



Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of Daiwa Securities Group Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audits 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 audits of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the valuation of private equity and other investments, and loans receivable from customers (the Investment Division)

The key audit matter	How the matter was addressed in our audit
As described in Note 5, “Significant accounting estimates” to the consolidated financial statements, Daiwa Securities Group Inc. (the “Company”) and its subsidiaries recognized private equity and other investments of ¥97.1 billion and loans receivable from customers of ¥68.3 billion in the Investment Division. These amounts included the balances held by the consolidated subsidiaries, Daiwa PI Partners Co. Ltd. and Daiwa Energy & Infrastructure Co. Ltd. In relation to these investments, a loss on aircraft-related investments of ¥0.9 billion and a loss on investments in unprofitable domestic and overseas funds of ¥12.4 million were recognized for the current fiscal year due to revaluation in light of the deteriorating investees’ performance or for other reasons. The Company is engaged in a principal investment business that mainly aims to make profit by acquiring/holding investments such as entities’ shares using its own capital and reselling them after adding value to the investee companies through business improvements or other means. The Company is also engaged in energy and infrastructure investment businesses to principally make profit by acquiring/holding domestic and foreign investment assets within the energy and infrastructure sectors and recognizing investment income during the holding period or gains upon reselling them. These businesses are conducted by the Investment Division, and impairment losses on its investments may be recognized if the value of the investments, such as shares, has declined during the holding period. Furthermore, if the Company cannot resell investments, such as shares, at prices above their acquisition costs, it may recognize a loss upon reselling them. As described in Note 2, “Significant accounting policies, Securities other than trading assets and trading liabilities” to the consolidated financial statements, of the private equity and other investments, investments, such as shares, with no readily	To assess the reasonableness of the valuation of private equity and other investments, and loans receivable from customers (the Investment Division), we primarily performed the following audit procedures: (1) Internal control testing We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the valuation of private equity and other investments, and loans receivable from customers. In this assessment, we focused our testing on the following controls: ● controls to ensure that the internal rules for the valuation of private equity and other investments, and loans receivable from customers comply with accounting standards and other applicable requirements; and ● controls to ensure that the estimated future cash flows from the investee companies are reasonable. (2) Assessment of the reasonableness of the valuation of private equity and other investments, and loans receivable from customers For a selection of investments which were significant in amount and for which there was a deterioration in the investee companies’ performance compared to the initial plan, or in the business environment of the industries to which the investee companies belong among the investment securities held by the Investment Division, we assessed the extent to which a loss had been incurred, as well as whether there was sufficient evidence supporting their recoverability. This assessment included the following audit procedures: ● Evaluation of the operating status of the investee companies We assessed the reasonableness of management’s evaluation of the operating status of the investee companies by inspecting

available market prices are measured at cost using the moving average cost method in the consolidated balance sheet. If the substantive value of an investment has declined significantly, an impairment loss shall be recognized unless its recoverability is supported by sufficient evidence. In addition, as described in the same note, even if any impairment loss is not eventually recognized, the amount of an estimated loss shall be recognized as an allowance for possible investment losses if it is probable that a loss has been incurred in light of the operating results or other factors of the investee companies. Furthermore, as described in Note 2, "Significant accounting policies, Allowance for doubtful accounts", the estimated amount of uncollectible loans receivable from customers shall be recognized as an allowance for doubtful accounts if it is probable that a credit loss has been incurred.

In the case of the deteriorating investees' performance or for other reasons, the Company determines whether an impairment loss or an allowance for possible investment losses on private equity and other investments, and an allowance for doubtful accounts on loans receivable from customers should be recognized based on the valuation of investments, calculated in view of the investee companies' operating status and the estimated future cash flows generated from these investee companies considering the extent to which a loss has been incurred, as well as whether there is sufficient evidence supporting their recoverability. The evaluation of the operating status of the investee companies involves an understanding of the business environment of the industries to which the investee companies belong and specialized knowledge of those industries requiring significant management judgment. Management judgment is also required on the feasibility of business improvement measures and investment recovery plans, among others, as they have a significant effect on the estimated future cash flows generated from the investee companies.

