to ensure appropriateness of the business of the company and the corporate group consisting of such company and its subsidiaries**
- (1) **System to ensure the compliance with laws and regulations and the Articles of Incorporation in execution of duties of the Company's Corporate Executive Officers and employees and also its subsidiaries' Directors, etc. and employees**
- (i) **Compliance System**
- Establish a whistleblowing system for the purpose of identifying and correcting any conduct violating laws and regulations or other rules in the Group, etc. at an early stage.
 - Enact the rules of ethics and the standards of ethical conduct for the purpose of officers' and employees' compliance with laws, etc.
 - Hold training seminars as to compliance for officers and employees in each company of the Group which address the respective business features of each company.
 - Appoint a person in charge of formation and promotion of the system as to corporate ethical compliance across the Group, and establish a section to promote instilling and maintaining corporate ethics among officers and employees.
 - Establish a section that gives advice regarding overall legal issues of the Group, and assist each company of the Group in activities relating to formation of systems for compliance with laws and regulations, etc.
- (ii) **Group Compliance Committee**
- The Group Compliance Committee, as a sectional committee of the Executive Management Committee, discusses and determines general policies and specific measures on the compliance with the laws and regulations, establishment of corporate ethics, internal control, etc. of the Group.
- (iii) **Group Risk Management Committee**
- The Group Risk Management Committee, as a sectional committee of the Executive Management Committee, oversees the risk management system and the risk status of the Group, etc., and discusses and determines the policies and actual implementation of measures relating to risk management.
- (iv) **Group Internal Audit Committee**
- The Group Internal Audit Committee, as a sectional committee directly under the CEO, discusses and determines the matters relating to development of a system to execute the internal audit and verification of the internal controls for the Group's business.
- (v) **Internal Audit Department**
- For structuring sound and effective internal controls for the Group, the Group believes that the internal audit is an important function and has established internal audit departments in major companies of the Group as well as the Company.
 - The Internal Audit Department evaluates and examines the effectiveness of the Group's internal controls, and makes proposals for improvement and efficiency of the Group's business operations.
 - The Internal Audit Department makes proposals and reports to the Group Internal Audit Committee about the plans for and results of the internal audit.
- (vi) **Internal Controls on Financial Reporting**
- For preparing the structure necessary to ensure appropriateness of financial statements and other financial information, the Company establishes basic rules relating to internal controls on financial reporting.
 - The Disclosure Committee and the Group Internal Audit Committee discuss and determine important issues concerning internal controls on financial reporting.

<Outline of the status of the operation>

The Company has already implemented the rules, departments, and systems, etc. on the matters listed above and operates them adequately.

The Company tries to ensure the spread of information as to the laws and regulations and internal rules, etc., and instill a focus on compliance and corporate ethics through compliance seminars for all officers and employees, compliance training, and orientation activities for new employees, newly appointed managers, etc.

In FY2023, the Company held meetings of the Group Compliance Committee five times to grasp matters on the compliance with the laws and regulations, establishment of corporate ethics, internal control, etc. of the Group. Also, the Company held meetings of the Group Risk Management Committee eight times to understand the risk status, etc. of the Group, and the Group Internal Audit Committee five times to share the results of the internal audit conducted by the Internal Audit Department. Further, the Internal Audit Department evaluated and verified the internal controls as to financial reporting and reported the result to the CEO and CFO.

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

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

<Outline of the status of the operation>

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

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

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

<Outline of the status of the operation>

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

Further, it has obtained the information as to the status of the risk management system and risks themselves through the meetings of the Group Risk Management Committee, etc. In FY2023, such meetings were held eight times, where the departments in charge of each risk shared such information.

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

- Clarify Corporate Executive Officers' duties, the methods of execution thereof, and the business operations in their charge in the rules for Corporate Executive Officers.
- As to matters which have a material effect on the Company or the Group, clarify the matters to be resolved and reported in the rules of the Executive Management Committee and Overseas Management Committee, etc.
- By having Corporate Executive Officers serve concurrently as representatives of main companies of the Group, etc., enact their business strategy quickly and efficiently based on the strategy of the Group in each company of the Group.

- Formulate the Group Medium-Term Management Plan, the term of which is three fiscal years, and, in order to pursue this Plan, determine management policy and budget allocations, etc. for the entire Group for each fiscal year.

<Outline of the status of the operation>

The Company realizes quick decision-making and efficient business execution through role assignment among Corporate Executive Officers. Further, Corporate Executive Officers serve concurrently as the representatives of main companies of the Group and share information as to the situation of their business execution in the meetings of the Executive Management Committee consisting of all Corporate Executive Officers including such representatives.

In FY2023, the meetings of the Executive Management Committee were held eighteen times, where its members discussed and determined the important matters which affect the Company or the Group. Further, the Executive Management Committee properly reported the situation of execution of its duties to the Board of Directors. In this way, the Board of Directors supervises the adequacy and efficiency of execution of the duties of the Company's Corporate Executive Officers and its subsidiaries' Directors.

(5) System for the report of matters concerning execution of duties by the subsidiaries' Directors, etc. to the Company and other systems to ensure appropriateness of business operation in the corporate group consisting of the Company and its subsidiaries

- Clarify the measures for information gathering and the matters to be approved and reported from each company of the Group, by establishing the rules for management of companies of the Group and overseas offices, etc., for the purpose of proper management of business activities of each company of the Group, domestic and overseas.
- Establish the rules at each company of the Group to obtain important information regarding the management of each company of the Group and also to ensure the fair, timely, and appropriate disclosure of such information in compliance with laws, regulations, and rules.

<Outline of the status of the operation>

The Company receives reports from each company of the Group, domestic and overseas, and approves important matters as to such companies at the Company's governance meetings, in accordance with the rules for management of companies of the Group and overseas offices, etc. In FY2023 the Company held meetings of the Executive Management Committee eighteen times and the Overseas Management Committee seven times for adequate discussions, decisions, and reports.

Consolidated Financial Statements

Consolidated Statements of Changes in Net Assets

(Apr. 1, 2023 - Mar. 31, 2024)

(Millions of yen)

Item	Shareholders' equity					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Deposits for subscriptions of treasury shares	Total shareholders' equity
Balance at the beginning of the period	247,397	230,274	886,160	(71,522)	—	1,292,309
Changes of items during the period						
Dividends of surplus	—	—	(44,746)	—	—	(44,746)
Profit attributable to owners of parent	—	—	121,557	—	—	121,557
Purchase of treasury shares	—	—	—	(60,012)	—	(60,012)
Disposal of treasury shares	—	2,187	—	8,381	—	10,568
Other	—	(0)	(1,532)	—	83	(1,449)
Total changes of items during the period	—	2,187	75,278	(51,631)	83	25,917
Balance at the end of the period	247,397	232,461	961,438	(123,153)	83	1,318,227

(Millions of yen)

Item	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 the beginning of the period	24,717	16,028	74,785	8,793	258,855
Changes of items during the period					
Net changes of items other than shareholders' equity	28,219	844	59,364	(1,837)	660
Total changes of items during the period	28,219	844	59,364	(1,837)	660
Balance at the end of the period	52,936	16,873	134,149	6,956	259,515

Consolidated Statements of Changes in Net Assets

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

(Millions of yen)

Item	Shareholders' equity					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Deposits for subscriptions of treasury shares	Total shareholders' equity
Balance at the beginning of the period	247,397	230,451	942,793	(134,201)	26	1,286,467
Changes of items during the period						
Dividends of surplus	—	—	(39,905)	—	—	(39,905)
Profit attributable to owners of parent	—	—	63,875	—	—	63,875
Purchase of treasury shares	—	—	—	(19,733)	—	(19,733)
Disposal of treasury shares	—	128	—	1,668	—	1,796
Cancellation of treasury shares	—	(128)	(80,615)	80,744	—	—
Other	—	(176)	12	—	(26)	(190)
Total changes of items during the period	—	(176)	(56,633)	62,678	(26)	5,842
Balance at the end of the period	247,397	230,274	886,160	(71,522)	—	1,292,309

(Millions of yen)

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

Notes to the Consolidated Financial Statements

The Consolidated Financial Statements of the Company are prepared in accordance with the Regulations on Corporate Accounting (Ministry of Justice Order No. 13, 2006), the Cabinet Office Ordinance on Financial Instruments Business, etc. (Cabinet Office Ordinance No. 52, 2007) and the Uniform Accounting Standards for Securities Companies (set by the Board of Directors of the Japan Securities Dealers Association, November 14, 1974), the two latter of which are applied to the balance sheets and the income statements of companies that engage in securities-related business, the main business of the Group, based on Article 118 of the Accounting Regulation Ordinance.

