DAIWA SECURITIES GROUP INC.
CONSOLIDATED BALANCE SHEETS
March 31, 2022 and 2021

ASSETS

		Millions of yen			Thousands of U.S. dollars (Note 1)	
		2022		2021		**2022**
Cash and cash deposits:						
Cash and cash equivalents (Note 8)	¥	**4,554,376**	¥	4,723,526	$	**37,330,951**
Cash segregated as deposits for regulatory purposes (Note 8)		**559,730**		485,877		**4,587,951**
Time deposits (Notes 8, 12 and 13)		**43,009**		39,672		**352,533**
		5,157,115		5,249,075		**42,271,435**
Receivables:						
Loans receivable from customers (Notes 8 and 12)		**1,933,758**		1,996,121		**15,850,475**
Loans receivable from other than customers		**6,890**		6,909		**56,475**
Receivables related to margin transactions (Notes 6 and 8)		**177,401**		162,078		**1,454,107**
Other (Note 27)		**752,316**		623,394		**6,166,525**
Less: Allowance for doubtful accounts (Note 8)		**(7,590)**		(4,402)		**(62,213)**
		2,862,775		2,784,100		**23,465,369**
Collateralized short-term financing agreements (Notes 7, 8 and 27)		**8,394,278**		7,448,322		**68,805,557**
Trading assets (Notes 8, 9 and 12)		**8,004,920**		7,834,094		**65,614,098**
Securities (Notes 8, 10 and 12)		**1,172,898**		996,684		**9,613,918**
Private equity investments						
Private equity and other investments (Notes 8 and 10)		**123,839**		97,092		**1,015,074**
Less: Allowance for possible investment losses (Note 8)		**(152)**		(588)		**(1,246)**
		123,687		96,504		**1,013,828**
Other assets:						
Property and equipment, at cost		**1,086,834**		1,043,779		**8,908,475**
Less: Accumulated depreciation		**(172,955)**		(163,301)		**(1,417,664)**
		913,879		880,478		**7,490,811**
Goodwill		**19,658**		21,230		**161,131**
Other intangible fixed assets		**101,826**		107,557		**834,640**
Investment securities (Notes 8, 10 and 12)		**443,447**		402,590		**3,634,811**
Deferred tax assets (Note 18)		**11,993**		11,397		**98,303**
Other		**329,656**		271,957		**2,702,099**
Less: Allowance for doubtful accounts		**(1,423)**		(1,037)		**(11,664)**
Less: Allowance for possible investment losses (Note 8)		**(3,620)**		(3,620)		**(29,672)**
		1,815,416		1,690,552		**14,880,459**
	¥	**27,531,089**	¥	26,099,331	$	**225,664,664**

See accompanying notes.

LIABILITIES AND NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Debt:			
Short-term borrowings (Notes 8, 12, 13 and 16)	¥ **1,752,074**	¥ 1,333,340	$ **14,361,262**
Commercial paper (Note 8)	**116,000**	265,000	**950,820**
Long-term debt (Notes 8, 12, 13 and 16)	**3,667,494**	3,440,546	**30,061,426**
	5,535,568	5,038,886	**45,373,508**
Payables:			
Payables to customers and counterparties (Notes 8 and 15)	**795,393**	760,693	**6,519,615**
Payables related to margin transactions (Notes 6, 8 and 12)	**70,319**	64,022	**576,385**
Deposits for banking business (Note 8)	**4,189,105**	4,416,097	**34,336,926**
Other (Note 8)	**61,116**	66,551	**500,951**
	5,115,933	5,307,363	**41,933,877**
Collateralized short-term financing agreements (Notes 7, 8 and 27)	**9,463,697**	8,176,095	**77,571,287**
Trading liabilities (Notes 8 and 9)	**4,945,901**	4,367,822	**40,540,172**
Trade account payables, net (Note 8)	**548,406**	1,320,280	**4,495,131**
Accrued and other liabilities:			
Income taxes payable	**8,649**	17,963	**70,893**
Deferred tax liabilities (Note 18)	**42,242**	43,176	**346,246**
Accrued bonuses	**37,586**	36,316	**308,082**
Retirement benefits (Note 17)	**44,716**	45,387	**366,525**
Other (Note 27)	**144,783**	150,502	**1,186,746**
	277,976	293,344	**2,278,492**
Statutory reserves (Note 19)	**3,718**	3,700	**30,475**
Total liabilities	**25,891,199**	24,507,490	**212,222,942**
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	**2,027,844**
Capital surplus	**230,452**	230,651	**1,888,952**
Retained earnings	**942,794**	911,742	**7,727,820**
Treasury stock at cost	**(134,200)**	(107,646)	**(1,100,000)**
Deposit for subscriptions to treasury stock	**26**	10	**213**
	1,286,469	1,282,154	**10,544,829**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	**29,587**	41,588	**242,516**
Deferred gains or losses on hedges	**9,940**	(3,058)	**81,475**
Translation adjustment	**47,288**	12,886	**387,607**
	86,815	51,416	**711,598**
Stock subscription rights (Note 22)	**9,109**	9,125	**74,664**
Non-controlling interests	**257,497**	249,146	**2,110,631**
Total net assets	**1,639,890**	1,591,841	**13,441,722**
	¥ **27,531,089**	¥ 26,099,331	$ **225,664,664**