The balance of investments held by the Investment Division increased during the current fiscal year. In particular, in the event of a deterioration in the performance and business environment of significant investees, the

materials used in management' evaluation and an evaluation report from an external evaluation company, inquiring of the personnel responsible for the investing department and the risk management department regarding the matter, and performing an analysis based on publicly available information on the investee companies we independently obtained. In evaluating the operating status of the investee companies, we considered:

- the status of the industries as a whole to which the investee companies belong;
- the investee companies' business model;
- the investee companies' performance;
- the investee companies' cash flow position and financing arrangements;
- the progress of energy and infrastructure related projects; and
- the impact of the spread of the novel coronavirus disease (COVID-19).

● Evaluation of the method for calculating the valuation

We assessed the reasonableness of the method of calculating the valuation by inspecting materials used in management's valuation calculations and a valuation report from an external valuation company and inquiring of the personnel responsible for the investing department and the risk management department regarding the matter.

● Assessment of significant assumptions underlying future cash flows

We inspected the documents prepared by the Company describing significant assumptions, including the investee companies' business plans and the forecast of their future business environment, which formed the basis for estimating future cash flows, and inquired of management regarding the effect of those assumptions on the valuation of investments. Additionally, we assessed the reasonableness of those assumptions by comparing them with the results of our own analysis using external data we independently obtained.

For the valuation of energy related investments in particular, we recognized that the trend of import prices of fuel and the prospect for the

assessment of the extent to which a loss has been incurred, as well as whether there is sufficient evidence supporting their recoverability had a significant effect on the consolidated financial statements.

We, therefore, determined that our assessment of the reasonableness of the valuation of investments held by the Investment Division included in private equity and other investments, and loans receivable from customers was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

use of renewable energy in Japan including related regulatory trends, which formed a basis for future electricity prices, were significant assumptions, and assessed whether the several scenarios used by the Company for the valuation and the discount rates were appropriate with the assistance of valuation specialists and personnel with specialized knowledge of the energy business within our domestic network firms.

Furthermore, for the valuation of aircraft related investments, we recognized that the prospect for recovery of air travel demand depressed by the spread of COVID-19, which formed a basis for future aircraft prices, was a significant assumption and assessed the reasonableness of management's assumption by comparing it with air travel demand forecasts published by airline industry groups.

Reasonableness of the valuation of Level 3 derivative instruments held as part of trading products

The key audit matter	How the matter was addressed in our audit
As described in Note 8, “Financial instruments, Matters concerning the fair value and fair value hierarchy by level of financial instruments” to the consolidated financial statements, the Company and its subsidiaries recognized derivative instruments held as part of trading products of ¥2,460 billion and ¥2,335 billion in assets and liabilities, respectively. As described in the same note, the derivative assets and liabilities held as part of trading products categorized within Level 3 of the fair value hierarchy, or Level 3 derivative assets and liabilities, were ¥47 billion and ¥20 billion, respectively. In the trading business, in order to meet customers’ needs, the Company provides customers with various financial instruments by entering into derivative transactions as a freestanding instrument or as a feature embedded in structured notes or other host instruments. The Company also utilizes derivative transactions to hedge interest rate risk of its financial assets and liabilities as well as its trading positions. As described in Note 2, “Significant accounting policies, Trading assets and trading liabilities” to the consolidated financial statements, derivative instruments held as part of trading assets and trading liabilities are measured at fair value in the consolidated balance sheets, while valuation gains or losses are reported within net gains or losses on trading in the consolidated income statements. In addition, as described in Note 4, “Change in accounting policy”, the “Accounting Standard for Calculation of Fair Value Measurement” was adopted from the beginning of the current fiscal year, and the information regarding Level 3 fair value is provided in Note 8, “Financial instruments, Matters concerning the fair value and fair value hierarchy by level of	To assess the reasonableness of the valuation of Level 3 derivative instruments held as part of trading products, we primarily performed the following audit procedures: (1) Internal control testing We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the valuation of Level 3 derivative instruments held as part of trading products. In this assessment, we focused our testing on the following controls: ● controls that inputs used in the pricing models and the marked-to-market valuation are validated by a department independent of the trading department; and ● controls that the reasonableness of assumptions embedded in the pricing models and the appropriateness of valuation techniques, as well as adjustments to the pricing models are validated by a department independent of the department which developed the pricing models. (2) Assessment of the reasonableness of the valuation of the Level 3 derivative instruments held as part of trading products ● Assessment of the reasonableness of pricing models We assessed the continuing appropriateness of assumptions embedded in the pricing models used to calculate the valuation of derivative instruments and the reasonableness of adjustments to those assumptions. We involved valuation specialists in financial instruments within our international network firms (hereinafter, the “financial instrument valuation specialists”) who assisted our assessment of the reasonableness of the adjustments made to the pricing models during the current fiscal year. ● Assessment of the reasonableness of inputs We compared observable market inputs with data we independently obtained from information vendors and other sources. We also compared unobservable inputs mainly with

