

# Daiwa Securities Group Inc.

Code number: 8601

Stock Exchange Listings: Tokyo, Nagoya

URL: <http://www2.daiwa-grp.jp/english/>

Scheduled date of the ordinary general shareholders' meeting: June 25, 2020

Scheduled date of dividend payment: June 1, 2020

Scheduled date of filing financial report: June 26, 2020

Supplemental information for financial results: Yes

Earnings announcement for financial results: Yes (for analysts)



May 8, 2020

## Financial Summary (Consolidated)

For the fiscal year ended March 31, 2020 <Under Japanese GAAP>

(Figures less than one million yen are rounded down)

### 1. Consolidated financial results (April 1, 2019 to March 31, 2020)

#### (1) Consolidated operating results

(Millions of yen, % of change from previous year)

	Operating revenue		Net operating revenue		Operating income		Ordinary income	
FY 2019	672,287	(6.7)%	426,259	(3.4)%	54,288	(19.4)%	70,283	(15.5)%
FY 2018	720,586	1.1%	441,240	(12.7)%	67,326	(50.1)%	83,159	(46.6)%

(Note) Comprehensive income:

FY 2019: 20,969 million yen, (56.5)% ; FY 2018: 48,194 million yen, (56.8)%

	Profit attributable to owners of parent		Net income per share		Diluted net income per share		Return on equity	
FY 2019	60,346	(5.4)%	39.11	Yen	38.92	Yen	4.9	%
FY 2018	63,813	(42.3)%	39.95	Yen	39.72	Yen	5.1	%

(Reference) Share of profit of entities accounted for using equity method:

FY 2019: 8,586 million yen ; FY 2018: 8,397 million 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 Mar. 31, 2020	23,822,099	1,257,766	5.1	%	796.33	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 Mar. 31, 2020: 1,210,014 million yen ; As of Mar. 31, 2019: 1,244,477 million yen

#### (3) Consolidated cash flows

(Millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
FY 2019	167,190	(215,397)	(135,794)	3,933,149
FY 2018	304,857	108,243	55,741	4,122,102

### 2. Cash dividends

	Dividends per share (yen)					Total annual dividends (million yen)	Dividends payout ratio (consolidated)	Dividends on net assets (consolidated)
	First quarter -end	Second quarter -end	Third quarter -end	Fiscal year-end	Total			
FY 2018	-	12.00	-	9.00	21.00	33,392	52.6%	2.7%
FY 2019	-	11.00	-	9.00	20.00	30,742	51.1%	2.5%

Representative: Seiji Nakata, President

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

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### 3. Earnings forecasts for the fiscal year ending March 31, 2021 (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.

For the same reason, the Company does not disclose expected dividend amount.

Due to the economic situation and the deterioration of the market environment caused by the outbreak of Coronavirus Disease (COVID-19) and the restrictions on the sales in response to the voluntary order by the government, the performance of the securities-related business, which is the Group's main business, may be adversely affected. The impact on the Group's business results is not clear at this time, but it will be disclosed immediately if there should be anything to be disclosed.

### 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 "(6) Changes in significant accounting policies for preparing consolidated financial statements" on page 14.

(2) 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

(3) Number of shares issued (common stock)

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

As of Mar. 31, 2020 : 1,699,378,772 ; As of Mar. 31, 2019 : 1,699,378,772

(ii) Number of treasury shares:

As of Mar. 31, 2020 : 179,915,970 ; As of Mar. 31, 2019 : 133,090,941

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

FY2019: 1,542,822,709 ; FY2018 : 1,597,232,294

(Note) Please see "Per share information" on page 17 regarding number of common stock included in calculation of net income per share.

(Reference)

#### Non-consolidated financial results (April 1, 2019 to March 31, 2020)

(1) Non-consolidated operating results (Millions of yen, % of change from previous year)

	Operating revenues		Operating income		Ordinary income	
FY 2019	75,682	(28.1) %	43,124	(39.3) %	48,720	(36.8) %
FY 2018	105,221	(22.4) %	71,084	(32.0) %	77,102	(29.3) %

	Net income		Net income per share		Diluted net income per share	
FY 2019	52,132	(39.7) %	33.79	Yen	33.62	Yen
FY 2018	86,505	(23.5) %	54.16	Yen	53.84	Yen

(2) Non-consolidated financial conditions (Millions of yen, except per share amounts and percentage)

	Total assets	Total net assets	Equity ratio	Net assets per share
FY 2019	2,559,957	893,141	34.5 %	581.93 Yen
FY 2018	2,434,724	916,943	37.3 %	579.84 Yen

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

As of Mar. 31, 2020: 884,239 million yen ; As of Mar. 31, 2019: 908,201 million yen

#### 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:

Not applicable.