See accompanying notes.

DAIWA SECURITIES GROUP INC.
CONSOLIDATED STATEMENTS OF INCOME
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Operating revenues:			
Commissions (Notes 24 and 26)	¥ **314,051**	¥ 286,836	$ **2,574,189**
Net gain on trading (Note 29)	**101,522**	118,895	**832,148**
Net gain on private equity and other investments	**6,049**	4,808	**49,582**
Interest and dividend income (Note 27)	**75,978**	93,188	**622,770**
Service fees and other revenues (Note 26)	**121,871**	72,445	**998,943**
	619,471	576,172	**5,077,632**
Interest expense (Note 27)	**44,714**	54,480	**366,508**
Cost of service fees and other revenues	**72,663**	55,032	**595,598**
Net operating revenues (Note 26)	**502,094**	466,660	**4,115,526**
Selling, general and administrative expenses (Notes 17 and 31)	**386,559**	373,801	**3,168,516**
Operating income	**115,535**	92,859	**947,010**
Other income (expenses):			
Provision for statutory reserves, net (Note 19)	**(18)**	219	**(148)**
Other, net (Note 32)	**26,149**	51,488	**214,336**
	26,131	51,707	**214,188**
Income before income taxes	**141,666**	144,566	**1,161,198**
Income taxes (Note 18):			
Current	**39,610**	35,589	**324,672**
Deferred	**(2,089)**	(674)	**(17,123)**
	37,521	34,915	**307,549**
Profit	**104,145**	109,651	**853,649**
Profit attributable to non-controlling interests	**9,254**	1,255	**75,853**
Profit attributable to owners of parent	¥ **94,891**	¥ 108,396	$ **777,796**

	Yen		U.S. dollars (Note 1)
Per share amounts:			
Net income	¥ **63.06**	¥ 71.20	$ **0.52**
Diluted net income	**62.72**	70.90	**0.51**
Cash dividends applicable to the year	**33.00**	36.00	**0.27**

See accompanying notes.

DAIWA SECURITIES GROUP INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended March 31, 2022 and 2021

		Millions of yen			Thousands of U.S. dollars (Note 1)
		2022		2021	**2022**
Profit	¥	**104,145**	¥	109,651	$ **853,649**
Other comprehensive income:					
Valuation difference on available-for-sale securities		**(12,055)**		14,971	**(98,811)**
Deferred gains (losses) on hedges		**13,166**		10,345	**107,918**
Translation adjustment		**31,582**		17,595	**258,869**
Share of other comprehensive income of associates accounted for using equity method		**3,945**		908	**32,336**
Total other comprehensive income		**36,638**		43,819	**300,312**
Comprehensive income	¥	**140,783**	¥	153,470	$ **1,153,961**

					Thousands of U.S. dollars (Note 1)
Comprehensive income attributable to:					
Comprehensive income attributable to owners of the parent	¥	**130,292**	¥	152,107	$ **1,067,967**
Comprehensive income attributable to non-controlling interests		**10,491**		1,363	**85,994**

See accompanying notes.