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

Significant items associated with the preparation of Consolidated Financial Statements

1. Scope of consolidation

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

Number of consolidated subsidiaries: 144 companies

Names of major consolidated subsidiaries:

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

In the current fiscal year, we newly included in the scope of consolidation 16 companies due to the new acquisition of shares, 1 company due to the new investment in the silent partnership investment business, and 3 companies due to newly incorporated. Further, we have excluded from the scope of consolidation 2 companies due to decrease in proportion of the Group, 2 companies due to transfer of investment equity, 1 company due to absorption merger, and 11 companies due to 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 2 other companies have been excluded from the scope of consolidation due to the significant risk of stakeholders making erroneous judgments.

The other non-consolidated subsidiaries had no material impact on the Consolidated Financial Statements in terms of total assets, operating revenues or sales, the share of net income or loss (as calculated by the equity method), and the retained earnings (as calculated by the equity method), and were immaterial as a whole; therefore, they were excluded from the scope of consolidation.

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

Number of companies not treated as subsidiaries: 8 companies

Names of major companies not treated as subsidiaries

SEKAIE INC.

Rationale for not being treated as subsidiaries:

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

(4) Special Purpose Entities subject to disclosure

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

The Group utilizes Special Purpose Entities in structuring and distributing structured notes and funds in order to deal with its customers' needs for investment.

In structured note-related transactions, the Group transfers its acquired bonds to Special Purpose Entities in the Cayman Islands, and the Special Purpose Entities issue structured notes collateralized by those bonds. Although there are 6 Special Purpose Entities, neither the Company nor the consolidated subsidiaries hold any voting rights or shares in Special Purpose Entities, and have also not dispatched any officers or employees to those Special Purpose Entities. The outstanding issued amount of notes by those Special Purpose Entities is 797,100 million yen as of March 31, 2024. Further, in fund-related transactions, the Group transfers its renewable energy investment assets to those Special Purpose Entities through silent partnerships, and those Special Purpose Entities solicits investments backed by the acquired renewable energy investment assets. There is 1 special purpose company, and the Group does not have any investment, etc. with voting rights, and no officers or employees are dispatched. The amount of investment received by the special purpose company is 13,019 million yen, and the Group has invested 162 million yen in the special purpose company.

2. Application of equity method

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

Number of non-consolidated subsidiaries to which the equity method is applied: 3 companies

Number of affiliates to which the equity method is applied: 21 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 fiscal year, the equity method has been newly applied to 2 companies due to the new acquisition of shares, 1 company due to additional acquisition of shares, 1 company due to the new investment in the silent partnership investment business, and 2 companies who became equity-applied affiliates from consolidated subsidiaries due to a decrease in proportion of the Group. Further, we have excluded from the scope of application of the equity method 2 companies due to transfer of investment equity, 1 company due to liquidation, and 1 company due to decrease influence.

Among the companies to which the equity method is applied and with fiscal year ending on a date other than March 31, 2024, we used the tentative financial statements as of March 31, 2024 or other record date as to 1 company and the financial statements for the fiscal year of said company as to the other companies.

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

The names of major companies

Good Time Living Co. Ltd.

Daiwa Investor Relations Co. Ltd.

Rationale for not applying the equity method

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

(3) The names, etc. of companies not treated as affiliates regardless of the ownership of not less than 20% and not more than 50% of the voting rights

Number of companies not treated as affiliates: 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	9	companies
February	3	companies
March	80	companies
April	4	companies
November	3	companies
December	43	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, 2024, we used the financial statements for the fiscal year end of such subsidiary as to 59 consolidated subsidiaries and the tentative financial statements as of March 31, 2024 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, 2024.

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 derivatives for trading purposes, held by consolidated subsidiaries are recorded at fair value.

With regard to the valuation of specific market risk and credit risk for derivatives, the fair value is calculated for each 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) Available-for-sale securities

Available-for-sale 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 (such as unlisted stocks) and partnership investment, etc. are mainly recorded at cost using the moving average method.

Investments in investment limited partnerships, etc. are stated as "Private equity and other investments" 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).

Furthermore, some portion of securities and private equity and other investments held by some consolidated subsidiaries is stated in current assets.

(d) Derivatives

Valued at fair value.

(iii) Valuation standards and methods for inventories

Work in process is mainly stated at cost using the specific identification method (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 assets, and investments and other assets

Intangible assets, and investments and other assets are generally amortized based on the straight-line method. The Company generally computes amortization over estimated useful lives as stipulated with the Corporation Tax Act of Japan; provided, however, that software used in-house is amortized over internally estimated useful lives (5 years).
- (3) Accounting policies for significant 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 private equity and other investments and shares of non-consolidated subsidiaries, assessing the financial conditions of investee companies.
 - (iii) Provision for bonuses

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

We provide allowance for future monetary damage as to the litigation, etc. regarding financial transactions, based on the estimated amount of restitution at the end of the fiscal year ended March 31, 2024, considering the status of litigation, etc.
- (4) Accounting for retirement benefits

The Company and some domestic consolidated subsidiaries provide retirement benefit liabilities for employees' retirement benefits payments based on the amount required to be paid at the end of the fiscal year ended March 31, 2024 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, 2024 based on the estimated amount of retirement benefits obligations at the end of the fiscal year ended March 31, 2024.
- (5) Accounting standard for revenue and cost recognition

The Company and its domestic consolidated subsidiaries recognize revenues at the amount expected to be received in exchange for promised goods or services at the time when control of the relevant goods or services is transferred to customers. Regarding the major businesses through which we generate revenue from contracts with customers, details on main performance obligations and normal point of time at which such performance obligations have been satisfied (the point at which revenue is recognized) are described in "Notes to the Consolidated Financial Statements (Notes to revenue recognition)".
- (6) Accounting methods for material hedging

Marked-to-market gains or 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 without being marked-to-market under generally accepted accounting principles in Japan ("Tokurei-shori"). Furthermore, 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 cumulative change in the fair value or cash flow of the hedging instrument and that 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.

A subsidiary engaged in the banking business applies deferral hedge accounting stipulated in “Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 25, October 8, 2020) to hedging instruments used to hedge foreign exchange risks associated with various foreign currency-denominated monetary assets and liabilities. The effectiveness of hedging instruments, such as currency swaps and foreign exchange swap used for hedging the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies, is assessed by comparing the foreign currency position of hedged monetary assets and liabilities denominated in foreign currencies 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 in the fiscal year when incurred in cases where the amount is immaterial.

(8) Other significant items associated with the preparation of the Consolidated Financial Statements
Application of Group Tax Sharing System

The Group Tax Sharing System has been adopted, under which the Company is treated as the total parent company.

5. Notes on changes in accounting policy

(Application of Practical Solution on the Accounting for and Disclosure of the issuance and holding of Electronically Recorded Transferable Rights That Must Be Indicated on Securities, etc.)

The Company has applied “Practical Solution on the Accounting for and Disclosure of the issuance and holding of Electronically Recorded Transferable Rights That Must Be Indicated on Securities, etc.” (PITF No. 43, issued on August 26, 2022, Accounting Standards Board of Japan) from the beginning of the fiscal year ended March 31, 2024, and this practical solution is retroactively applied to all prior periods.

There is no impact on the consolidated financial statements.

