

# Daiwa Securities Group Inc.

Code number: 8601

Stock Exchange Listings: Tokyo, Nagoya

URL: <http://www.daiwa-grp.jp/english/>

Scheduled date of filing quarterly financial report: February 7, 2020

Scheduled date of dividend payment: -

Supplemental information for quarterly financial results: Yes

Earnings announcement for quarterly financial results: Yes (for analysts)



January 31, 2020

## Financial Summary (Consolidated)

For the nine months period ended December 31, 2019 <Under Japanese GAAP>

(Figures less than one million yen are rounded down)

### 1. Consolidated financial results (April 1, 2019 to December 31, 2019)

(1) Consolidated operating results (Millions of yen, % of change from previous year)

	Operating revenue		Net operating revenue		Operating income		Ordinary income	
FY 2019	511,680	(4.6)%	315,638	(5.4)%	37,883	(29.7)%	50,023	(23.6)%
FY 2018	536,499	1.8%	333,746	(10.9)%	53,852	(47.0)%	65,495	(41.6)%

(Note) Comprehensive income:

FY 2019: 51,024 million yen, 62.7% ; FY 2018: 31,352 million yen, (69.5)%

	Profit attributable to owners of parent		Net income per share		Diluted net income per share	
FY 2019	49,091	(2.6)%	31.66	Yen	31.50	Yen
FY 2018	50,404	(31.9)%	31.36	Yen	31.17	Yen

(2) Consolidated financial conditions (Millions of yen, except per share amounts and percentage)

	Total assets	Total net assets	Equity ratio		Net assets per share	
As of Dec. 31, 2019	24,409,452	1,287,164	5.1	%	816.44	Yen
As of Mar. 31, 2019	21,126,706	1,256,430	5.9	%	794.54	Yen

(Reference) Stockholders' equity (Total net assets - Subscription rights to shares - Non-controlling interests):

As of Dec. 31, 2019: 1,239,995 million yen ; As of Mar. 31, 2019: 1,244,477 million yen

### 2. Cash dividends

	Dividends per share (yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
FY 2018	-	12.00	-	9.00	21.00
FY 2019 (actual)	-	11.00	-		
FY 2019 (expected)				-	-

(Note) Modification from the most recently announced dividend forecast: None

The expected amount of dividends for the fiscal year ending March 31, 2020 is undecided.

### 3. Earnings forecasts for the fiscal year ending March 31, 2020 (consolidated)

Daiwa Securities Group's (hereinafter the "Group") principal business is securities-related business, and the performance of the Group is significantly influenced by the economic and market environment in which it operates. Therefore, Daiwa Securities Group Inc. (hereinafter the "Company") does not disclose the forecasts of consolidated operating results, considering the difficulty to forecast the performance.

Representative: Seiji Nakata, President

For inquiry: Yusuke Fujino, Executive Director, Corporate Planning Dept. Investor Relations Office

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#### 4. Other notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries causing changes in the scope of consolidation): Yes  
New companies: 1 company (name) Samty Residential Investment Corporation  
Excluded companies: None

(Note) For details, please see "(1) Changes in significant subsidiaries during the period" under "1. Summary information" on page 2.

- (2) Application of accounting methods which are exceptional for quarterly consolidated financial statements:  
None

- (3) Changes in accounting policies, estimates, and restatements:

( i ) Changes in accounting policies due to the revision of accounting standards: None

( ii ) Changes in accounting policies other than ( i ): None

( iii ) Changes in accounting estimates: None

( iv ) Restatements: None

- (4) Number of shares issued (common stock)

( i ) Number of shares issued (including treasury shares):

As of Dec. 31, 2019 : 1,699,378,772 ; As of Mar. 31, 2019 : 1,699,378,772

( ii ) Number of treasury shares:

As of Dec. 31, 2019 : 180,601,354 ; As of Mar. 31, 2019 : 133,090,941

( iii ) Average number of shares issued and outstanding in each fiscal year:

As of Dec. 31, 2019 : 1,550,681,940 ; As of Dec. 31, 2018 : 1,607,163,971

#### Implementation status of audit procedure:

Financial Summary and accompanying materials including the consolidated financial statements are not subject to the audit procedure by external auditors.

#### Statement on the proper use of earnings forecasts and other information:

For the reasons listed in "3. Earnings forecasts for the fiscal year ending March 31, 2020(consolidated)", the forecast of the dividend is not stated.