DAIWA SECURITIES GROUP INC.
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years ended March 31, 2022 and 2021

Millions of yen

	Number of shares of common stock (thousands)	Owners' equity: Common stock	Owners' equity: Capital surplus	Owners' equity: Retained earnings	Owners' equity: Treasury stock at cost	Owners' equity: Deposit for subscriptions to treasury stock	Accumulated other comprehensive income: Valuation difference on available-for-sale securities	Accumulated other comprehensive income: Deferred gains or losses on hedges	Accumulated other comprehensive income: Translation adjustment	Stock subscription rights	Non-controlling interests
Balance at March 31, 2020	1,699,379	247,397	230,809	834,443	(110,351)	13	26,853	(13,593)	(5,556)	8,902	38,849
Cumulative effects of changes in accounting policies											
Restated balance		247,397	230,809	834,443	(110,351)	13	26,853	(13,593)	(5,556)	8,902	38,849
Cash dividends paid				(30,430)							
Profit attributable to owners of parent				108,396							
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**
Cumulative effects of changes in accounting policies				**(82)**							
Restated balance		**247,397**	**230,651**	**911,660**	**(107,646)**	**10**	**41,588**	**(3,058)**	**12,886**	**9,125**	**249,146**
Cash dividends paid				**(63,790)**							
Profit attributable to owners of parent				**94,891**							
Purchase of treasury shares					**(29,297)**						
Disposal of treasury shares				**33**	**2,743**						
Retirement of treasury shares											
Change of scope of consolidation											
Other			**(199)**			**16**					
Net changes of items other than owners' equity							**(12,001)**	**12,998**	**34,402**	**(16)**	**8,351**
Balance at March 31, 2022	**1,699,379**	**¥ 247,397**	**¥ 230,452**	**¥ 942,794**	**¥ (134,200)**	**¥ 26**	**¥ 29,587**	**¥ 9,940**	**¥ 47,288**	**¥ 9,109**	**¥ 257,497**

Thousands of U.S. dollars (Note 1)

	Owners' equity: Common stock	Owners' equity: Capital surplus	Owners' equity: Retained earnings	Owners' equity: Treasury stock at cost	Owners' equity: Deposit for subscriptions to treasury stock	Accumulated other comprehensive income: Valuation difference on available-for-sale securities	Accumulated other comprehensive income: Deferred gains or losses on hedges	Accumulated other comprehensive income: Translation adjustment	Stock subscription rights	Non-controlling interests
Balance at April 1, 2021	**$ 2,027,844**	**$ 1,890,582**	**$ 7,473,295**	**$ (882,344)**	**$ 82**	**$ 340,885**	**$ (25,066)**	**$ 105,623**	**$ 74,795**	**$ 2,042,180**
Cumulative effects of changes in accounting policies			**(672)**							
Restated balance	**2,027,844**	**1,890,582**	**7,472,623**	**(882,344)**	**82**	**340,885**	**(25,066)**	**105,623**	**74,795**	**2,042,180**
Cash dividends paid			**(522,869)**							
Profit attributable to owners of parent			**777,796**							
Purchase of treasury shares				**(240,139)**						
Disposal of treasury shares			**270**	**22,483**						
Retirement of treasury shares										
Change of scope of consolidation										
Other		**(1,630)**			**131**					
Net changes of items other than owners' equity						**(98,369)**	**106,541**	**281,984**	**(131)**	**68,451**
Balance at March 31, 2022	**$ 2,027,844**	**$ 1,888,952**	**$ 7,727,820**	**$ (1,100,000)**	**$ 213**	**$ 242,516**	**$ 81,475**	**$ 387,607**	**$ 74,664**	**$ 2,110,631**

See accompanying notes.