6. Notes on accounting estimates

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

(1) Valuation of Level 3 derivatives belonging to trading products

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

Of the derivatives that belong to trading products, assets and liabilities classified as Level 3 amounted to 30.6 billion yen and 17.0 billion yen, respectively. These amounts involve estimation uncertainty because the fair value is measured using inputs that cannot be observed in the market.

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

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

The main assumptions in the accounting estimation of this fair value measurement are the inputs 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 derivatives.

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

(2) Evaluation of private equity and other investments and operating loans receivable (Investment Segment)

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

	(Millions of yen)
Private equity and other investments	138,663
Allowance for investment loss (current assets)	(4)
Operating loans receivable (Investment Segment)	106,705
Allowance for doubtful accounts (Investment Segment)	(6,127)
Total	239,237

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 in and loans to private equity, real estate, energy and infrastructure, etc. mainly through securities that do not belong to trade products, such as private equity and other investments and operating loans receivable, etc. At the end of the current 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 loss, allowance for investments loss, and allowance for doubtful accounts are recorded based on the valuation amount. In the current fiscal year, we recorded a loss of 6.3 billion yen, mainly due to domestic and overseas investments and loans.

When using the estimated future cash flow in measuring the value of an asset, the estimates are made using assumptions that management thinks appropriate, considering the performance of the investee, the trends of the industry to which the investee belongs, etc. The main assumptions used as assumptions for future cash flow estimates in the valuation of energy-related investments are trends in imported fuel prices and prospects for promoting renewable energy in Japan. Imported fuel prices fluctuate due to impact of the energy policies of various countries and trends in supply and demand, etc.; however, projections from international organizations are used for the medium to long term price forecasts that have a significant impact on investment evaluations.

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

Notes to consolidated balance sheets

1. Assets pledged as collateral and liabilities secured

(1) Assets pledged as collateral

Cash and deposits	21,911	million yen
Securities	223,932	
Trading products	314,497	
Operating loans receivable	1,254,916	
Other	51,449	
Investment securities	17,259	

Total	1,883,966	
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(Note) The amounts above are based on the amounts in the consolidated balance sheets. In addition to the above pledged assets, borrowed securities of 85,996 million yen are also pledged as collateral.

(2) Liabilities secured

Borrowings on margin transactions	4,735	million yen
Short-term borrowings	345,374	
Long-term borrowings	795,582	

Total	1,145,691	
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(Note) The amounts above are based on the amounts in the consolidated balance sheets.

2. Fair value of securities transferred

Lending securities under loan agreements (shohi-taishaku)	9,453,808	million yen
Securities sold under repurchase agreement (Gensaki)	3,273,956	
Other	463,554	

Total	13,191,320	
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(Note) We exclude those belonging to "Assets pledged as collateral" in 1(1) above.

3. Fair value of securities received as collateral

Borrowed securities under loan agreements (shohi-taishaku)	10,333,855	million yen
Securities purchased under resale agreement (Gensaki)	3,085,681	
Other	453,776	

Total	13,873,314	
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4. Allowance for doubtful accounts deducted directly from assets

Investments and other assets, other	2,501	million yen
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5. Accumulated depreciation of property, plant and equipment

188,867 million yen

6. Liabilities on guarantees

Name of the guaranteed	Liabilities guaranteed	Amount of liabilities
Good Time Living Co. Ltd.	Lump-sum payment for occupancy refundable debt	10,840 million yen
Other	Standby letter of credit	1,075
Total		11,916

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

Reserve for financial instruments transaction liabilities

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

Notes to consolidated statement of changes in net assets

1. Type and total number of shares outstanding as of the end of the fiscal year ended March 31, 2024
Common Stock 1,569,378,772 shares

2. Dividends

(1) Amount of dividends

Resolution	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors on Apr. 27, 2023	Common Stock	17,435	12	March 31, 2023	June 5, 2023
Board of Directors on Oct. 31, 2023	Common Stock	27,311	19	September 30, 2023	December 1, 2023
Total		44,746			

- (2) Among dividends with record dates during the fiscal year ended March 31, 2024, dividends to be distributed after the end of the fiscal year

It was resolved at the meeting of the Board of Directors on April 25, 2024 as to dividends on common shares as follows:

1. Total amount of dividends 35,032 million yen
2. Dividend per share 25 yen
3. Record Date March 31, 2024
4. Effective Date May 31, 2024

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

3. Class and number of shares subject to share acquisition rights upon exercise thereof as of March 31, 2024

	Breakdown	Number of shares				Balance as of Mar. 31, 2024 (Millions of yen)
		As of Apr. 1, 2023	Increase	Decrease	As of Mar. 31, 2024	
The Company	Share Acquisition Rights issued in July 2006	51,000	–	19,000	32,000	43
	Share Acquisition Rights issued in July 2007	67,000	–	24,000	43,000	56
	Share Acquisition Rights issued in July 2008	85,000	–	12,000	73,000	70
	Share Acquisition Rights issued in July 2009	268,000	–	55,000	213,000	123
	Share Acquisition Rights issued in July 2010	552,000	–	86,000	466,000	174
	Share Acquisition Rights issued in July 2011	814,000	–	41,000	773,000	276
	Share Acquisition Rights issued in Feb. 2013	661,000	–	62,000	599,000	340
	Share Acquisition Rights issued in Feb. 2014	319,000	–	12,000	307,000	293
	Share Acquisition Rights, Series 10 (treasury rights)	3,422,000 (541,000)	– (–)	3,422,000 (541,000)	– (–)	– (–)
	Share Acquisition Rights issued in Feb. 2015	406,000	–	12,000	394,000	335
	Share Acquisition Rights, Series 11 (treasury rights)	4,651,000 (767,000)	– (89,000)	1,724,000 (–)	2,927,000 (856,000)	563 (–)
	Share Acquisition Rights issued in Feb. 2016	538,000	–	12,000	526,000	348
	Share Acquisition Rights, Series 12 (treasury rights)	3,875,000 (603,000)	– (65,000)	1,816,000 (–)	2,059,000 (668,000)	238 (–)
	Share Acquisition Rights issued in Feb. 2017	547,000	–	17,000	530,000	375
	Share Acquisition Rights, Series 13 (treasury rights)	6,553,000 (894,000)	– (105,000)	2,563,000 (–)	3,990,000 (999,000)	496 (–)
	Share Acquisition Rights issued in Feb. 2018	580,000	–	17,000	563,000	409
	Share Acquisition Rights, Series 14 (treasury rights)	6,596,000 (866,000)	– (107,000)	1,859,000 (–)	4,737,000 (973,000)	590 (–)
	Share Acquisition Rights, Series 15 (treasury rights)	6,677,000 (792,500)	– (96,500)	2,820,600 (–)	3,856,400 (889,000)	407 (–)
	Share Acquisition Rights, Series 16 (treasury rights)	7,659,000 (803,500)	– (161,000)	161,000 (–)	7,498,000 (964,500)	436 (–)
	Share Acquisition Rights, Series 17 (treasury rights)	7,370,000 (550,000)	– (153,000)	153,000 (–)	7,217,000 (703,000)	444 (–)
	Share Acquisition Rights, Series 18 (treasury rights)	7,605,000 (341,500)	– (154,000)	154,000 (–)	7,451,000 (495,500)	262 (–)
	Share Acquisition Rights, Series 19 (treasury rights)	7,854,500 (123,300)	– (176,400)	176,400 (–)	7,678,100 (299,700)	376 (–)
	Share Acquisition Rights, Series 20 (treasury rights)	– (–)	7,896,900 (84,500)	84,500 (–)	7,812,400 (84,500)	292 (–)
					Total	6,956 (–)

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

(Note 2) Exercise periods of “Share Acquisition Rights, Series 16”, “Share Acquisition Rights, Series 17”, “Share Acquisition Rights, Series 18”, “Share Acquisition Rights, Series 19”, and “Share Acquisition Rights, Series 20” have not yet started.