financial instruments ” to the consolidated financial statements.

The fair values of over-the-counter derivative instruments are calculated using pricing models including those generally recognized in the market or the updated versions thereof. These pricing models are adjusted to reflect market trends by performing an analysis through the comparison with observable market information and alternative pricing models, or other means.

To calculate fair values using pricing models, various inputs, including interest rates, exchange rates, stock prices, volatilities and correlation coefficients, are used. In particular, unobservable inputs, including long-term swap-rates, long-term currency basis, long-term volatilities of stock prices, long-term credit spreads and correlation coefficients, are used to calculate the fair value of Level 3 derivative instruments.

Selecting and adjusting pricing models and determining inputs used in the pricing models to estimate the market value of Level 3 derivative instruments required management judgments. In addition, since complex processes involving a high level of expertise in the market and valuation methodologies were necessary while making management judgments, the fair value of Level 3 derivative instruments involved a high degree of estimation uncertainty.

We, therefore, determined that our assessment of the reasonableness of the valuation of Level 3 derivative instruments held as part of trading products was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

consensus pricing data provided by a consensus pricing service provider and the values we estimated independently.

- Assessment of the reasonableness of the valuation of derivative instrument calculated using the pricing models

For a selection of derivative instruments selected considering quantitative and qualitative significance, we independently calculated the valuation of those derivative instruments and compared them with the fair values calculated by management, with the assistance of the financial instrument valuation specialists.

- Assessment of the appropriateness of relevant disclosures

We assessed the accuracy of the balances by level and the information related to Level 3 fair value disclosed in accordance with the “Accounting Standard for Calculation of Fair Value Measurement.”

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 executive officers and 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. 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 risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or

business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Kanako Ogura
Designated Engagement Partner
Certified Public Accountant

Tomomi Mase
Designated Engagement Partner
Certified Public Accountant

Koji Fukai
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
August 6, 2021

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

DAIWA SECURITIES GROUP INC.
CONSOLIDATED BALANCE SHEETS
March 31, 2021 and 2020

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash and cash deposits:			
Cash and cash equivalents (Note 8,12)	¥ 4,723,526	¥ 3,933,150	\$ 42,941,145
Cash segregated as deposits for regulatory purposes (Note 8)	485,877	415,953	4,417,064
Time deposits (Notes 8, 12 and 13)	39,672	31,363	360,654
	5,249,075	4,380,466	47,718,863
Receivables:			
Loans receivable from customers (Note 8,12)	1,996,121	1,768,471	18,146,555
Loans receivable from other than customers	6,909	9,003	62,809
Receivables related to margin transactions (Notes 6 and 8)	162,078	114,384	1,473,436
Other (Note 27)	623,394	735,292	5,667,218
Less: Allowance for doubtful accounts (Note 8)	(4,402)	(416)	(40,018)
	2,784,100	2,626,734	25,310,000
Collateralized short-term financing agreements (Notes 7, 8 and 27)	7,448,322	6,685,756	67,712,018
Trading assets (Notes 8, 9 and 12)	7,834,094	8,027,290	71,219,036
Securities (Notes 8, 10 and 12)	996,684	873,064	9,060,764
Private equity investments			
Private equity and other investments (Notes 8 and 10)	97,092	202,558	882,655
Less: Allowance for possible investment losses (Note 8)	(588)	(1,161)	(5,345)
	96,504	201,397	877,310
Other assets:			
Property and equipment, at cost	1,043,779	435,815	9,488,900
Less: Accumulated depreciation	(163,301)	(126,648)	(1,484,555)
	880,478	309,167	8,004,345
Goodwill	21,230	13,629	193,000
Other intangible fixed assets	107,557	110,487	977,791
Investment securities (Notes 8, 10 and 12)	402,590	491,660	3,659,909
Deferred tax assets (Note 18)	11,397	17,125	103,609
Other	271,957	85,766	2,472,336
Less: Allowance for doubtful accounts	(1,037)	(441)	(9,427)
Less: Allowance for possible investment losses (Note 8)	(3,620)	-	(32,909)
	1,690,552	1,027,393	15,368,654
	¥ 26,099,331	¥ 23,822,100	\$ 237,266,645