DAIWA SECURITIES GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Cash flows from operating activities:			
Profit	¥ **104,145**	¥ 109,651	$ **853,649**
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	**46,160**	42,337	**378,361**
Allowance for doubtful accounts, net	**3,766**	8,074	**30,869**
Statutory reserves, net	**18**	(219)	**148**
Loss (gain) related to fixed assets	**1,071**	10,724	**8,779**
Loss (gain) related to investment securities	**(3,124)**	(2,273)	**(25,607)**
Loss (gain) on sale of shares of subsidiaries and associates	**(2,927)**	-	**(23,992)**
Loss (gain) on step acquisitions	**-**	(46,963)	**0**
Loss (gain) on change in equity	**-**	(180)	**0**
Deferred income taxes	**(2,089)**	(674)	**(17,123)**
Structural reform cost	**44**	4,319	**361**
Changes in operating assets and liabilities:			
Receivables and payables related to margin transactions	**(9,026)**	(42,929)	**(73,984)**
Other receivables and other payables	**(120,434)**	103,290	**(987,164)**
Collateralized short-term financing agreements	**310,366**	219,893	**2,543,984**
Trading assets and liabilities	**(368,927)**	(41,578)	**(3,023,992)**
Private equity and other investments	**(23,821)**	(8,691)	**(195,254)**
Deposits for banking business	**(226,992)**	378,896	**(1,860,590)**
Other, net	**(61,697)**	(342,699)	**(505,716)**
Total adjustments	**(457,612)**	281,327	**(3,750,920)**
Net cash flows provided by (used in) operating activities	**(353,467)**	390,978	**(2,897,271)**
Cash flows from investing activities:			
Increase in time deposits	**(60,494)**	(64,699)	**(495,852)**
Decrease in time deposits	**61,198**	58,018	**501,623**
Purchase of securities	**(1,117,497)**	(623,456)	**(9,159,811)**
Proceeds from sales and redemption of securities	**996,100**	570,283	**8,164,754**
Payments for purchases of property and equipment	**(62,565)**	(29,329)	**(512,828)**
Proceeds from sales of property and equipment	**11,056**	4,665	**90,623**
Payments for purchases of intangible fixed assets	**(23,023)**	(29,272)	**(188,713)**
Payments for purchases of investment securities	**(51,188)**	(82,600)	**(419,574)**
Proceeds from sales and redemption of investment securities	**23,608**	105,641	**193,508**
Payments of loans receivable	**(534)**	(595)	**(4,377)**
Collection of loans receivable	**227**	76	**1,861**
Other, net	**4,578**	(374)	**37,524**
Net cash flows provided by (used in) investing activities	**(218,534)**	(91,642)	**(1,791,262)**
Cash flows from financing activities:			
Increase in short-term borrowings and commercial paper	**264,984**	419,571	**2,172,000**
Increase in long-term debt	**911,208**	967,675	**7,468,918**
Decrease in long-term debt	**(700,591)**	(922,262)	**(5,742,549)**
Payments of cash dividends	**(63,791)**	(30,429)	**(522,877)**
Dividends paid to non-controlling interests	**(10,533)**	(2,050)	**(86,336)**
Proceeds from share issuance to non-controlling shareholders on establishment of consolidated subsidiaries	**-**	7,781	**0**
Other, net	**(24,187)**	(2,218)	**(198,254)**
Net cash flows provided by (used in) financing activities	**377,090**	438,068	**3,090,902**
Effect of exchange rate changes on cash and cash equivalents	**25,761**	6,797	**211,156**
Net increase or decrease in cash and cash equivalents	**(169,150)**	744,201	**(1,386,475)**
Cash and cash equivalents at beginning of year	**4,723,526**	3,933,150	**38,717,426**
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	**-**	25,968	**0**
Increase (Decrease) in cash and cash equivalents resulting in change in scope of consolidation	**-**	20,207	**0**
Cash and cash equivalents at end of year	¥ **4,554,376**	¥ 4,723,526	$ **37,330,951**

See accompanying notes.

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, 2022 and 2021, 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, 2022 and 2021, 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.

In our audits of the consolidated financial statements of the current period, we have selected key audit matters by taking into account the impact of the spread of COVID-19 pandemic, as well as recent changes in the economic environment arising from the situation in Russia and Ukraine. As a result, we continued to include the key audit matters for the prior period audit, “Reasonableness of the valuation of private equity and other investments, and loans receivable from customers (the Investment Division)” and “Reasonableness of the valuation of Level 3 derivative instruments held as part of trading products” as the key audit matters for the current period.