Notes to financial instruments

1. Concerning the situation of financial instruments

(1) Policy for dealing with financial instruments

The Group is engaged in securities-related business, and 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, the banking business and other financial businesses.

The Group holds financial assets and liabilities such as “Trading securities and other”, “Derivatives”, “Private equity and other investments”, “Loans” and “Investment securities”, etc., in its businesses and raises funds with corporate bonds, medium-term notes, borrowing from financial institutions, commercial papers, call money, acceptance of deposit, 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 appropriately managing a 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 not traded on exchanges (OTC derivatives), such as interest rate swaps, currency swaps, foreign currency futures, bond options, currency options, FRA and OTC securities derivatives, etc. The Group also holds private equity and other investments, etc., in the investments business, loans and securities, etc., in the 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 financial instruments and transactions in accordance with changes of market prices or rate of stock prices, interest rates, foreign exchange rates and commodity 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 a 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 commodity 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 sheets and the realized and unrealized gains or losses by fluctuation of fair values are recorded as net trading income.

While holding the financial instruments as above, the Group also raises funds utilizing corporate bonds, medium-term notes, borrowing from financial institutions, commercial papers, call money, acceptance of deposit, 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 the 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 their 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 rate risk when customers issue corporate bonds. As end-users, the Group utilizes interest rate swaps to hedge interest rate risk regarding financial assets and liabilities of the Group and utilizes many kinds of futures and options to hedge its 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 the 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 Management Committee of the Company receives reports on and discusses matters such as risk exposure and issues concerning the risk management system of each subsidiary identified by monitoring subsidiaries. Major subsidiaries regularly hold Risk Management Committee meetings, etc. to strengthen their risk management.

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

(a) Management of market risk

The Group manages its trading business by establishing the limit for VaR, position and sensitivity, etc., considering the financial situation, the business plan and budget of each division. The risk management department of the Company monitors and reports the market risk to the management of the Company on a daily basis.

In order to cover the capacity limit of VaR calculated by the statistical hypothesis based on the data obtained for a certain period, the Company applies the stress test with a scenario based on the impact of historical abrupt changes 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 the VaR of trading products.

The VaR of the trading business as of March 31, 2024 (fiscal year end) was 1.0 billion yen in total. In the meantime, the Group verifies the model by executing back tests which compare the calculated VaR and the actual profit/loss. However, as the VaR statistically estimates the risk based on historical market fluctuation, it may be unable to completely grasp the risk in an environment in which the market unexpectedly changes beyond the estimation.

(b) Management of credit risk

The credit risks generated in the trading business of the Group consist of counterparty risk and issuer risk. In regard 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 the risk amount related to the issuer risk of financial instruments held for market-making.

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

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

(c) Management of model risk

The fair value valuation 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 other than trading, such as private equity and other investments in the investment business, loans, securities, etc., in the 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 engaged in the 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 engaged in the banking business)

The main financial assets that are influenced by market risk are "Private equity and other investments" in the investment business and "Investment securities" for business relationships. As of March 31, 2024, if the index, such as TOPIX, were to change by 10%, market prices of the listed equities in "Private equity and other investments" and "Investment securities" would fluctuate by 10.2 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, 2024, if all other risk variables were assumed to be unchanged and the interest rate were 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 500 million yen, respectively.

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

The subsidiary engaged in the banking business utilizes the 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 the 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, 2024 is 11.3 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. Based on the result of the back-tests conducted in the fiscal year 2023, we consider that our risk measurement model grasps the market risk appropriately. 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 the management utilizing the VaR, we measure loss calculated using 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 used by the Group to raise funds of the Group include unsecured fundraising such as corporate bonds, medium-term notes, borrowing from financial institutions, commercial papers, call money and acceptance of deposit, and secured fundraising such as 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 Company is required to comply with the minimum standard of consolidated liquidity coverage ratio (hereinafter referred to as "LCR") and net stable funding ratio (hereinafter referred to as "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 as necessary 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 review 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 review 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.

(iv) 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. Fair value and fair value hierarchy by level of financial instruments

The amount recorded on the consolidated balance sheets, fair value breakdown by level, and the difference between them at the end of the fiscal year are as follows. Investment trusts to which Paragraph 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement has been applied, securities without market prices, and partnership investment, etc. to which Paragraph 24-16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement has been applied are not included in the table (as described in (1) *3, (Note) 3 and (Note) 4).

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

Level 1 fair value:	Fair values measured based on quoted prices of the assets or liabilities being measured which are available in active markets as observable valuation inputs
Level 2 fair value:	Fair values measured based on the inputs other than inputs included in Level 1 as observable valuation inputs
Level 3 fair value:	Fair values measured based on unobservable valuation inputs

When multiple inputs that significantly affect the fair value measurement are used, the fair value is classified into the lowest level in the hierarchy for the fair value measurement among the levels to which those inputs belong.

(1) Financial instruments recorded at fair value on the consolidated balance sheets

(Millions of yen)

	Fair Value			
	Level 1	Level 2	Level 3	Total
Assets				
(1) Trading products				
i) Trading securities and other				
Equities	85,727	333	1,795	87,856
Government, municipal and other bonds	1,197,338	155,066	—	1,352,404
Corporate bonds	—	327,072	—	327,072
Foreign bonds	1,252,902	556,350	13,495	1,822,748
Beneficiary certificates	34,242	9,236	—	43,479
Other	0	1,235,882	1,213	1,237,095
ii) Derivatives				
Equity	45,314	211,257	17,433	274,006
Interest rate	169	1,697,807	3,749	1,701,726
Currency	—	620,014	5,141	625,156
Credit / Other	—	59,108	4,343	63,451
(2) Securities, private equity and other investments, and investment securities				
Available-for-sale securities				
Equities	132,097	—	—	132,097
Government, municipal, and other bonds	85,583	12,874	—	98,458
General business bonds	—	140,676	20,841	161,517
Foreign bonds	435,546	387,524	33,510	856,581
Beneficiary certificates	54,885	76,181	—	131,066
Total assets	3,323,808	5,489,386	101,525	8,914,720
Liabilities				
(1) Trading products				
i) Trading securities and other				
Equities	198,093	5,627	—	203,721
Government, municipal and other bonds	1,856,672	1,119	—	1,857,792
Foreign bonds	1,154,222	65,212	—	1,219,434
Beneficiary certificates	16,060	—	—	16,060
Other	—	71,670	—	71,670
ii) Derivatives				
Equity	69,710	177,351	3,998	251,060
Interest rate	211	1,713,403	8,322	1,721,936
Currency	6	456,830	1,739	458,576
Credit / Other	—	60,601	2,966	63,567
Total liabilities	3,294,977	2,551,816	17,026	5,863,821
Derivatives other than trading transactions (*1, *2)				
Interest rate	—	69,627	—	69,627
Currency	—	(14,139)	—	(14,139)
Total derivatives other than trading transactions	—	55,488	—	55,488

*1 Net receivables and payables arising from derivatives 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 sheets of the derivative transactions to which hedge accounting is applied is 63,350 million yen.

*3 Investment trusts to which Paragraph 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement has been applied are not included in the above table. The amount of the investment trust on the consolidated balance sheets is assets of 10,754 million yen in “Available-for-sale 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 corporate bonds issued, etc., and mainly apply deferred hedge accounting to them. We have also applied “Practical Solution on the Treatment of Hedge Accounting for

Financial Instruments that Reference LIBOR” (PITF No. 40, issued on March 17, 2022) to these hedging relationships.