(Accompanying materials)

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(Note) Presentation materials (PDF version) of “Earnings Announcement” are available at our website.  
URL: <http://www2.daiwa-grp.jp/english/ir/presentation/index.html>

## 1. Consolidated financial results

### (1) Analysis of consolidated operating results

For FY 2019 (12 months from April 1, 2019 to March 31, 2020) compared with FY2018, the Group's operating revenue decreased by 6.7% to 672,287 million yen, and net operating revenue decreased by 3.4% to 426,259 million yen. Selling, general and administrative expenses decreased by 0.5% to 371,970 million yen, and ordinary income decreased by 15.5% to 70,283 million yen. Adding extraordinary income and subtracting extraordinary losses, income taxes, and profit attributable to non-controlling interests to ordinary income, profit attributable to owners of parent decreased by 5.4% to 60,346 million yen.

The results of each segment are as follows;

#### Retail Business:

Although the contract AUM of wrap account service increased, due to a decrease in average balance during the period and the agency fee of investment trusts, net operating revenue decreased by 10.5% to 166,430 million yen and ordinary income decreased by 74.0% to 6,405 million yen compared with FY2018.

#### Wholesale Business:

Due to strong financial market sector, mainly in the US, and an increase in investment banking income such as bond underwriting and M&A cross-border projects, net operating revenue increased by 8.4% to 172,289 million yen, ordinary income increased by 49.7% to 38,034 million yen.

#### Asset Management Business:

While making Samty Residential Investment Corporation a consolidated subsidiary, due to a decrease in assets under management of publicly offered stock investment trusts in the deterioration of the market environment, net operating revenue decreased by 0.3% to 48,091 million yen, ordinary income decreased by 6.3% to 26,580 million yen.

#### Investment Business:

Although loss was recorded from revaluation of investment projects, earnings from gains on the sale of equity investees were secured. Compared to FY2018, net operating revenue increased by 41.7% to 2,502 million yen, and an ordinary loss of 877 million yen was recorded.

### (2) Analysis of consolidated financial conditions (compared to previous fiscal year end)

Regarding the assets, trading products increased by 1,311,223 million yen, loans secured by securities increased by 711,984 million yen, other current assets increased by 223,543 million yen, operating loans increased by 203,614 million yen compared with FY2018. As a result, the Total assets increased by 2,695,392 million yen to 23,822,099 million yen.

Total liabilities of FY 2019 increased by 2,694,057 million yen to 22,564,333 million yen compared with FY 2018, mainly due to increase in borrowings secured by securities by 1,250,761 million yen, trading products by 614,484 million yen, deposits from banking business by 404,625 million yen, and trade date accrual by 288,885 million yen respectively, while decrease in long-term borrowings by 153,515 million yen.

Total net assets of FY 2019 increased by 1,335 million yen to 1,257,766 million yen compared with FY 2018, mainly due to a decrease in deduction for treasury shares by 23,030 million yen and an increase in non-controlling interests by 35,638 million yen. Consequently, net assets per share were 796.33 yen.

Cash flows from operating activities increased by 167,190 million yen, mainly due to increases and decreases in loans (borrowings) secured by securities, deposits from banking business, trading products, and short-term guarantee deposits. Cash flows from investing activities decreased by 215,397 million yen, mainly due to purchase of securities and purchase of investment securities. Cash flows from financing activities decreased in 135,794 million yen, mainly due to repayments of long-term loans payable. With the effect of fluctuation in foreign exchange rates, cash and cash equivalents at end of FY 2019 was 3,933,149 million yen.

## **2. Basic approach for selecting accounting standards**

The Group prepares consolidated financial statements under Generally Accepted Accounting Principles in Japan. Continuing the disclosure under Japanese GAAP, from the end of FY2014, the Group started presenting IFRS-based consolidated financial statements on the purpose of providing more useful information with shareholders and investors for their reference.