Reasonableness of the valuation of private equity and other investments, and loans receivable from customers (the Investment Division)	
The key audit matter	**How the matter was addressed in our audit**
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 ¥123.8 billion and loans receivable from customers of ¥76.8 billion in the Investment Division. These amounts included the balances held by the consolidated subsidiaries, Daiwa PI Partners Co. Ltd. and Daiwa Energy & Infrastructure Co. Ltd. In relation to these investments, a loss on aircraft-related investments of ¥3.2 billion and a loss on foreign investments and loans of ¥1.1 billion were recognized for the current fiscal year due to revaluation in light of the deteriorating investees' performance or for other reasons. 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 investments held by the Investment Division, we assessed the extent to which a loss had been incurred, as well as whether there was sufficient evidence supporting their recoverability. This assessment included the following audit procedures: ● 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 materials used in management' evaluation and an evaluation report from an external valuation company, inquiring of the personnel responsible for the investing department and the risk

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 to be generated from these investee companies considering the extent to which a loss has been incurred, as well as whether there is sufficient evidence supporting their recoverability. The evaluation of the operating status of the investee companies involves an understanding of the business environment of the industries to which the investee companies belong and specialized knowledge of those industries requiring significant management judgment. Management judgment is also required in evaluating the feasibility of business improvement measures and investment recovery plans, among others, as they have a significant effect on the estimated future cash flows to be generated from the investee companies.

The balance of investments held by the Investment Division increased during the current fiscal year. In particular, in the event of

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;
- the impact of the spread of COVID-19 pandemic; and
- the impact of recent changes in the economic environment and soaring natural resource prices, among others, arising from the situation in Russia and Ukraine.

● Evaluation of the method of calculating the valuation

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

● Assessment of key assumptions underlying the future cash flows

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

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

a deterioration in the performance and business environment of significant investees, the assessment of the extent to which a loss has been incurred, as well as whether there was sufficient evidence supporting their recoverability had a significant effect on the consolidated financial statements. Also, there was a uncertainty in the estimate of future cash flows of investees who were impacted by the spread of COVID-19 pandemic or the recent changes in the economic environment and soaring prices of natural resources, among others, arising from the situation in Russia and Ukraine. We, therefore, determined that our assessment of the reasonableness of the valuation of investments held by the Investment Division including private equity and other investments, and loans receivable from customers, was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	use of renewable energy in Japan, including related regulatory trends, which formed a basis for future electricity prices and electricity generation costs, were significant assumptions, and assessed whether the several scenarios used by the Company for the valuation and the discount rates were appropriate with the assistance of valuation specialists and personnel with specialized knowledge of the energy business within our domestic network firms. Especially, in our consideration of assumptions related to the trend of import prices of fuel, we evaluate the appropriateness of the assumptions related to the effect of soaring prices of natural resources arising mainly from the situation in Russia and Ukraine by performing a comparison between the forecasts adopted by the Company and other alternative forecasts published by international organizations and other institutions. . Furthermore, for the valuation of aircraft related investments, we recognized that the prospect for recovery of air travel demand depressed by the spread of COVID-19 pandemic which formed a basis for future aircraft prices, was a significant assumption, and assessed the appropriateness of management's assumption by comparing it with air travel demand forecasts published by airline industry groups.

Reasonableness of the valuation of Level 3 derivative instruments held as part of trading products	
The key audit matter	**How the matter was addressed in our audit**
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 ¥2,085 billion in current assets and ¥1,997 billion in current liabilities. 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 ¥99 billion and ¥17 billion, respectively. 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 products are measured at fair value in the consolidated balance sheet, while valuation gains or losses are reported within net gains or losses on trading in the consolidated income statement. The valuation gains recognized in the consolidated income statement for the Level 3 derivatives instruments that were recognized in the consolidated balance sheet were ¥52.4 billion. The information regarding Level 3 fair value is provided in Note 8, "Financial instruments, Matters concerning the fair value and fair value hierarchy by level of 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 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 in which inputs used in the pricing models and the marked-to-market valuation are validated by a department independent of the trading department; and ● controls in which the appropriateness of assumptions embedded in the pricing models and the appropriateness of valuation techniques, as well as adjustments to the pricing models are validated by a department independent of the department which developed the pricing models. **(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 in 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

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 fair value of Level 3 derivative instruments required management judgments. In addition, since complex processes involving a high level of expertise in the market and valuation methodologies were necessary while making management judgments, the fair value of Level 3 derivative instruments involved a high degree of estimation uncertainty. 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.	compared unobservable inputs mainly with 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 instruments 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 appropriateness of the balances by level and the information related to Level 3 fair value disclosed in accordance with the "Accounting Standard for Calculation of Fair Value Measurement."