(2) Financial instruments other than those recorded on the consolidated balance sheets at fair value

(Millions of yen)

	Fair Value				Amounts in consolidated balance sheets	Difference
	Level 1	Level 2	Level 3	Total		
Assets						
(1) Operating loans receivable					2,722,321	
Allowance for doubtful accounts					(9,186)	
	—	—	2,712,095	2,712,095	2,713,135	(1,040)
(2) Securities, private equity and other investments and investment securities						
i) Held-to-maturity debt securities						
Bonds payable	—	207,920	—	207,920	216,458	(8,537)
ii) Subsidiary and affiliated company stock	139,725	—	—	139,725	89,823	49,901
Total assets	139,725	207,920	2,712,095	3,059,741	3,019,417	40,324
Liabilities						
(1) Deposits for the banking business	—	4,508,948	—	4,508,948	4,511,603	2,655
(2) Bonds payable	—	1,273,314	—	1,273,314	1,276,312	2,997
(3) Long-term borrowings	—	2,018,664	—	2,018,664	2,020,812	2,147
Total liabilities	—	7,800,927	—	7,800,927	7,808,727	7,800

“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 payable”, etc. are omitted because they are cash or their fair values are close to their book values 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 accounts, and thus their fair values are close to their 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 transactions. 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, and 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 other deposits from customers, the payment amount when settled at the end of the current fiscal year (book value) is regarded as the fair value.

(Note)1 Explanation of valuation techniques used for measurement of the fair value and inputs for measurement of the fair value

(1) Trading products

(i) Trading securities and other

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

For bonds, the fair values are measured at the market prices (the Company's OTC and broker screen, etc.) of the bonds, including those of similar bonds or prices that are reasonably calculated using market price information (trading reference statistics, etc.) and the difference between the market price and the index interest rate, etc. Some government bonds are classified as Level 1 fair value, and other bonds are classified as Level 2 fair value. However, if the price information necessary to classify it as Level 2 fair value is not available, it is classified as 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 calculated using only observable inputs, or if the fair value is calculated using unobservable inputs but its effect is not significant, it is classified as Level 2 fair value. When the fair value is calculated using significant unobservable inputs, it is classified as Level 3 fair value.

For exchange traded funds, the closing price or closing quoted price of the main exchange is used as the fair value, and it is mainly classified as Level 1 fair value. For non-exchange traded funds, the net asset value (NAV) is used as the fair value, and it is classified as Level 2 fair value.

ii) Derivatives

The fair value of listed derivative transactions is mainly measured at the clearing price or the margin calculation standard price of the exchange, and is classified into Level 1 fair value. However, if the above price is not available or if transactions are not executed frequently, it is classified as Level 2 fair value.

Over-the-counter (OTC) derivative transactions include interest rate swaps, currency swaps, equity derivatives, and credit derivatives. In measurement of the 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 calculated using only observable inputs, or if the fair value is calculated using unobservable inputs but its effect is not significant, it is classified as Level 2 fair value. When the fair value is calculated using significant 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 values are adjusted to the credit risk and liquidity risk of the counterparty and the Company as necessary.

(2) Securities, private equity and other investments and investment securities

For stocks, the closing price or final quoted price of the main exchange is used as the fair value, and it is mainly classified as Level 1 fair value.

For bonds, the fair values are measured at the market prices (through the Company's OTC and broker screen, etc.) of those including similar bonds, or the prices that are reasonably calculated based on the fair value information (such as trading reference statistics) and the difference between the market price and the index interest rate, etc. Some government bonds are classified as Level 1 fair value, and other bonds are classified as Level 2 fair value. However, if the price information necessary to classify it as Level 2 fair value is not available, it is classified as Level 3 fair value.

In addition, the fair value of certain bonds (including convertible bonds) is calculated using credit spreads, stock price volatility, etc. If the price is calculated using only observable inputs, or if the price is calculated using unobservable inputs but its effect is not significant, it is classified as Level 2 fair value. When the price is calculated using significant unobservable inputs, it is classified as Level 3 fair value.

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

(3) Derivatives other than trading transactions

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

(4) Operating loans receivable

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 loans with floating interest rates, their book values are used as the fair value because the fair value approximates the book value as long as the credit status of the borrower does not change significantly since the loan was made, as the floating interest rate reflects the market interest rate in a short period of time. However, for certain 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 approximate 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 exceeds a certain threshold, and which is supposed to be repaid mainly from business revenue, are individually evaluated based on their financial condition, etc. For loan receivables whose collection 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. Since the fair value is close to the amount booked on the consolidated balance sheets net of the allowance for doubtful accounts, we use such netted amount as the fair value.

These are classified as Level 3 fair value.

(5) Deposits for the 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 maturities of more than one year, if the market price (reference statistics for trading, etc.) is available, the fair value is measured using 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 to reflect the changes in interest rates 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 to reflect the changes in interest rates and credit spread 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 Level 2 fair value.

(Note)2 Information on the Level 3 fair value financial instruments recorded at fair value on the consolidated balance sheets

(1) Quantitative information on significant unobservable inputs

Category	Evaluation methodology	Significant unobservable input	Input range
Derivatives	Expected cash flow discount model under risk-neutral measure		
Interest rates / Exchange rates		Swap rate	0.9–4.8%
		Currency basis	(0.8)–(0.04)%
Equity		Stock price volatility	18.6–20.9%
Credit / Other		Credit spread	0.1–5.3%
		Correlation coefficient	(0.18)–0.85
Available-for-sale securities		Credit spread	0.1–2.3%
		Stock price volatility	11.6–23.1%

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

The breakdown of assets and liabilities, the Level 3 fair values of which are recorded on the consolidated balance sheets, and their changes during the period are as follows.

(Millions of yen)

	Trading securities and other (Assets)	Derivatives (Net)	Private equity and other investments	Available-for-sale securities	Total
Beginning balance	10,828	101,514	7,317	34,009	153,670
Gain / loss for the current fiscal year					
Recorded in gain and loss (*2)	832	(19,024)	—	—	(18,191)
Purchase, sale, issuance and settlement					
Purchase	29,380	338	7,872	5,000	42,590
Sale	(23,678)	(459)	—	—	(24,138)
Issuance	—	—	—	—	—
Settlement	—	(13,405)	—	(5,000)	(18,405)
Transfer to Level 3 fair value (*1, *4)	2,577	—	—	—	2,577
Transfer from Level 3 fair value (*1, *5)	(3,435)	(55,321)	—	—	(58,756)
Change in valuation difference	—	—	1,169	3,983	5,152
Ending balance	16,504	13,641	16,358	37,992	84,498
Unrealized gain / loss on financial instruments held on the consolidated balance sheets date which was recorded in gain / loss for this fiscal year (*3)	332	(32,429)	—	—	(32,097)

*1 Transfers between levels are recognized at the beginning of the period.

*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 quoted price of certain 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 quoted price of certain 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 the 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 pricing model used to measure the fair value, and in accordance with these guidelines, a department independent from the department which develops the pricing model verifies the assumptions and techniques in the model. In addition, we have built a system to adjust the pricing model according to market trends by comparing it with observable market information and alternative models.

(4) Explanation of the effect of changes in significant unobservable inputs on the fair value

Significant unobservable inputs include 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 using inputs such as credit spreads and stock price volatility, and if the market fluctuates, the fair value will increase or decrease depending on the sum of the effects of the inputs.

The fair value of over-the-counter derivative transactions is measured based on multiple inputs given for each maturity or currency. When the market fluctuates, the fair value will increase or decrease depending on 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 of each other 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 significant unobservable input in (1) above.

(Millions of yen)			
	Fair value	Positive fair value fluctuations	Negative fair value fluctuations
Derivatives	13,641	804	804
Available-for-sale securities	37,992	33	695

(Note)3 Information related to investment trusts for which NAV is considered to be the fair value in accordance with Paragraph 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (Millions of yen)

	Available-for-sale securities
Beginning balance	12,930
Gain / loss for the current fiscal year	
Recorded in gain and loss	791
Purchase, sale and reimbursement	
Purchase	3,932
Sale	(6,285)
Reimbursement	—
NAV is considered to be the fair value	—
NAV is not considered to be the fair value	—
Change in valuation difference	(614)
Ending balance	10,754

(Note)4 Securities without market prices (such as unlisted stocks) and partnership investments, etc. at the end of the current fiscal year were as follows. They are not included in assets (2) “Available-for-sale securities.”