See accompanying notes.

LIABILITIES AND NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Debt:			
Short-term borrowings (Notes 8, 12, 13 and 16)	¥ 1,333,340	¥ 990,869	\$ 12,121,273
Commercial paper (Note 8)	265,000	178,000	2,409,091
Long-term debt (Notes 8, 12, 13 and 16)	3,440,546	3,146,286	31,277,691
	5,038,886	4,315,155	45,808,055
Payables:			
Payables to customers and counterparties (Notes 8 and 15)	760,693	789,269	6,915,391
Payables related to margin transactions (Notes 6, 8 and 12)	64,022	59,256	582,018
Deposits for banking business (Note 8)	4,416,097	4,037,201	40,146,336
Other (Note 8)	66,551	44,415	605,009
	5,307,363	4,930,141	48,248,754
Collateralized short-term financing agreements (Notes 7, 8 and 27)	8,176,095	7,198,731	74,328,136
Trading liabilities (Notes 8 and 9)	4,367,822	5,362,261	39,707,473
Trade account payables, net (Note 8)	1,320,280	544,690	12,002,545
Accrued and other liabilities:			
Income taxes payable	17,963	7,404	163,300
Deferred tax liabilities (Note 18)	43,176	4,369	392,509
Accrued bonuses	36,316	26,748	330,145
Retirement benefits (Note 17)	45,387	45,037	412,609
Other (Note 27)	150,502	125,879	1,368,200
	293,344	209,437	2,666,763
Statutory reserves (Note 19)	3,700	3,919	33,636
Total liabilities	24,507,490	22,564,334	222,795,362
Contingent liabilities (Note 20)			
Net assets			
Owners' equity (Note 21)			
Common stock, no par value;			
Authorized - 4,000,000 thousand shares			
Issued - 1,699,379 thousand shares	247,397	247,397	2,249,064
Capital surplus	230,651	230,809	2,096,827
Retained earnings	911,742	834,443	8,288,564
Treasury stock at cost	(107,646)	(110,351)	(978,600)
Deposit for subscriptions to treasury stock	10	13	91
	1,282,154	1,202,311	11,655,946
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	41,588	26,853	378,073
Deferred gains or losses on hedges	(3,058)	(13,593)	(27,800)
Translation adjustment	12,886	(5,556)	117,145
	51,416	7,704	467,418
Stock subscription rights (Note 22)	9,125	8,902	82,955
Non-controlling interests	249,146	38,849	2,264,964
Total net assets	1,591,841	1,257,766	14,471,283
	¥ 26,099,331	¥ 23,822,100	\$ 237,266,645

See accompanying notes.