(Accompanying materials)

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(Note) Presentation materials (PDF version) of "Earnings Announcement" are available at our website.  
URL: <http://www.daiwa-grp.jp/english/ir/presentation/index.html>

## **1. Summary information**

### **(1) Changes in significant subsidiaries during the period**

Effective September 10, 2019, the Company have completed the additional acquisition of Samty Residential Investment Corporation (“SRR”) shares through a subscription for a third party allotment and additional acquisition in the market. Consequently, SRR has been excluded from the application of equity method and became the Company’s consolidated subsidiary due to the increase in proportion as the Group. SRR is included in specified subsidiaries.

## 2. Consolidated financial statements

## (1) Consolidated balance sheets

Assets	Millions of yen			
	As of			
	March 31, 2019		December 31, 2019	
<b>Current assets:</b>				
Cash and deposits	¥	4,153,271	¥	4,307,755
Cash segregated as deposits		324,559		377,453
Notes and accounts receivable - trade		18,741		18,061
Securities		812,341		899,315
Trading products:		6,716,066		7,347,359
Trading securities and other		3,785,250		4,516,707
Derivatives		2,930,815		2,830,652
Operational investment securities		110,034		161,847
Allowance for investment loss		(155)		(157)
Operating loans		1,564,856		1,633,928
Work in process		901		1,237
Margin transaction assets:		175,034		151,774
Loans on margin transactions		157,309		127,482
Cash collateral pledged for securities borrowing on margin transactions		17,724		24,291
Loans secured by securities:		5,973,771		8,013,908
Cash collateral pledged for securities borrowed		5,119,636		5,901,478
Loans on Gensaki transactions		854,135		2,112,429
Advances paid		28,503		11,288
Short-term loans receivable		350		2,183
Accrued income		39,229		34,765
Other		488,391		493,837
Allowance for doubtful accounts		(317)		(349)
<b>Total current assets</b>		<b>20,405,580</b>		<b>23,454,210</b>
<b>Non-current assets:</b>				
Property, plant and equipment		168,089		301,998
Intangible assets:		115,937		121,292
Goodwill		10,605		13,970
Other		105,331		107,321
Investments and other assets:		437,100		531,951
Investment securities		374,484		492,131
Long-term loans receivable		5,505		5,699
Guarantee deposits		17,448		17,700
Deferred tax assets		6,915		6,726
Other		33,408		10,302
Allowance for doubtful accounts		(662)		(608)
<b>Total non-current assets</b>		<b>721,126</b>		<b>955,242</b>
<b>Total assets</b>	¥	<b>21,126,706</b>	¥	<b>24,409,452</b>

<i>Liabilities</i>	Millions of yen	
	As of	
	March 31, 2019	December 31, 2019
<b>Current liabilities:</b>		
Notes and accounts payable - trade	¥ 7,116	¥ 6,600
Trading products:	4,747,777	4,894,829
Trading securities and other	2,040,196	2,254,993
Derivatives	2,707,580	2,639,836
Trade date accrual	255,804	701,667
Margin transaction liabilities:	69,981	75,550
Borrowings on margin transactions	3,675	2,884
Cash received for securities lending on margin transactions	66,306	72,665
Borrowings secured by securities:	5,947,969	8,436,722
Cash received on debt credit transaction of securities	4,934,115	5,040,164
Borrowings on Gensaki transaction	1,013,853	3,396,557
Deposits from banking business	3,632,575	4,260,190
Deposits received	276,700	371,698
Guarantee deposits received	372,591	363,478
Short-term borrowings	1,341,415	748,150
Commercial papers	100,000	200,000
Current portion of bonds	190,772	316,406
Income taxes payable	5,978	2,129
Provision for bonuses	28,436	17,861
Other	104,852	103,376
<b>Total current liabilities</b>	<b>17,081,971</b>	<b>20,498,662</b>
<b>Non-current liabilities:</b>		
Bonds payable	1,361,918	1,198,778
Long-term borrowings	1,336,787	1,335,860
Deferred tax liabilities	6,071	9,507
Retirement benefit liability	43,441	44,228
Provision for loss on litigation	25,573	1,648
Other	10,572	29,663
<b>Total non-current liabilities</b>	<b>2,784,365</b>	<b>2,619,686</b>
<b>Reserves under special laws:</b>		
Reserve for financial instruments transaction liabilities	3,938	3,938
<b>Total reserves under special laws</b>	<b>3,938</b>	<b>3,938</b>
<b>Total liabilities</b>	<b>¥ 19,870,276</b>	<b>¥ 23,122,287</b>