(Millions of yen)

Category	Amounts in the consolidated balance sheets
Subsidiary stock and affiliated company stock	
Unlisted stock*1	126,327
Available-for-sale securities	
Unlisted stock*1	32,501
Partnership investment, etc.*2	169,338

*1 Since no market price is available for unlisted stocks, they are not subject to fair value disclosure based on Paragraph 5 of “Implementation Guidance on Disclosure about Fair Value of Financial Instruments” (ASBJ Guideline No. 19, March 31, 2020).

*2 Partnership investments, etc., are not subject to fair value disclosure based on Section 24, Paragraph 16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

Notes to rental properties

1. Situation of rental properties

The Group owns rental office buildings, rental housing and other real estate as well as land and other real estate for redevelopment projects in Tokyo and other areas.

2. Fair values of rental properties

Amounts stated in the consolidated balance sheets as of March 31, 2024, changes during the period and the fair value are as below.

(Millions of yen)		
		FY 2023
Amounts in consolidated balance sheets	Beginning balance	780,718
	Increase or decrease during the period	(1,815)
	Ending balance	778,902
Fair value		920,681

(Note 1) The carrying amount on the consolidated balance sheets represents the amount of acquisition cost less accumulated depreciation.

(Note 2) The fair value as of March 31, 2024 is appraised value or surveyed value by the outside real estate appraiser.

(Note 3) The fair value of the assets for redevelopment projects is not included in the above table, because such asset is part of a largescale complex development project, and it is very difficult to measure its fair value. The amount recorded on the consolidated balance sheets for these properties was 11,685 million yen as of March 31, 2024.

Notes to revenue recognition

1. Disaggregation of revenue from contracts with customers

	Reported segments					Other	Total
	Retail	Wholesale	Asset Management	Investment	Total		
Revenue from contracts with customers	146,244	125,955	83,591	28,603	384,395	126,364	510,760
Commission received:	146,244	125,955	83,033	1,705	356,939	1,593	358,532
Other operating revenue (external customers)	-	-	558	26,897	27,455	124,771	152,227

(Note) "Lease revenue based on rental contracts" was included and disclosed in "Revenue from contracts with customers" until the previous fiscal year. However, it is not included in the above table due to changes in separate presentation.

2. Basic information for understanding revenue from contracts with customers

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

Retail Segment and Wholesale Segment

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

In the Retail Segment and Wholesale Segment, mainly domestic and international securities subsidiaries of the Company recognize brokerage commission; commission for underwriting, secondary distribution and solicitation

for selling and others for professional investors; fees for offering, secondary distribution and solicitation for selling and others for professional investors; and other commission received as revenue from contracts with customers.

Brokerage commission. The Group 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 the Group 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 solicitation for selling and others for professional investors. The Group 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 point, when the performance obligations are satisfied, and the payment date or delivery date to the issuing company, etc.

Fees for offering, secondary distribution and solicitation for selling and others for professional investors. The Group 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., when the performance obligations are satisfied, and the date of payment or delivery.

Other commission 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. The Group 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. Since these performance obligations are satisfied when the benefit is consumed by customers as the Group 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. The Group 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 the Group, and the Group 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 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. The Group 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 excess performance, etc. Since these performance obligations are satisfied when the benefit is consumed by customers as the Group 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

The Asset Management Segment is in charge of setting up and running investment trusts that invest in a range of assets, as well as offering investment advice and management services for pensions assets for domestic and global institutional investors.

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

With regard to management fees, the Group 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. Since these performance obligations are satisfied when the benefit is consumed by customers as the Group 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

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

In the Investment Segment, investment partnership management fees are mainly recognized as revenue from contracts with customers.

With regard to investment partnership management fees, the Group has obligations to provide asset management services based on partnership contracts, which comprise mainly of management fees and contingency fees. Since these performance obligations are satisfied when the benefit is consumed by customers as the Group 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.

Other

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

For the sale of devices within our system development services, revenues are recognized at a point in time when the device is sold. In our 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 the Group provides said services, and accordingly revenues are recognized over time.

3. Information on the amount of revenue for the current fiscal year and after the current fiscal year end date

(1) Balances of contract assets and contract liabilities

On the consolidated balance sheets, contract assets and liabilities are recorded under "Notes and accounts receivable-trade, and contract assets" 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 fiscal years.

The breakdown of contract balances is as follows:

(Millions of yen)

	FY2022	FY2023
Contract assets	2,136	5,184
Contract liabilities	4,895	6,487
Receivables from contracts with customers	37,500	47,065

(2) Transaction price allocated to the remaining performance obligations

As of the end of the current fiscal year, the total transaction price allocated to the remaining performance obligations is 7,010 million yen. The Group expects to recognize the remaining performance obligations as revenue as per the schedule in the following table. The Group 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)

	Transaction price allocated to the remaining performance obligations
Not later than one year	1,550
Later than one year and not later than two years	1,467
Later than two years and not later than three years	883
Later than three years and not later than four years	492
Later than four years and not later than five years	422
More than five years	2,194
Total	7,010

Notes to per share information

Net assets per share	1,086.20 yen
Net income per share	84.94 yen

Other notes

1. Notes to impairment loss

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

Location	Use	Impairment losses (Millions of yen)
Japan	Business assets, etc.	2,028
Americas	Other	1,770
Total		3,799

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 impairment losses under extraordinary losses.

The breakdown of the amount is buildings of 15 million yen, furniture and fixtures of 36 million yen, software of 1,976 million yen, and goodwill of 1,770 million yen.

The recoverable amount of buildings, equipment, and software is measured by use value and the recoverable amount of goodwill is measured by re-evaluated corporate value.

Notes to significant subsequent events

(Underwriting by the Company as the allottee for new shares issued by Aozora Bank, Ltd.)

At the meeting of the Company's Executive Management Committee held on May 13, 2024, the Company resolved to form a capital and business alliance (hereinafter the "Capital and Business Alliance") with Aozora Bank, Ltd. (hereinafter "Aozora Bank"), and entered into an agreement concerning the Capital and Business Alliance (hereinafter the "Capital and Business Alliance Agreement"). The conditions, etc. for the Company, as the allottee, to underwrite the new shares issued by Aozora Bank are as follows.

Method of offering, etc.	Third party allotment
Class and number of shares to be underwritten	Common shares: 21,500,000 shares
Amount of payments	2,415.5 yen per share
Total amount of payments	51,933,250,000 yen
Payment date (Note)	May 29, 2024 to July 31, 2024 (planned)
Ratio of the Company's voting rights for the total number of issued shares before the underwriting of new shares	—
Ratio of the Company's voting rights for the total number of issued shares after the underwriting of new shares	15.38%

(Note) A third party allotment of new shares to be implemented by Aozora Bank (hereinafter the "Third Party Allotment") is subject to the effectuation of a Securities Registration Statement in accordance with the Financial Instruments and Exchange Act for the Third Party Allotment, the permissions and approvals, etc. from the relevant authorities necessary for the Third Party Allotment in accordance with applicable laws, etc. (including the approval of the Company as the bank's major shareholder pursuant to Article 52-9, Paragraph 1 of the Banking Act) and other conditions precedent agreed in the Capital and Business Alliance Agreement. Since it is not possible to determine the timing of the permissions and approvals, etc. from the relevant authorities, a payment period has been set and provided above as the payment date. At this point, the payment date for the Third Party Allotment is expected to be July 1, 2024.

In the Capital and Business Alliance Agreement, it has been agreed that the Company is to nominate one person as a candidate for outside director of Aozora Bank.

Subject to the completion of the payment under the Third Party Allotment, Aozora Bank will submit a proposal for the appointment of one person nominated by the Company to be a director of Aozora Bank at the 91st Ordinary General Meeting of Shareholders to be held in June 2024.

After the conclusion of the Capital and Business Alliance, Aozora Bank will become an equity-method affiliate of the Company.