### 3. Consolidated financial statements

#### (1) Consolidated balance sheets

Assets	Millions of yen			
	As of			
	March 31,		March 31,	
	2019		2020	
<b>Current assets:</b>				
Cash and deposits	¥	4,153,271	¥	3,964,512
Cash segregated as deposits		324,559		415,953
Notes and accounts receivable - trade		18,741		18,427
Securities		812,341		873,064
Trading products:		6,716,066		8,027,289
Trading securities and other		3,785,250		4,300,600
Derivatives		2,930,815		3,726,689
Operational investment securities		110,034		202,557
Allowance for investment loss		(155)		(1,160)
Operating loans		1,564,856		1,768,471
Work in process		901		609
Margin transaction assets:		175,034		114,384
Loans on margin transactions		157,309		105,203
Cash collateral pledged for securities borrowing on margin transactions		17,724		9,180
Loans secured by securities:		5,973,771		6,685,756
Cash collateral pledged for securities borrowed		5,119,636		4,813,361
Loans on Gensaki transactions		854,135		1,872,394
Advances paid		28,503		25,682
Short-term loans receivable		350		3,087
Accrued income		39,229		36,483
Other		488,391		711,935
Allowance for doubtful accounts		(317)		(415)
<b>Total current assets</b>		<b>20,405,580</b>		<b>22,846,637</b>
<b>Non-current assets:</b>				
Property, plant and equipment:		168,089		309,166
Buildings		44,864		115,882
Machinery and equipment		-		8,004
Equipment		19,666		19,153
Land		69,521		127,751
Construction in progress		34,037		38,375
Intangible assets:		115,937		124,115
Goodwill		10,605		13,629
Leasehold right		3,217		3,217
Software		76,491		77,985
Other		25,622		29,283
Investments and other assets:		437,100		542,179
Investment securities		374,484		491,660
Long-term loans receivable		5,505		5,915
Guarantee deposits		17,448		17,877
Deferred tax assets		6,915		17,125
Other		33,408		10,042
Allowance for doubtful accounts		(662)		(440)
<b>Total non-current assets</b>		<b>721,126</b>		<b>975,462</b>
<b>Total assets</b>	¥	<b>21,126,706</b>	¥	<b>23,822,099</b>

<i>Liabilities</i>	Millions of yen	
	As of	
	March 31, 2019	March 31, 2020
<b>Current liabilities:</b>		
Notes and accounts payable - trade	¥ 7,116	¥ 8,938
Trading products:	4,747,777	5,362,261
Trading securities and other	2,040,196	1,805,910
Derivatives	2,707,580	3,556,351
Trade date accrual	255,804	544,689
Margin transaction liabilities:	69,981	59,256
Borrowings on margin transactions	3,675	3,994
Cash received for securities lending on margin transactions	66,306	55,261
Borrowings secured by securities:	5,947,969	7,198,730
Cash received on debt credit transaction of securities	4,934,115	4,839,095
Borrowings on Gensaki transaction	1,013,853	2,359,635
Deposits from banking business	3,632,575	4,037,201
Deposits received	276,700	353,943
Guarantee deposits received	372,591	414,641
Short-term borrowings	1,341,415	1,276,948
Commercial papers	100,000	178,000
Current portion of bonds	190,772	277,852
Income taxes payable	5,978	7,403
Provision for bonuses	28,436	26,747
Other	104,852	172,101
<b>Total current liabilities</b>	<b>17,081,971</b>	<b>19,918,716</b>
<b>Non-current liabilities:</b>		
Bonds payable	1,361,918	1,379,226
Long-term borrowings	1,336,787	1,183,272
Deferred tax liabilities	6,071	4,369
Retirement benefit liability	43,441	44,359
Provision for loss on litigation	25,573	1,570
Other	10,572	28,900
<b>Total non-current liabilities</b>	<b>2,784,365</b>	<b>2,641,697</b>
<b>Reserves under special laws:</b>		
Reserve for financial instruments transaction liabilities	3,938	3,918
<b>Total reserves under special laws</b>	<b>3,938</b>	<b>3,918</b>
<b>Total liabilities</b>	<b>¥ 19,870,276</b>	<b>¥ 22,564,333</b>

Net assets	Millions of yen	
	As of	
	March 31, 2019	March 31, 2020
<b>Shareholders' equity:</b>		
Share capital	¥ 247,397	¥ 247,397
Capital surplus	230,633	230,808
Retained earnings	805,761	834,442
Treasury shares	(87,320)	(110,351)
Deposit for subscriptions to treasury shares	5	13
<b>Total shareholders' equity</b>	<b>1,196,476</b>	<b>1,202,310</b>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	47,668	26,853
Deferred gains or losses on hedges	(5,611)	(13,592)
Foreign currency translation adjustment	5,942	(5,556)
<b>Total accumulated other comprehensive income</b>	<b>48,000</b>	<b>7,703</b>
<b>Share acquisition rights</b>	<b>8,741</b>	<b>8,901</b>
<b>Non-controlling interests</b>	<b>3,211</b>	<b>38,849</b>
<b>Total net assets</b>	<b>1,256,430</b>	<b>1,257,766</b>
<b>Total liabilities and net assets</b>	<b>¥ 21,126,706</b>	<b>¥ 23,822,099</b>