Other Information

The other information comprises the information included in the Integrated Report but does not include the consolidated financial statements, the financial statements, and our auditor’s report thereon. The other information is expected to be made available to us after the date of this auditor’s report. Management is responsible for 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 audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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 Audits 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 audits in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audits. 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 audits in order to design audit procedures that are appropriate in the circumstances, while the objective of the audits 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 audits, significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 audits 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, 2022 are presented solely for convenience. Our audits 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

June 29, 2022

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 Co. Ltd.
BALANCE SHEETS
As of March 31, 2022 and 2021

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Cash and cash deposits:			
Cash and cash equivalents (Note 7)	¥ 1,543,967	¥ 1,494,682	$ 12,655,467
Cash segregated as deposits for regulatory purposes (Note 7)	466,584	426,580	3,824,459
Time deposits (Note 7)	-	1,000	-
	2,010,551	1,922,262	16,479,926
Receivables:			
Loans receivable from customers (Note 7)	302,950	252,352	2,483,197
Loans receivable from other than customers (Notes 7 and 21)	265,668	216,929	2,177,606
Receivables related to margin transactions (Notes 5 and 7)	172,807	156,605	1,416,451
Short-term guarantee deposits (Note 7)	701,715	549,259	5,751,762
Other (Note 21)	66,043	55,465	541,336
Less: Allowance for doubtful accounts	(94)	(83)	(770)
	1,509,089	1,230,527	12,369,582
Collateralized short-term financing agreements (Notes 6, 7 and 21)	5,481,999	4,692,990	44,934,418
Trading assets (Notes 7, 8 ,10 and 21)	5,450,688	5,073,677	44,677,770
Trading account receivables, net (Note 7)	-	6,513	-
Other assets:			
Property and equipment, at cost	117,997	118,501	967,189
Less: Accumulated depreciation	(71,828)	(71,204)	(588,755)
	46,169	47,297	378,434
Intangible fixed assets	69,305	74,472	568,075
Lease deposits	14,987	15,783	122,844
Investment securities (Notes 7 and 9)	9,967	8,747	81,697
Deferred tax assets (Note 15)	10,638	12,191	87,197
Other (Note 21)	44,704	15,822	366,426
Less: Allowance for doubtful accounts	(2,820)	(2,836)	(23,115)
	192,950	171,476	1,581,558
	¥ 14,645,277	¥ 13,097,445	$ 120,043,254

See accompanying notes.

LIABILITIES AND NET ASSETS

			Millions of yen			Thousands of U.S. dollars (Note 1)
		2022		2021		**2022**
Debt:						
Short-term borrowings (Notes 7, 10 and 21)	¥	**1,525,100**	¥	**1,255,100**	$	**12,500,820**
Commercial paper (Note 7)		**116,000**		**265,000**		**950,820**
Long-term debt (Notes 7, 13 and 21)		**2,098,764**		**1,580,335**		**17,202,983**
		3,739,864		**3,100,435**		**30,654,623**
Payables:						
Payables to customers and counterparties (Notes 7 and 12)		**662,708**		**652,558**		**5,432,033**
Payables related to margin transactions (Notes 5 and 7)		**68,556**		**63,118**		**561,934**
		731,264		**715,676**		**5,993,967**
Collateralized short-term financing agreements (Notes 6, 7 and 21)		**5,919,073**		**4,843,328**		**48,516,992**
Trading liabilities (Notes 7, 8 and 21)		**3,437,090**		**3,464,270**		**28,172,868**
Trading account payables, net(Note 7)		**140,111**		**-**		**1,148,451**
Accrued and other liabilities:						
Income taxes payable		**3,541**		**5,049**		**29,025**
Accrued bonuses		**13,437**		**13,934**		**110,139**
Retirement benefits (Note 14)		**32,151**		**32,634**		**263,533**
Other (Note 21)		**114,304**		**124,016**		**936,918**
		163,433		**175,633**		**1,339,615**
Statutory reserves (Note 16)		**3,699**		**3,688**		**30,320**
Total liabilities		**14,134,534**		**12,303,030**		**115,856,836**
Contingent liabilities (Note 17)						
Net assets:						
Owners' equity (Note 18) :						
Common stock, no par value;						
Authorized - 810,200 shares						
Issued - 810,200 shares		**100,000**		**100,000**		**819,672**
Capital surplus		**52,359**		**352,359**		**429,172**
Retained earnings		**356,177**		**340,170**		**2,919,484**
		508,536		**792,529**		**4,168,328**
Accumulated other comprehensive income:						
Valuation difference on available-for-sale securities		**2,207**		**1,886**		**18,090**
Total net assets		**510,743**		**794,415**		**4,186,418**
	¥	**14,645,277**	¥	**13,097,445**	$	**120,043,254**

See accompanying notes.