(Issuance of new shares by Daiwa Asset Management Co. Ltd. with JAPAN POST INSURANCE Co., Ltd. as the allottee)

At the meeting of the Company's Executive Management Committee and at the general meeting of shareholders of the Company's consolidated subsidiary Daiwa Asset Management Co. Ltd. (hereinafter "Daiwa Asset Management") held on May 15, 2024, it was resolved that Daiwa Asset Management will issue new shares with JAPAN POST INSURANCE Co., Ltd. as the allottee. The conditions, etc. are as follows.

Method of offering, etc.	Third party allotment
Class and number of shares to be issued	Common shares: 652,132 shares
Amount of payments	80,506 yen per share
Total amount of payments	52,500,538,792 yen
Amount of increase in share capital	26,250,269,396 yen
Payment date	July 1, 2024 (planned)
Use of funds	Planned to be appropriated for investments and loans and for working capital.
Ratio of the Company's voting rights for the total number of issued shares before the issuance of new shares	100%
Ratio of the Company's voting rights for the total number of issued shares after the issuance of new shares	80%

Non-Consolidated Financial Statements

Balance Sheet

(Millions of yen)

Account title	Fiscal 2023 (As of Mar. 31, 2024)
<i>Assets</i>	
Current assets:	179,791
Cash and deposits	46,125
Short-term loans receivable	96,054
Accounts receivable – other	24,508
Accrued income	4,870
Other current assets	8,231
Non-current assets:	2,334,338
Property, plant and equipment:	90,982
Buildings	26,906
Machinery and equipment	2
Furniture and fixtures	2,369
Land	49,351
Construction in progress	12,351
Intangible assets:	5,438
Software	3,516
Other	1,922
Investments and other assets:	2,237,917
Investment securities	211,460
Shares of subsidiaries and associates	602,549
Investments in other securities of subsidiaries and associates	166,641
Long-term loans receivable	1,249,514
Long-term guarantee deposits	4,762
Other	4,738
Allowance for doubtful accounts	(1,749)
Total assets	2,514,129

(Millions of yen)

Account title	Fiscal 2023 (As of Mar. 31, 2024)
<i>Liabilities</i>	
Current liabilities:	250,686
Short-term borrowings	94,914
Current portion of bonds payable	83,000
Accrued expenses	4,236
Borrowings secured by securities	36,932
Income taxes payable	466
Provision for bonuses	1,459
Other current liabilities	29,678
Non-current liabilities:	1,450,768
Bonds payable	776,852
Long-term borrowings	648,739
Deferred tax liabilities	16,653
Other	8,523
Total liabilities	1,701,455
<i>Net assets</i>	
Shareholders' equity:	756,626
Share capital	247,397
Capital surplus:	228,939
Legal capital surplus	226,751
Other capital surplus	2,187
Retained earnings:	403,359
Legal retained earnings	45,335
Other retained earnings	358,024
Reserve for tax purpose reduction entry	1,860
Retained earnings brought forward	356,163
Treasury shares	(123,153)
Deposit for subscriptions of treasury shares	83
Valuation and translation adjustments	49,092
Valuation difference on available-for-sale securities	52,643
Deferred gains or losses on hedges	(3,551)
Share acquisition rights	6,956
Total net assets	812,674
Total liabilities and net assets	2,514,129

Statement of Income

(Millions of yen)

Account title	Fiscal 2023 (Apr. 1, 2023 to Mar. 31, 2024)
Operating revenue:	73,361
Dividends from subsidiaries and associates	52,062
Interest on loans receivable from subsidiaries and associates	15,859
Other	5,439
Operating expenses:	39,772
Selling, general and administrative expenses:	23,062
Trading related expenses	3,505
Personnel expenses	7,276
Real estate expenses	1,969
Office expenses	4,097
Depreciation	2,259
Taxes and dues	2,010
Other	1,942
Financial expenses	14,069
Other operating expenses	2,639
Operating income	33,589
Non-operating income:	11,381
Dividend income	5,807
Gain on investments in investment partnerships	3,230
Other	2,343
Non-operating expenses:	971
Bond issuance costs	930
Other	41
Ordinary income	43,998
Extraordinary income:	13,676
Gain on sale of non-current assets	6,511
Gain on sale of investment securities	5,959
Gain on sale of shares of subsidiaries and associates	39
Gain on reversal of share acquisition rights	1,164
Other	1
Extraordinary loss:	13,218
Loss on valuation of shares of subsidiaries	12,121
Loss on sale of investment securities	7
Other	1,089
Income before income taxes	44,456
Income taxes-current	2,975
Income taxes-deferred	(755)
Profit	42,236

Statement of Changes in Net Assets

(Apr. 1, 2023 - Mar. 31, 2024)

(Millions of yen)

Item	Shareholders' equity								
	Share capital	Capital surplus		Retained earnings			Treasury shares	Deposits for subscriptions of treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings				
					Reserve for tax purpose reduction entry	Retained earnings brought forward			
Balance at the beginning of the period	247,397	226,751	—	45,335	1,860	358,674	(71,522)	—	808,497
Changes of items during the period									
Dividends of surplus	—	—	—	—	—	(44,746)	—	—	(44,746)
Profit	—	—	—	—	—	42,236	—	—	42,236
Purchase of treasury shares	—	—	—	—	—	—	(60,012)	—	(60,012)
Disposal of treasury shares	—	—	2,187	—	—	—	8,381	—	10,568
Other	—	—	—	—	—	—	—	83	83
Total changes of items during the period	—	—	2,187	—	—	(2,510)	(51,631)	83	(51,870)
Balance at the end of the period	247,397	226,751	2,187	45,335	1,860	356,163	(123,153)	83	756,626

(Millions of yen)

Item	Valuation and translation adjustments		Share acquisition rights
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	
Balance at the beginning of the period	30,605	(2,135)	8,793
Changes of items during the period			
Net changes of items other than shareholders' equity	22,038	(1,415)	(1,837)
Total changes of items during the period	22,038	(1,415)	(1,837)
Balance at the end of the period	52,643	(3,551)	6,956

Notes to the Non-Consolidated Financial Statements

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

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

Notes to significant accounting policies

1. Valuation standards and methods for major assets

(1) Trading securities

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

(2) Held-to-maturity debt securities

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

(3) Subsidiary stock and affiliated company stock

Valued at cost based on the moving average method.

(4) Available-for-sale securities

Available-for-sale 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 (such as unlisted stocks) 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).

(5) 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 assets, and investments and other assets

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

3. Accounting policies for provisions

(1) Allowance for doubtful accounts

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

(2) Allowance for investment loss

To prepare for losses arising from the shares of subsidiaries, 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, 2024 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

Bond issuance costs are all accounted for as expenses when they are incurred.

(2) Accounting methods for hedging

Marked-to-market gains 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 cumulative change in the fair value or cash flow of the hedging instrument and that of the hedged item. Hedges exempted from being marked-to-market under the two accounting treatments described in the first paragraph are judged to pass the effectiveness tests of hedging with their eligibility of applying those treatments.

(3) Application of Group Tax Sharing System

The Group Tax Sharing System has been adopted.

Notes to balance sheet

1. Securities transferred

Investment securities of 62,912 million yen were loaned.

2. Allowance for doubtful accounts deducted directly from assets

Investments and other assets, other 850 million yen

3. Accumulated depreciation deducted from property, plant and equipment 3,902 million yen

4. Guarantee

Name of the guaranteed	Liabilities guaranteed	Amount of liabilities
Related companies	Derivative liabilities	813 million yen
Good Time Living Co. Ltd.	Lump-sum payment for occupancy refundable debt	10,840
Total		11,653

5. Monetary claims and obligations with related companies

Short-term monetary claims	122,239	million yen
Long-term monetary claims	1,253,649	million yen
Short-term monetary liabilities	87,887	million yen
Long-term monetary liabilities	37,371	million yen

Notes to statement of income

Transactions with related companies

Operating transactions	82,890	million yen
Non-operating transactions	1,957	million yen

Notes to statement of changes in net assets

Class and Balance of Treasury Shares as of March 31, 2024

Common stock	168,064,760 shares
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Notes to tax effect accounting

Breakdown of main cause for deferred tax assets and liabilities

Deferred tax assets

Allowance for doubtful accounts	8,571	million yen
Loss on valuation of shares of subsidiaries and associates	6,626	
Loss on valuation of investment securities	6,301	
Excess depreciation	3,587	
Net operating losses carry-forward	1,502	
Other	5,680	
Subtotal of deferred tax assets	32,270	
Valuation allowance	(26,706)	
Total deferred tax assets:	5,563	

Deferred tax liabilities

Valuation difference on available-for-sale securities	20,727	million yen
Other	1,488	
Total deferred tax liabilities	22,216	
Net deferred tax liabilities	16,653	million yen

Notes to transactions with related parties

Subsidiaries and affiliates, etc.