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

Consolidated statements of income

	Millions of yen	
	Years Ended	
	March 31, 2019	March 31, 2020
<b>Operating revenue:</b>		
Commission received:	¥ 283,027	¥ 266,574
Brokerage commission	58,336	56,503
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	41,810	29,818
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	26,047	23,254
Other fees received	156,833	156,997
Net trading income	92,218	93,802
Net gain on private equity and other securities	(232)	14
Financial revenue	291,005	258,122
Other operating revenue	54,567	53,772
<b>Total operating revenue</b>	<b>720,586</b>	<b>672,287</b>
<b>Financial expenses</b>	<b>242,468</b>	<b>209,916</b>
<b>Other operating expenses</b>	<b>36,876</b>	<b>36,110</b>
<b>Net operating revenue</b>	<b>441,240</b>	<b>426,259</b>
<b>Selling, general and administrative expenses:</b>		
Trading related expenses	71,933	68,891
Personnel expenses	185,436	184,032
Real estate expenses	37,394	36,647
Office cost	26,518	25,969
Depreciation	25,343	30,813
Taxes and dues	10,740	10,529
Provision of allowance for doubtful accounts	84	170
Other	16,461	14,917
<b>Total selling, general and administrative expenses</b>	<b>373,914</b>	<b>371,970</b>
<b>Operating income</b>	<b>67,326</b>	<b>54,288</b>
<b>Non-operating income:</b>		
Dividend income	4,844	5,062
Share of profit of entities accounted for using equity method	8,397	8,586
Foreign exchange gains	172	-
Other	3,147	3,816
<b>Total non-operating income</b>	<b>16,562</b>	<b>17,465</b>
<b>Non-operating expenses:</b>		
Interest expenses	27	269
Foreign exchange losses	-	123
Loss on investments in partnerships	-	207
Bond issuance cost	85	128
Other	616	741
<b>Total non-operating expenses</b>	<b>729</b>	<b>1,470</b>
<b>Ordinary income</b>	<b>¥ 83,159</b>	<b>¥ 70,283</b>

	Millions of yen	
	Years Ended	
	March 31, 2019	March 31, 2020
<b>Extraordinary income:</b>		
Gain on sales of non-current assets	¥ 149	¥ 8,749
Gain on sales of investment securities	13,128	12,442
Gain on step acquisitions	-	4,642
Gain on change in equity	-	11,413
Reserve for financial instruments transaction liabilities	6	19
Gain on reversal of share acquisition rights	688	-
Compensation for forced relocation	347	-
Other	-	208
<b>Total extraordinary income</b>	<b>14,320</b>	<b>37,476</b>
<b>Extraordinary losses:</b>		
Loss on sales and retirement of non-current assets	430	609
Impairment loss	-	1,283
Loss on valuation of investment securities	526	8,114
Loss on change in equity	178	-
Office relocation expenses	592	-
Cost of product compensation related	631	-
Structural reform cost	-	12,500
Other	37	422
<b>Total extraordinary losses</b>	<b>2,396</b>	<b>22,930</b>
<b>Income before income taxes</b>	<b>95,083</b>	<b>84,828</b>
Income taxes – current	27,664	26,087
Income taxes - deferred	3,587	(2,524)
<b>Total income taxes</b>	<b>31,251</b>	<b>23,563</b>
<b>Profit</b>	<b>63,832</b>	<b>61,265</b>
<b>Profit(loss) attributable to non-controlling interests</b>	<b>18</b>	<b>918</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 63,813</b>	<b>¥ 60,346</b>

Consolidated statements of comprehensive income

	Millions of yen	
	Years Ended	
	March 31, 2019	March 31, 2020
<b>Profit</b>	¥ 63,832	¥ 61,265
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	(13,112)	(20,628)
Deferred gains or losses on hedges	(5,467)	(7,934)
Foreign currency translation adjustment	3,679	(11,702)
Share of other comprehensive income of entities accounted for using equity method	(737)	(30)
<b>Total other comprehensive income</b>	<b>(15,637)</b>	<b>(40,296)</b>
<b>Comprehensive income</b>	¥ 48,194	¥ 20,969
<b>Comprehensive income attributable to:</b>		
Comprehensive income attributable to owners of parent	¥ 48,216	¥ 20,050
Comprehensive income attributable to non-controlling interests	(22)	919