	Millions of yen	
	As of	
<i>Net assets</i>	March 31, 2019	December 31, 2019
<b>Shareholders' equity:</b>		
Share capital	¥ 247,397	¥ 247,397
Capital surplus	230,633	230,633
Retained earnings	805,761	823,269
Treasury shares	(87,320)	(110,772)
Deposit for subscriptions to treasury shares	5	4
<b>Total shareholders' equity</b>	<b>1,196,476</b>	<b>1,190,532</b>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	47,668	51,090
Deferred gains or losses on hedges	(5,611)	(4,941)
Foreign currency translation adjustment	5,942	3,313
<b>Total accumulated other comprehensive income</b>	<b>48,000</b>	<b>49,462</b>
<b>Share acquisition rights</b>	<b>8,741</b>	<b>8,870</b>
<b>Non-controlling interests</b>	<b>3,211</b>	<b>38,299</b>
<b>Total net assets</b>	<b>1,256,430</b>	<b>1,287,164</b>
<b>Total liabilities and net assets</b>	<b>¥ 21,126,706</b>	<b>¥ 24,409,452</b>

## (2) Consolidated statements of income and Consolidated statements of comprehensive income

Consolidated statements of income

	Millions of yen	
	Nine Months Ended	
	December 31, 2018	December 31, 2019
<b>Operating revenue:</b>		
Commission received:	¥ 218,397	¥ 198,222
Brokerage commission	45,841	39,096
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	35,574	24,737
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	20,595	17,438
Other fees received	116,386	116,950
Net trading income	66,194	75,481
Net gain on private equity and other securities	799	(3,733)
Financial revenue	213,701	202,683
Other operating revenue	37,405	39,027
<b>Total operating revenue</b>	<b>536,499</b>	<b>511,680</b>
<b>Financial expenses</b>	<b>176,617</b>	<b>172,484</b>
<b>Other operating expenses</b>	<b>26,134</b>	<b>23,557</b>
<b>Net operating revenue</b>	<b>333,746</b>	<b>315,638</b>
<b>Selling, general and administrative expenses:</b>		
Trading related expenses	54,424	51,959
Personnel expenses	138,443	137,134
Real estate expenses	27,783	27,228
Office cost	20,055	19,384
Depreciation	19,014	23,017
Taxes and dues	8,014	7,775
Provision of allowance for doubtful accounts	44	70
Other	12,113	11,183
<b>Total selling, general and administrative expenses</b>	<b>279,894</b>	<b>277,754</b>
<b>Operating income</b>	<b>53,852</b>	<b>37,883</b>
<b>Non-operating income:</b>		
Dividend income	3,183	3,173
Share of profit of entities accounted for using equity method	6,771	7,129
Foreign exchange gains	119	-
Other	2,319	2,732
<b>Total non-operating income</b>	<b>12,394</b>	<b>13,035</b>
<b>Non-operating expenses:</b>		
Interest expenses	20	138
Foreign exchange losses	-	153
Loss on investments in partnerships	150	-
Bond issuance cost	85	93
Other	494	510
<b>Total non-operating expenses</b>	<b>751</b>	<b>895</b>
<b>Ordinary income</b>	<b>¥ 65,495</b>	<b>¥ 50,023</b>



	Millions of yen	
	Nine Months Ended	
	December 31, 2018	December 31, 2019
<b>Extraordinary income:</b>		
Gain on sales of non-current assets	¥ 132	¥ 8,587
Gain on sales of investment securities	9,214	4,076
Gain on step acquisitions	-	4,642
Gain on change in equity	-	11,413
Gain on reversal of share acquisition rights	688	-
Compensation for forced relocation	347	-
<b>Total extraordinary income</b>	<b>10,382</b>	<b>28,720</b>
<b>Extraordinary losses:</b>		
Loss on sales and retirement of non-current assets	196	51
Impairment loss	-	766
Loss on valuation of investment securities	471	1,318
Loss on change in equity	105	-
Office relocation expenses	570	-
Cost of product compensation related	631	-
Structural reform cost	-	11,675
<b>Total extraordinary losses</b>	<b>1,975</b>	<b>13,812</b>
<b>Income before income taxes</b>	<b>73,901</b>	<b>64,931</b>
Income taxes - current	16,559	15,177
Income taxes - deferred	6,958	194
<b>Total income taxes</b>	<b>23,518</b>	<b>15,372</b>
<b>Profit</b>	<b>50,383</b>	<b>49,558</b>
<b>Profit(loss) attributable to non-controlling interests</b>	<b>(20)</b>	<b>467</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 50,404</b>	<b>¥ 49,091</b>