DAIWA SECURITIES GROUP INC.
CONSOLIDATED STATEMENTS OF INCOME
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Operating revenues:			
Commissions	¥ 286,836	¥ 266,574	\$ 2,607,600
Net gain on trading (Note 29)	118,895	93,803	1,080,864
Net gain on private equity and other investments	4,808	15	43,709
Interest and dividend income (Note 27)	93,188	258,123	847,164
Service fees and other revenues	72,445	53,773	658,591
	576,172	672,288	5,237,928
Interest expense (Note 27)	54,480	209,917	495,273
Cost of service fees and other revenues	55,032	36,111	500,291
Net operating revenues	466,660	426,260	4,242,364
Selling, general and administrative expenses (Notes 17 and 30)	373,801	371,971	3,398,191
Operating income	92,859	54,289	844,173
Other income (expenses):			
Provision for statutory reserves, net (Note 19)	219	20	1,991
Other, net (Note 31)	51,488	30,520	468,073
	51,707	30,540	470,064
Income before income taxes	144,566	84,829	1,314,237
Income taxes (Note 18):			
Current	35,589	26,089	323,536
Deferred	(674)	(2,525)	(6,127)
	34,915	23,564	317,409
Profit	109,651	61,265	996,828
Profit attributable to non-controlling interests	1,255	918	11,409
Profit attributable to owners of parent	¥ 108,396	¥ 60,347	\$ 985,419

	Yen		U.S. dollars (Note 1)
Per share amounts:			
Net income	¥ 71.20	¥ 39.11	\$ 0.65
Diluted net income	70.90	38.92	0.64
Cash dividends applicable to the year	36.00	20.00	0.33

See accompanying notes.

DAIWA SECURITIES GROUP INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended March 31, 2021 and 2020

Thousands of
U.S. dollars
(Note 1)

	Millions of yen			Thousands of U.S. dollars	
	2021	2020		2021	
Profit	¥ 109,651	¥ 61,265	\$	996,828	
Other comprehensive income:					
Valuation difference on available-for-sale securities	14,971	(20,629)		136,100	
Deferred gains (losses) on hedges	10,345	(7,934)		94,045	
Translation adjustment	17,595	(11,703)		159,955	
Share of other comprehensive income of associates accounted for using equity method	908	(30)		8,254	
Total other comprehensive income	43,819	(40,296)		398,354	
Comprehensive income	¥ 153,470	¥ 20,969	\$	1,395,182	

Thousands of
U.S. dollars
(Note 1)

Comprehensive income attributable to:					
Comprehensive income attributable to owners of the parent	¥ 152,107	¥ 20,050	\$	1,382,791	
Comprehensive income attributable to non-controlling interests	1,363	919		12,391	

See accompanying notes.

DAIWA SECURITIES GROUP INC.
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years ended March 31, 2021 and 2020

	Number of shares of common stock (thousands)						Millions of yen				
				Owners' equity		Treasury stock at cost	Accumulated other comprehensive income				
		Common stock	Capital surplus	Retained earnings			Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Translation adjustment	Stock subscription rights	Non-controlling interests
Balance at March 31, 2019	1,699,379	247,397	230,633	805,761 (31,164)	(87,319)	5	47,669	(5,611)	5,943	8,742	3,211
Cash dividends paid				60,347							
Profit attributable to owners of parent											
Purchase of treasury shares					(25,103)						
Disposal of treasury shares				(501)	2,071						
Retirement of treasury shares											
Change of scope of consolidation											
Other			176			8					
Net changes of items other than owners' equity							(20,816)	(7,982)	(11,499)	160	35,638
Balance at March 31, 2020	1,699,379	247,397	230,809	834,443 (30,430)	(110,351)	13	26,853	(13,593)	(5,556)	8,902	38,849
Cash dividends paid				108,396							
Profit attributable to owners of parent											
Purchase of treasury shares					(9)						
Disposal of treasury shares				(667)	2,714						
Retirement of treasury shares											
Change of scope of consolidation											
Other			(158)			(3)					
Net changes of items other than owners' equity							14,735	10,535	18,442	223	210,297
Balance at March 31, 2021	1,699,379	¥ 247,397	¥ 230,651	¥ 911,742	¥ (107,646)	¥ 10	¥ 41,588	¥ (3,058)	¥ 12,886	¥ 9,125	¥ 249,146