## (3) Consolidated statements of changes in net assets

FY 2018(Apr. 1, 2018 – Mar. 31, 2019)

(Millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Deposit for subscriptions to treasury shares	Total shareholders' equity
Balance at beginning of current period	247,397	230,713	785,730	(54,310)	3	1,209,535
Changes of items during period						
Dividends of surplus	-	-	(43,575)	-	-	(43,575)
Profit attributable to owners of parent	-	-	63,813	-	-	63,813
Purchase of treasury shares	-	-	-	(34,819)	-	(34,819)
Disposal of treasury shares	-	-	(207)	1,808	-	1,600
Other	-	(80)	-	-	1	(79)
Net changes of items other than shareholders' equity	-	-	-	-	-	-
Total changes of items during period	-	(80)	20,030	(33,010)	1	(13,059)
Balance at end of current period	247,397	230,633	805,761	(87,320)	5	1,196,476

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests
	Valuation difference on available-for sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment		
Balance at beginning of current period	61,176	(129)	2,550	8,790	88,596
Changes of items during period					
Dividends of surplus	-	-	-	-	-
Profit attributable to owners of parent	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-
Disposal of treasury shares	-	-	-	-	-
Other	-	-	-	-	-
Net changes of items other than shareholders' equity	(13,508)	(5,481)	3,392	(48)	(85,385)
Total changes of items during period	(13,508)	(5,481)	3,392	(48)	(85,385)
Balance at end of current period	47,668	(5,611)	5,942	8,741	3,211

FY 2019(Apr. 1, 2019 – Mar. 31, 2020)

(Millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Deposit for subscriptions to treasury shares	Total shareholders' equity
Balance at beginning of current period	247,397	230,633	805,761	(87,320)	5	1,196,476
Changes of items during period						
Dividends of surplus	-	-	(31,164)	-	-	(31,164)
Profit attributable to owners of parent	-	-	60,346	-	-	60,346
Purchase of treasury shares	-	-	-	(25,102)	-	(25,102)
Disposal of treasury shares	-	-	(501)	2,071	-	1,570
Other	-	175	-	-	8	183
Net changes of items other than shareholders' equity	-	-	-	-	-	-
Total changes of items during period	-	175	28,681	(23,030)	8	5,834
Balance at end of current period	247,397	230,808	834,442	(110,351)	13	1,202,310

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests
	Valuation difference on available-for sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment		
Balance at beginning of current period	47,668	(5,611)	5,942	8,741	3,211
Changes of items during period					
Dividends of surplus	-	-	-	-	-
Profit attributable to owners of parent	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-
Disposal of treasury shares	-	-	-	-	-
Other	-	-	-	-	-
Net changes of items other than shareholders' equity	(20,815)	(7,981)	(11,499)	159	35,638
Total changes of items during period	(20,815)	(7,981)	(11,499)	159	35,638
Balance at end of current period	26,853	(13,592)	(5,556)	8,901	38,849

## (4) Consolidated statements of cash flows

	Millions of yen			
	Years ended			
	March 31, 2019		March 31, 2020	
<b>Cash Flows from operating activities:</b>				
Income before income taxes and non-controlling interests	¥	95,083	¥	84,828
Depreciation		30,318		37,251
Amortization of goodwill		1,683		1,254
Increase (decrease) in allowance for doubtful accounts		80		33
Increase (decrease) in reserve for financial products transaction liabilities		(6)		(19)
Interest and dividend income		(4,893)		(5,118)
Interest expenses		27		269
Share of (profit) loss of entities accounted for using equity method		(8,397)		(8,586)
Loss(gain) on sales or retirement of non-current assets		280		(8,139)
Loss (gain) on sales of investment securities		(13,128)		(12,442)
Loss (gain) on step acquisitions		-		(4,642)
Loss (gain) on change in equity		178		(11,413)
Loss (gain) on valuation of investment securities		526		8,114
Impairment loss		-		1,283
Structural reform cost		-		12,500
Decrease (increase) in cash segregated as deposits for customers		15,198		(81,003)
Decrease (increase) in trading products - assets (liabilities)		(580,698)		(440,089)
Decrease (increase) in investment securities for sale		7,199		(101,485)
Decrease (increase) in operating loans receivable		(121,875)		(208,450)
Decrease (increase) in assets (liabilities) for margin transaction		86,566		49,924
Decrease (increase) in loans (borrowings) secured by securities		694,017		534,755
Decrease (increase) in short-term loans receivable		31		79
Increase (decrease) in deposits from banking business		244,131		404,625
Decrease (increase) in Short-term guarantee deposits		(98,004)		(230,468)
Increase (decrease) in guarantee deposits received		(47,350)		42,485
Increase (decrease) in deposits received		22,206		80,222
Other		(8,833)		31,146
<b>Subtotal</b>		<b>314,340</b>		<b>176,916</b>
Interest and dividend income received		11,303		12,381
Interest expenses paid		(27)		(269)
Income taxes (paid) refund		(20,759)		(21,838)
<b>Net cash provided by (used in) operating activities</b>	¥	<b>304,857</b>	¥	<b>167,190</b>