DAIWA SECURITIES Co. Ltd.
STATEMENTS OF INCOME
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	**2021**	**2022**
Operating revenues:			
Commissions (Note 21)	¥ **200,851**	¥ **186,198**	$ **1,646,320**
Net gain on trading (Note 23)	**100,436**	**102,596**	**823,246**
Interest and dividend income (Note 21)	**24,752**	**26,386**	**202,885**
	326,039	**315,180**	**2,672,451**
Interest expense (Note 21)	**10,932**	**13,781**	**89,607**
Net operating revenues (Note 20)	**315,107**	**301,399**	**2,582,844**
Selling, general and administrative expenses (Notes 14 and 24)	**239,698**	**235,750**	**1,964,737**
Operating income	**75,409**	**65,649**	**618,107**
Other income (expenses):			
Provision for statutory reserves, net (Note 16)	**(11)**	**217**	**(90)**
Other, net (Note 25)	**4,465**	**(4,209)**	**36,598**
	4,454	**(3,992)**	**36,508**
Income before income taxes	**79,863**	**61,657**	**654,615**
Income taxes (Note 15):			
Current	**21,026**	**21,007**	**172,345**
Deferred	**1,436**	**(744)**	**11,770**
	22,462	**20,263**	**184,115**
Profit	¥ **57,401**	¥ **41,394**	$ **470,500**

	Yen		U.S. dollars (Note 1)
Per share amounts:			
Net income	¥ **70,848.22**	¥ **51,091.03**	$ **581**
Cash dividends applicable to the year (Note 18)	**370,279**	**51,091**	**3,035**

See accompanying notes.

DAIWA SECURITIES Co. Ltd.
STATEMENTS OF CHANGES IN NET ASSETS
Years ended March 31, 2022 and 2021

					Millions of yen
		Owners' equity			Accumulated other comprehensive income
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Valuation difference on available-for-sale securities
Balance at March 31, 2020	810,200	¥ 100,000	¥ 349,920	¥ 293,461	¥ 1,546
Profit				41,394	
Cash dividends paid				(11,646)	
Net changes of items other than owners' equity					340
Increase due to business combinations			2,439	16,961	
Balance at March 31, 2021	810,200	¥ 100,000	¥ 352,359	¥ 340,170	¥ 1,886
Profit				57,401	
Cash dividends paid			(300,000)	(41,394)	
Net changes of items other than owners' equity					321
Balance at March 31, 2022	810,200	¥ 100,000	¥ 52,359	¥ 356,177	¥ 2,207

				Thousands of U.S. dollars (Note 1)
	Owners' equity			Accumulated other comprehensive income
	Common stock	Capital surplus	Retained earnings	Valuation difference on available-for-sale securities
Balance at April 1, 2021	$ 819,672	$ 2,888,189	$ 2,788,279	$ 15,459
Profit			470,500	
Cash dividends paid		(2,459,017)	(339,295)	
Net changes of items other than owners' equity				2,631
Balance at March 31, 2022	$ 819,672	$ 429,172	$ 2,919,484	$ 18,090

See accompanying notes.