Consolidated statements of comprehensive income

	Millions of yen	
	Nine Months Ended	
	December 31, 2018	December 31, 2019
<b>Profit</b>	¥ 50,383	¥ 49,558
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	(17,177)	3,533
Deferred gains or losses on hedges	(3,122)	595
Foreign currency translation adjustment	1,577	(3,724)
Share of other comprehensive income of entities accounted for using equity method	(308)	1,060
<b>Total other comprehensive income</b>	<b>(19,031)</b>	<b>1,465</b>
<b>Comprehensive income</b>	¥ <b>31,352</b>	¥ <b>51,024</b>
<b>Comprehensive income attributable to:</b>		
Comprehensive income attributable to owners of parent	¥ 31,417	¥ 50,553
Comprehensive income attributable to non-controlling interests	(65)	470

(3) Going concern assumptions  
Not applicable.

(4) Changes in substantial amounts of fluctuation in shareholders' equity  
Not applicable.

## (5) Quarterly transition of consolidated statements of income

	Millions of yen				
	Three Months Ended				
	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
<b>Operating revenue:</b>					
Commission received:	¥ 78,347	¥ 64,629	¥ 64,962	¥ 64,810	¥ 68,448
Brokerage commission	14,507	12,495	12,416	12,684	13,994
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	17,908	6,235	6,932	8,337	9,466
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	5,540	5,451	6,352	5,716	5,369
Other fees received	40,390	40,446	39,261	38,071	39,617
Net trading income	12,526	26,023	27,992	22,620	24,868
Net gain on private equity and other securities	970	(1,031)	944	(6,241)	1,563
Financial revenue	83,589	77,303	72,893	67,076	62,713
Other operating revenue	13,319	17,161	14,548	11,400	13,079
<b>Total operating revenue</b>	<b>188,753</b>	<b>184,086</b>	<b>181,341</b>	<b>159,666</b>	<b>170,672</b>
<b>Financial expenses</b>	<b>71,414</b>	<b>65,850</b>	<b>65,774</b>	<b>57,492</b>	<b>49,216</b>
<b>Other operating expenses</b>	<b>7,036</b>	<b>10,742</b>	<b>8,443</b>	<b>5,850</b>	<b>9,264</b>
<b>Net operating revenue</b>	<b>110,302</b>	<b>107,493</b>	<b>107,123</b>	<b>96,323</b>	<b>112,191</b>
<b>Selling, general and administrative expenses:</b>					
Trading related expenses	18,510	17,509	17,806	16,761	17,391
Personnel expenses	46,342	46,992	46,935	43,671	46,527
Real estate expenses	9,308	9,611	9,108	8,964	9,155
Office cost	6,918	6,463	6,431	6,298	6,653
Depreciation	6,489	6,329	7,748	7,664	7,605
Taxes and dues	2,612	2,725	2,560	2,629	2,585
Provision of allowance for doubtful accounts	42	40	48	10	11
Other	3,893	4,347	4,069	3,836	3,278
<b>Total selling, general and administrative expenses</b>	<b>94,117</b>	<b>94,019</b>	<b>94,708</b>	<b>89,836</b>	<b>93,209</b>
<b>Operating income</b>	<b>16,184</b>	<b>13,474</b>	<b>12,414</b>	<b>6,486</b>	<b>18,982</b>
Non-operating income	3,392	4,167	5,746	3,601	3,688
Non-operating expenses	97	(21)	237	226	431
<b>Ordinary income</b>	<b>19,479</b>	<b>17,664</b>	<b>17,922</b>	<b>9,861</b>	<b>22,239</b>
Extraordinary income	3,301	3,937	11,413	15,471	1,834
Extraordinary losses	547	420	9,494	3,871	446
<b>Income before income taxes</b>	<b>22,233</b>	<b>21,181</b>	<b>19,841</b>	<b>21,461</b>	<b>23,627</b>
Income taxes - current	3,379	11,104	2,370	8,929	3,877
Income taxes - deferred	4,742	(3,371)	1,372	(4,772)	3,594
<b>Total income taxes</b>	<b>8,121</b>	<b>7,732</b>	<b>3,742</b>	<b>4,157</b>	<b>7,471</b>
<b>Profit</b>	<b>14,111</b>	<b>13,448</b>	<b>16,098</b>	<b>17,304</b>	<b>16,155</b>
<b>Profit(loss) attributable to non-controlling interests</b>	<b>(5)</b>	<b>39</b>	<b>32</b>	<b>(12)</b>	<b>447</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 14,117</b>	<b>¥ 13,409</b>	<b>¥ 16,066</b>	<b>¥ 17,316</b>	<b>¥ 15,707</b>