	Millions of yen			
	Years ended			
	March 31, 2019		March 31, 2020	
<b>Cash flows from investing activities:</b>				
Payments into time deposits	¥	(51,478)	¥	(44,579)
Proceeds from withdrawal of time deposits		64,157		43,883
Purchase of securities		(861,315)		(517,970)
Proceeds from sales and redemption of securities		1,067,277		489,804
Purchase of property, plant and equipment		(49,968)		(21,799)
Proceeds from sales of property, plant and equipment		873		13,173
Purchase of intangible assets		(36,762)		(36,174)
Purchase of investment securities		(53,667)		(141,453)
Proceeds from sales and redemption of investment securities		42,017		35,488
Purchase of shares of subsidiaries and associates		(11,397)		(41,179)
Purchase of shares of subsidiaries resulting in change in scope of consolidation		(991)		-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation		-		7,367
Payments of loans receivable		(591)		(437)
Collection of loans receivable		25		34
Other, net		64		(1,553)
<b>Net cash provided by (used in) investing activities</b>		<b>108,243</b>		<b>(215,397)</b>
<b>Cash flows from financing activities:</b>				
Net increase (decrease) in short-term loans payable		30,828		51,079
Proceeds from long-term loans payable		335,200		148,629
Repayments of long-term loans payable		(116,600)		(383,899)
Proceeds from issuance of bonds		284,962		420,195
Redemption of bonds		(318,236)		(314,070)
Proceeds from sales of treasury shares		713		622
Purchase of treasury shares		(34,819)		(25,102)
Cash dividends paid		(43,575)		(31,164)
Repayments to non-controlling shareholders		(82,697)		-
Other, net		(34)		(2,083)
<b>Net cash provided by (used in) financing activities</b>		<b>55,741</b>		<b>(135,794)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>		<b>4,425</b>		<b>(4,950)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>473,267</b>		<b>(188,952)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>3,653,464</b>		<b>4,122,102</b>
<b>Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation</b>		<b>(4,629)</b>		<b>-</b>
<b>Cash and cash equivalents at end of period</b>	¥	<b>4,122,102</b>	¥	<b>3,933,149</b>

(5) Going concern assumptions

Not applicable.

(6) Changes in significant accounting policies for preparing consolidated financial statements

i) Scope of consolidation

(Changes of scope of consolidation)

During current period, 6 companies were newly included into the scope of consolidation due to following reasons;

1 company (shares acquisition),

5 companies (newly incorporated).

Number of consolidated subsidiaries after the changes above: 66 companies

ii) Application of equity method

(Change of application of equity method)

During current period, 7 companies were newly applied to equity method due to following reasons;

4 companies (shares acquisition),

2 companies (newly incorporated),

1 company (absorption merger),

2 companies were excluded due to following reasons;

1 company (consolidated subsidiary through additional acquisition of shares),

1 company (absorption merger)

Number of affiliates applying equity method after the change above: 15 companies

iii) Changes in accounting policies due to the revision of accounting standards

Not applicable.



## (7) Notes to consolidated financial statements

**Segment information**

## i) Outline of reportable segment

The Group's reportable segment is consisted of operating units of which discrete financial information is available, and the segment is reviewed at regular intervals by the Company's chief operating decision maker in order to decide the distribution of management resources and assess the performances.

The Group sets securities-related business as its core business, and provides comprehensive investment and financial services in coordination with other Group's supporting businesses. The Group conducts its business activities through the Company's decisions about businesses of consolidated subsidiaries and affiliates applying equity method on comprehensive domestic and global strategies by each managerial organization corresponding to markets and business types of clients.

Therefore, the Group consists of segments corresponding to each market and business type of clients based on the business of consolidated subsidiaries and affiliates applying equity method, and the Group aggregate to four segments by similar economic characteristic as "Retail business", "Wholesale business", "Asset management business", and "Investment business".