	Thousands of U.S. dollars (Note 1)										
	Owners' equity					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Deposit for subscriptions to treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Translation adjustment	Stock subscription rights	Non-controlling interests	
Balance at April 1, 2020	\$ 2,249,064	\$ 2,098,264	\$ 7,585,845	\$ (1,003,191)	\$ 118	\$ 244,118	\$ (123,573)	\$ (50,509)	\$ 80,927	\$ 353,173	
Cash dividends paid			(276,635)								
Profit attributable to owners of parent			985,418								
Purchase of treasury shares				(82)							
Disposal of treasury shares			(6,064)	24,673							
Retirement of treasury shares											
Change of scope of consolidation											
Other		(1,437)			(27)						
Net changes of items other than owners' equity						133,955	95,773	167,654	2,028	1,911,791	
Balance at March 31, 2021	\$ 2,249,064	\$ 2,096,827	\$ 8,288,564	\$ (978,600)	\$ 91	\$ 378,073	\$ (27,800)	\$ 117,145	\$ 82,955	\$ 2,264,964	

See accompanying notes.

DAIWA SECURITIES GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash flows from operating activities:			
Profit	¥ 109,651	¥ 61,265	\$ 996,828
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	42,337	38,507	384,882
Allowance for doubtful accounts, net	8,074	34	73,400
Statutory reserves, net	(219)	(20)	(1,991)
Losses (gains) related to fixed assets	10,724	(6,856)	97,491
Losses (gains) related to investment securities	(2,273)	(4,328)	(20,664)
Losses (gains) on step acquisitions	(46,963)	(4,642)	(426,936)
Losses (gains) on change in equity	(180)	(11,414)	(1,636)
Deferred income taxes	(674)	(2,525)	(6,127)
Structural reform cost	4,319	12,500	39,264
Changes in operating assets and liabilities:			
Receivables and payables related to margin transactions	(42,929)	49,925	(390,264)
Other receivables and other payables	103,290	(71,814)	939,000
Collateralized short-term financing agreements	219,893	534,755	1,999,027
Trading assets and liabilities	(41,578)	(440,089)	(377,982)
Private equity and other investments	(8,691)	(101,486)	(79,009)
Deposits for banking business	378,896	404,626	3,444,509
Other, net	(342,699)	(291,248)	(3,115,447)
Total adjustments	281,327	105,925	2,557,517
Net cash flows provided by (used in) operating activities	390,978	167,190	3,554,345
Cash flows from investing activities:			
Increase in time deposits	(64,699)	(44,579)	(588,173)
Decrease in time deposits	58,018	43,883	527,436
Purchase of securities	(623,456)	(517,971)	(5,667,782)
Proceeds from sales and redemption of securities	570,283	489,804	5,184,391
Payments for purchases of property and equipment	(29,329)	(21,800)	(266,627)
Proceeds from sales of property and equipment	4,665	13,173	42,409
Payments for purchases of intangible fixed assets	(29,272)	(36,174)	(266,109)
Payments for purchases of investment securities	(82,600)	(182,633)	(750,909)
Proceeds from sales and redemption of investment securities	105,641	35,489	960,373
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	7,367	-
Payments of loans receivable	(595)	(438)	(5,409)
Collection of loans receivable	76	34	691
Other, net	(374)	(1,553)	(3,400)
Net cash flows provided by (used in) investing activities	(91,642)	(215,398)	(833,109)
Cash flows from financing activities:			
Increase in short-term borrowings and commercial paper	419,571	51,079	3,814,282
Increase in long-term debt	967,675	568,825	8,797,045
Decrease in long-term debt	(922,262)	(697,970)	(8,384,200)
Payments of cash dividends	(30,429)	(31,164)	(276,627)
Proceeds from share issuance to non-controlling shareholders on establishment of consolidated subsidiaries	7,781	-	70,736
Other, net	(4,268)	(26,564)	(38,800)
Net cash flows provided by (used in) financing activities	438,068	(135,794)	3,982,436
Effect of exchange rate changes on cash and cash equivalents	6,797	(4,950)	61,791
Net increase or decrease in cash and cash equivalents	744,201	(188,952)	6,765,463
Cash and cash equivalents at beginning of year	3,933,150	4,122,102	35,755,909
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	25,968	-	236,073
Increase (Decrease) in cash and cash equivalents resulting in change in scope of consolidation	20,207	-	183,700
Cash and cash equivalents at end of year	¥ 4,723,526	¥ 3,933,150	\$ 42,941,145

See accompanying notes.