(Millions of yen)

Class	Name of company	Ratio of voting rights	Relationship with related parties	Transaction	Amount	Account title	Ending balance
Subsidiary	Daiwa Securities Co. Ltd.	Direct 100.0%	Lending funds	Lending funds (Note 1)	234,024	Long-term loans receivable	577,592
			Debt financing	Receipt of interest (Note 1)	8,721	Short-term loans receivable	81,514
			Receipt of cash collateral	Debt financing (Note 3)	1,583	Accrued income	601
			Lending shares	Receipt of cash collateral (Note 2)	40,562	Long-term borrowings	30,000
			Directors hold concurrent positions	Payment of interest (Note 2)	215	Borrowings secured by securities	36,932
			Counter-party of derivative transactions	Lending shares (Note 2)	62,912	Accrued income	0
				Receipt of premium charges (Note 2)	4	Accrued expenses	2
				Derivative transactions (Notes 4, 5)	-	Other current assets (derivative assets)	2
						Investments and other assets Other (derivative assets)	17
						Other current liabilities (derivative liabilities)	379
Subsidiary	Daiwa PI Partners Co. Ltd.	Indirect 100.0%	Lending funds	Lending funds (Note 1)	19,008	Long-term loans receivable	87,500
				Receipt of interest (Note 1)	1,323	Short-term loans receivable	3,600
Subsidiary	Daiwa Investment Management Inc.	Direct 100.0%	Lending funds Directors hold concurrent positions	Receipt of interest (Note 1)	889	Long-term loans receivable	63,900
Subsidiary	Daiwa International Holdings Inc.	Direct 100.0%	Lending funds Directors hold concurrent positions	Lending funds (Note 1)	16,100	Long-term loans receivable	290,440
Subsidiary	Daiwa Energy & Infrastructure Co. Ltd.	Indirect 100.0%	Lending funds Directors hold concurrent positions	Lending funds (Note 1)	116,242	Long-term loans receivable	143,295
				Receipt of interest (Note 1)	3,839	Accrued income	280
Subsidiary	Daiwa Asset Management Co. Ltd.	Direct 100.0%	Debt financing Directors hold concurrent positions	Debt financing (Note 3) Payment of interest (Note 3)	19,533 0	Short-term borrowings	23,400

(Millions of yen)

Class	Name of company	Ratio of voting rights	Relationship with related parties	Transaction	Amount	Account title	Ending balance
Subsidiary	Daiwa Securities Realty Co. Ltd.	Direct 100.0%	Lending funds	Lending funds (Note 1)	61,105	Long-term loans receivable	61,255
				Receipt of interest (Note 1)	748	Short-term loans receivable	3,750
Subsidiary	Fintertech Co. Ltd.	Direct 80.0%	Lending funds Directors hold concurrent positions	Lending funds (Note 1)	12,693	Long-term loans receivable	23,910
				Receipt of interest (Note 1)	301	Short-term loans receivable	7,070

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

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

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

(Note 2) For the amount, we use the fair value as of the end of the fiscal year ended March 31, 2024 for lending shares and the average of month-end balances of cash collateral.

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

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

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

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

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

Notes to revenue recognition

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

Notes to per share information

Net assets per share	574.91 yen
Net income per share	29.51 yen

Notes to significant subsequent events

(Underwriting by the Company as the allottee for new shares issued by Aozora Bank, Ltd.)

At the meeting of the Company's Executive Management Committee held on May 13, 2024, the Company resolved to form a capital and business alliance (hereinafter the "Capital and Business Alliance") with Aozora Bank, Ltd. (hereinafter "Aozora Bank"), and entered into an agreement concerning the Capital and Business Alliance (hereinafter the "Capital and Business Alliance Agreement"). The conditions, etc. for the Company, as the allottee, to underwrite the new shares issued by Aozora Bank are as follows.

Method of offering, etc.	Third party allotment
Class and number of shares to be underwritten	Common shares: 21,500,000 shares
Amount of payments	2,415.5 yen per share
Total amount of payments	51,933,250,000 yen
Payment date (Note)	May 29, 2024 to July 31, 2024 (planned)
Ratio of the Company's voting rights for the total number of issued shares before the underwriting of new shares	—
Ratio of the Company's voting rights for the total number of issued shares after the underwriting of new shares	15.38%

(Note) *A third party allotment of new shares to be implemented by Aozora Bank (hereinafter the "Third Party Allotment") is subject to the effectuation of a Securities Registration Statement in accordance with the Financial Instruments and Exchange Act for the Third Party Allotment, the permissions and approvals, etc. from the relevant authorities necessary for the Third Party Allotment in accordance with applicable laws, etc. (including the approval of the Company as the bank's major shareholder pursuant to Article 52-9, Paragraph 1 of the Banking Act) and other conditions precedent agreed in the Capital and Business Alliance Agreement. Since it is not possible to determine the timing of the permissions and approvals, etc. from the relevant authorities, a payment period has been set and provided above as the payment date. At this point, the payment date for the Third Party Allotment is expected to be July 1, 2024.*

In the Capital and Business Alliance Agreement, it has been agreed that the Company is to nominate one person as a candidate for outside director of Aozora Bank.

Subject to the completion of the payment under the Third Party Allotment, Aozora Bank will submit a proposal for the appointment of one person nominated by the Company to be a director of Aozora Bank at the 91st Ordinary General Meeting of Shareholders to be held in June 2024.

After the conclusion of the Capital and Business Alliance, Aozora Bank will become an equity-method affiliate of the Company.

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Method of offering, etc.	Third party allotment
Class and number of shares to be issued	Common shares: 652,132 shares
Amount of payments	80,506 yen per share
Total amount of payments	52,500,538,792 yen
Amount of increase in share capital	26,250,269,396 yen
Payment date	July 1, 2024 (planned)
Use of funds	Planned to be appropriated for investments and loans and for working capital.
Ratio of the Company's voting rights for the total number of issued shares before the issuance of new shares	100%
Ratio of the Company's voting rights for the total number of issued shares after the issuance of new shares	80%

Independent Auditor's Report

May 15, 2024

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

KPMG AZSA LLC
Tokyo Office, Japan

Kenji Tanaka
Designated Limited Liability
Partner
Engagement Partner
Certified Public Accountant

Tomomi Mase
Designated Limited Liability
Partner
Engagement Partner
Certified Public Accountant

Koji Fukai
Designated Limited Liability
Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, a summary of significant accounting policies and other explanatory information, and the accompanying supplementary schedules ("the financial statements and the accompanying supplementary schedules") of Daiwa Securities Group Inc. ("the Company") as at March 31, 2024 and for the year from April 1, 2023 to March 31, 2024 in accordance with Article 436-2-1 of the Companies Act.

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

Basis for Opinion

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

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. The audit committee is responsible for overseeing the directors' performance of their duties with

regard to the design, implementation and maintenance of the reporting process for the other information.

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

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

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

We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Financial Statements and the Accompanying Supplementary Schedules

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements and the accompanying supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depends on the auditor's judgment.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to

continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the accompanying supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the financial statements and the accompanying supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the accompanying supplementary schedules, including the disclosures, and whether the financial statements and the accompanying supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Notes to the Reader of Independent Auditor's Report:

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