"Retail business" is to provide broad types of products and services mainly to individual and unlisted-corporate customers. "Wholesale business" consists of "Global markets division" and "Global investment banking division". "Global markets division" is to sell and trade stock, bonds, foreign exchange and the other derivatives mainly to domestic and global institutional investors, industrial corporations, and financial and public-interest corporations. "Global investment banking division" is to provide domestic and global various investment banking services such as underwriting of securities and advisory of M&A, etc. "Asset management business" is to set up and manage investment trust fund for various assets, to provide investment advisory and management services to domestic and global institutional investors, and also to manage investment corporation and fund for real estates. "Investment business" is to manage assets for monetary claim, private equity, real estate, energy, infrastructure, etc. and to conduct investment business mainly launching investment funds, while maximizing return on existent investment.

## ii) Method of calculating amounts of net operating revenue, operating income (loss) and others by reportable segment

Accounting method applied to the reportable business segment is nearly the same as described in "Basis of financial statements for the fiscal year ended March 31, 2020".

Internal net operating income (loss) between segments is based on third-party transaction price.

iii) Information of net operating revenue, segment income (loss) and the others by reportable segment  
FY 2019 (Apr. 1, 2019 - Mar. 31, 2020)

(Millions of yen)

	Reportable Segment					Others(*1)	Total
	Retail	Wholesale	Asset Management	Investment	Total		
Net operating revenue							
Net operating revenue for unaffiliated customers	144,824	170,777	64,733	4,153	384,488	26,128	410,617
Internal net operating income and elimination amount between segments	21,606	1,512	(16,641)	(1,650)	4,826	17,776	22,603
Total	166,430	172,289	48,091	2,502	389,315	43,904	433,220
Segment income (loss) (Ordinary income (loss))	6,405	38,034	26,580	(877)	70,142	1,444	71,586
Other item							
Depreciation	11,961	12,372	1,740	232	26,306	16,710	43,017
Amortization of goodwill	-	840	337	-	1,177	-	1,177
Interest income	-	0	34	63	97	12	109
Interest expenses	-	-	246	11	258	300	559
Share of profit (loss) of entities accounted for using equity method	-	436	6,018	598	7,053	-	7,053

- (Note) 1. "Others" are the business segments which are not included in the reportable segments, consist of consolidation and management of subsidiaries, banking business, information service, back-office service, and real-estate rental, etc.
2. "Net operating revenue" consists of "Operating revenue", "Financial expenses", "Other operating expenses" and "Commission fee(Selling, general and administrative expenses)".
3. The Company does not disclose the segment information of assets as the management does not allocate it to each segment for managerial decision-making.

- iv) The amount of difference between total of reportable segment and that of consolidated financial statement, and the main details (FY 2019 (Apr. 1, 2019 - Mar. 31, 2020))

(Millions of yen)

Net operating revenue	Amount
Reportable segment total	389,315
Net operating revenue from "Others"	43,904
Elimination between segments	(22,603)
Commission fee deducted from net operating revenue	17,088
Other adjustments	(1,446)
Net operating revenue of financial statements	426,259

(Millions of yen)

Ordinary income (loss)	Amount
Reportable segment total	70,142
Income from "Others"	1,444
Elimination between segments	(425)
Amortization of goodwill	(77)
Unrealized profit adjustments	(997)
Other adjustments	196
Ordinary income of financial statements	70,283

(Millions of yen)

Other item	Reportable segment total	Other	Adjustment	Consolidated financial statement amount
Depreciation	26,306	16,710	(5,765)	37,251
Amortization of goodwill	1,177	-	77	1,254
Interest income	97	12	(52)	56
Interest expenses	258	300	(290)	269
Share of profit (loss) of entities accounted for using equity method	7,053	-	1,532	8,586

**Per share information**

FY 2019(Apr. 1, 2019 - Mar. 31, 2020)

Net assets per share	796.33 yen
Net income per share	39.11 yen
Diluted net income per share	38.92 yen

(Note) The calculation bases are as follows:

## i) Net assets per share

FY 2019 (As of Mar. 31, 2020)

Total net assets (million yen)	1,257,766
Deduction from total net assets (million yen)	47,764
Subscription rights to shares (million yen)	8,901
Non-controlling interests (million yen)	38,849
Deposit for subscriptions to treasury shares (million yen)	13
Net assets attributable to common stock (million yen)	1,210,001
Number of common stock included in calculation of net assets per share (thousands of shares)	1,519,462

## ii) Net income per share and diluted net income per share

FY 2019(Apr.1, 2019- Mar.31, 2020)