DAIWA SECURITIES Co. Ltd.
STATEMENTS OF CASH FLOWS
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Cash flows from operating activities:			
Profit	**¥ 57,401**	¥ 41,394	**$ 470,500**
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	**24,593**	23,581	**201,582**
Allowance for doubtful accounts, net	**(6)**	(69)	**(49)**
Provision for retirement benefits, net	**(430)**	479	**(3,525)**
Statutory reserves, net	**11**	-	**90**
Losses (gains) related to investment securities	**(4)**	(88)	**(33)**
Impairment loss	**-**	2,232	**-**
Structural reform cost	**44**	2,378	**361**
Deferred income taxes	**1,436**	(744)	**11,770**
Changes in operating assets and liabilities:			
Receivables and payables related to margin transactions	**(10,764)**	(40,058)	**(88,230)**
Short-term guarantee deposits	**(152,455)**	46,877	**(1,249,631)**
Other receivables and other payables	**(152,206)**	52,715	**(1,247,590)**
Collateralized short-term financing agreements	**286,735**	320,091	**2,350,287**
Trading assets and liabilities	**(257,568)**	(179,554)	**(2,111,213)**
Other, net	**29,106**	(21,290)	**238,574**
Total adjustments	**(231,508)**	206,550	**(1,897,607)**
Net cash flows provided by (used in) operating activities	**(174,107)**	247,944	**(1,427,107)**
Cash flows from investing activities:			
Increase in time deposits	**-**	(8,000)	**-**
Decrease in time deposits	**1,000**	7,000	**8,197**
Payments for purchases of property and equipment	**(3,487)**	(2,125)	**(28,582)**
Payments for purchases of intangible fixed assets	**(16,249)**	(19,499)	**(133,189)**
Payments for purchases of investment securities	**(5)**	(8)	**(41)**
Proceeds from sales and redemption of investment securities	**104**	755	**852**
Payments for guarantee deposits	**(668)**	(514)	**(5,475)**
Proceeds from collection of guarantee deposits	**1,572**	998	**12,885**
Payments of loans receivable	**(30,000)**	-	**(245,902)**
Other, net	**(776)**	(672)	**(6,360)**
Net cash flows provided by (used in) investing activities	**(48,509)**	(22,065)	**(397,615)**
Cash flows from financing activities:			
Increase or Decrease in short-term borrowings and commercial paper	**121,000**	279,450	**991,803**
Increase in long-term debt	**1,103,508**	664,497	**9,045,148**
Decrease in long-term debt	**(611,213)**	(645,307)	**(5,009,942)**
Payments of cash dividends	**(341,394)**	(11,646)	**(2,798,312)**
Net cash flows provided by (used in) financing activities	**271,901**	286,994	**2,228,697**
Net increase in cash and cash equivalents	**49,285**	512,873	**403,975**
Cash and cash equivalents at beginning of year	**1,494,682**	981,809	**12,251,492**
Cash and cash equivalents at end of year	**¥ 1,543,967**	¥ 1,494,682	**$ 12,655,467**

See accompanying notes.

Independent auditor's report

To the Board of Directors of Daiwa Securities Co. Ltd.:

Opinion

We have audited the accompanying financial statements of Daiwa Securities Co. Ltd. ("the Company"), which comprise the balance sheets as at March 31, 2022 and 2021, the statements of income, statements of changes in net assets and statements of 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 financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2022 and 2021, and its financial performance and its 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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

In our audit of the financial statements of the current period, same as the audit of the financial statements of the prior fiscal year, we determined that "Reasonableness of the valuation of Level 3 derivative instruments held as part of trading products" is the key audit matter.

<table>
<tr><th colspan="2">Reasonableness of the valuation of Level 3 derivative instruments held as part of trading products</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As described in Note 7, “Financial instruments, Matters concerning the fair value and fair value hierarchy by level of financial instruments” to the financial statements, the Company recognized derivative instruments held as part of trading products of ¥2,085 billion and ¥1,997 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 ¥99 billion and ¥17 billion, respectively.

As described in Note 2, “Significant accounting policies, Trading assets and trading liabilities” to the financial statements, derivative instruments held as part of trading assets and trading liabilities are measured at fair value in the balance sheets, while valuation gains or losses are reported within net gains or losses on trading in the income statements. The valuation gains of ¥52.4 billion are recognized in the income statements for the Level 3 derivatives that are recognized in the balance sheets.The information regarding Level 3 fair value is provided in Note 7, “Financial instruments, Matters concerning the fair value and fair value hierarchy by level of financial instruments ” to the 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,</td><td>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 appropriateness of assumptions embedded in the pricing models and the appropriateness of valuation techniques, as well as adjustments to the pricing models are validated by a department independent of the department which developed the pricing models.

(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</td></tr>
</table>

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 the most significant matter in our audit of the 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."

Other Information

The other information comprises the information included in the Integrated Report but does not include the financial statements, and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report. Management is responsible for the other information. Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

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

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

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Financial Statements

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

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

Corporate auditors and the board of corporate auditors are responsible for overseeing the executive officers and 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 Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 financial statements.

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audits 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 financial statements.

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

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

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

June 29, 2022

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.