FY 2019 (Apr.1, 2019- Mar.31, 2020)		
<b>Net income per share</b>		
Profit attributable to owners of parent (million yen)	60,346	
Profit not attributable to common stockholders (million yen)	-	
Profit attributable to common stock (million yen)	60,346	
Average number of common stock outstanding during the year (thousands of shares)	1,542,822	
<b>Diluted net income per share</b>		
Adjustment of profit attributable to owners of parent (million yen)	-	
Increase in common stock (thousands of shares)	7,594	
Subscription rights to shares (thousands of shares)	7,594	
Summary of potential shares that are not included in calculation of diluted net income per share due to a lack of dilution effect (thousands of shares)	Type of potential shares	
	Stock option by stock subscription rights	
	Series9	4,986
	Series10	3,668
	Series11	5,045
	Series12	4,416
	Series13	7,331
	Series14	7,429
	Series15	7,469
Series16	8,462	

(Note) The stock option is reported in number of shares equivalent.

**Subsequent events**

Not applicable.

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

Millions of yen

	Three Months Ended				
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020
<b>Operating revenue:</b>					
Commission received:	¥ 64,629	¥ 64,962	¥ 64,810	¥ 68,448	68,352
Commission to consignees	12,495	12,416	12,684	13,994	17,406
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	6,235	6,932	8,337	9,466	5,081
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	5,451	6,352	5,716	5,369	5,816
Other fees received	40,446	39,261	38,071	39,617	40,047
Net trading income	26,023	27,992	22,620	24,868	18,321
Net gain on private equity and other securities	(1,031)	944	(6,241)	1,563	3,748
Financial revenue	77,303	72,893	67,076	62,713	55,439
Other operating revenue	17,161	14,548	11,400	13,079	14,745
<b>Total operating revenue</b>	<b>184,086</b>	<b>181,341</b>	<b>159,666</b>	<b>170,672</b>	<b>160,606</b>
<b>Financial expenses</b>	<b>65,850</b>	<b>65,774</b>	<b>57,492</b>	<b>49,216</b>	<b>37,432</b>
<b>Other operating expenses</b>	<b>10,742</b>	<b>8,443</b>	<b>5,850</b>	<b>9,264</b>	<b>12,552</b>
<b>Net operating revenue</b>	<b>107,493</b>	<b>107,123</b>	<b>96,323</b>	<b>112,191</b>	<b>110,621</b>
<b>Selling, general and administrative expenses:</b>					
Trading related expenses	17,509	17,806	16,761	17,391	16,931
Personnel expenses	46,992	46,935	43,671	46,527	46,897
Real estate expenses	9,611	9,108	8,964	9,155	9,418
Office cost	6,463	6,431	6,298	6,653	6,585
Depreciation	6,329	7,748	7,664	7,605	7,795
Taxes and dues	2,725	2,560	2,629	2,585	2,753
Provision of allowance for doubtful accounts	40	48	10	11	99
Other	4,347	4,069	3,836	3,278	3,734
<b>Total selling, general and administrative expenses</b>	<b>94,019</b>	<b>94,708</b>	<b>89,836</b>	<b>93,209</b>	<b>94,216</b>
<b>Operating income</b>	<b>13,474</b>	<b>12,414</b>	<b>6,486</b>	<b>18,982</b>	<b>16,405</b>
Non-operating income	4,167	5,746	3,601	3,688	4,429
Non-operating expenses	(21)	237	226	431	574
<b>Ordinary income</b>	<b>17,664</b>	<b>17,922</b>	<b>9,861</b>	<b>22,239</b>	<b>20,259</b>
Extraordinary income	3,937	11,413	15,471	1,834	8,756
Extraordinary losses	420	9,494	3,871	446	9,118
<b>Income before income taxes</b>	<b>21,181</b>	<b>19,841</b>	<b>21,461</b>	<b>23,627</b>	<b>19,897</b>
Income taxes - current	11,104	2,370	8,929	3,877	10,910
Income taxes - deferred	(3,371)	1,372	(4,772)	3,594	(2,719)
<b>Total income taxes</b>	<b>7,732</b>	<b>3,742</b>	<b>4,157</b>	<b>7,471</b>	<b>8,190</b>
<b>Profit</b>	<b>13,448</b>	<b>16,098</b>	<b>17,304</b>	<b>16,155</b>	<b>11,706</b>
<b>Profit(loss) attributable to non-controlling interests</b>	<b>39</b>	<b>32</b>	<b>(12)</b>	<b>447</b>	<b>451</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 13,409</b>	<b>¥ 16,066</b>	<b>¥ 17,316</b>	<b>¥ 15,707</b>	<b>¥ 11,255</b>