

Daiwa Securities Group Inc.

Code number: 8601

Stock Exchange Listings: Tokyo, Nagoya

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

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

Scheduled date of dividend payment: -

Supplemental information for quarterly financial results: Yes

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



July 31, 2020

Financial Summary (Consolidated)

For the three months period ended June 30, 2020 <Under Japanese GAAP>

(Figures less than one million yen are rounded down)

1. Consolidated financial results (April 1, 2020 to June 30, 2020)

(1) Consolidated operating results

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

	Operating revenue		Net operating revenue		Operating income		Ordinary income	
FY 2020	128,612	(29.1)%	105,445	(1.6)%	16,612	33.8%	21,370	19.2%
FY 2019	181,341	3.5%	107,123	(7.3)%	12,414	(44.0)%	17,922	(30.7)%

(Note) Comprehensive income:

FY 2020: 20,632 million yen, 512.6% ; FY 2019: 3,367 million yen, (86.8)%

	Profit attributable to owners of parent		Net income per share		Diluted net income per share	
FY 2020	17,552	9.2%	11.55	Yen	11.50	Yen
FY 2019	16,066	(13.3)%	10.26	Yen	10.21	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 Jun. 30, 2020	25,657,575	1,264,195	4.7 %	800.39 Yen
As of Mar. 31, 2020	23,822,099	1,257,766	5.1 %	796.33 Yen

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

As of Jun. 30, 2020: 1,217,225 million yen ; As of Mar. 31, 2020: 1,210,014 million yen

2. Cash dividends

	Dividends per share (yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
FY 2019	-	11.00	-	9.00	20.00
FY 2020(actual)	-				
FY 2020(expected)		To be determined			

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

The expected amount of dividends for the fiscal year ending March 31, 2021 is undecided.

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.

Due to the economic situation and the deterioration of the market environment caused by the outbreak of Coronavirus Disease (COVID-19), 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.

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): None
New companies: None
Excluded companies: None
- (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): Yes
(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 Jun. 30, 2020 : 1,699,378,772 ; As of Mar. 31, 2020 : 1,699,378,772
(ii) Number of treasury shares:
As of Jun. 30, 2020 : 178,597,518 ; As of Mar. 31, 2020 : 179,915,970
(iii) Average number of shares issued and outstanding in each fiscal year:
As of Jun. 30, 2020: 1,519,983,313 ; As of Jun. 30, 2019: 1,566,433,311

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, 2021(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: <https://www.daiwa-grp.jp/english/ir/presentation/index.html>

1. Summary information

(1) Changes in accounting policies, estimates, and restatements

(Changes in accounting policies)

The Company has applied “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30 issued on July 4, 2019; hereinafter referred to as “Fair Value Accounting Standards”), etc., from the beginning of the fiscal year ending March 31, 2021.

The Company will apply a new accounting policy established by Fair Value Accounting Standards, etc., in accordance with the transitional treatment specified in Paragraph 19 of Fair Value Accounting Standards and Paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 issued on July 4, 2019).

This has no effect on the quarterly consolidated financial statements.

2. Consolidated financial statements

(1) Consolidated balance sheets

Assets	Millions of yen			
	As of			
	March 31, 2020		June 30, 2020	
Current assets:				
Cash and deposits	¥	3,964,512	¥	4,045,861
Cash segregated as deposits		415,953		348,097
Notes and accounts receivable - trade		18,427		16,262
Securities		873,064		920,130
Trading products:		8,027,289		9,091,277
Trading securities and other		4,300,600		5,690,643
Derivatives		3,726,689		3,400,633
Trade date accrual		-		503,970
Operational investment securities		202,557		215,047
Allowance for investment loss		(1,160)		(1,198)
Operating loans		1,768,471		1,971,894
Work in process		609		864
Margin transaction assets:		114,384		167,562
Loans on margin transactions		105,203		116,183
Cash collateral pledged for securities borrowing on margin transactions		9,180		51,379
Loans secured by securities:		6,685,756		6,726,660
Cash collateral pledged for securities borrowed		4,813,361		4,550,214
Loans on Gensaki transactions		1,872,394		2,176,445
Advances paid		25,682		14,777
Short-term loans receivable		3,087		1,325
Accrued income		36,483		28,640
Other		711,935		657,221
Allowance for doubtful accounts		(415)		(495)
Total current assets		22,846,637		24,707,899
Non-current assets:				
Property, plant and equipment		309,166		309,562
Intangible assets:		124,115		122,312
Goodwill		13,629		13,309
Other		110,486		109,003
Investments and other assets:		542,179		517,801
Investment securities		491,660		472,650
Long-term loans receivable		5,915		6,186
Guarantee deposits		17,877		18,024
Deferred tax assets		17,125		12,366
Other		10,042		9,128
Allowance for doubtful accounts		(440)		(554)
Total non-current assets		975,462		949,676
Total assets	¥	23,822,099	¥	25,657,575

<i>Liabilities</i>	Millions of yen			
	As of			
	March 31, 2020		June 30, 2020	
Current liabilities:				
Notes and accounts payable - trade	¥	8,938	¥	4,750
Trading products:		5,362,261		5,363,518
Trading securities and other		1,805,910		2,131,735
Derivatives		3,556,351		3,231,783
Trade date accrual		544,689		-
Margin transaction liabilities:		59,256		75,413
Borrowings on margin transactions		3,994		2,766
Cash received for securities lending on margin transactions		55,261		72,647
Borrowings secured by securities:		7,198,730		9,666,225
Cash received on debt credit transaction of securities		4,839,095		5,482,891
Borrowings on Gensaki transaction		2,359,635		4,183,333
Deposits from banking business		4,037,201		3,977,428
Deposits received		353,943		356,032
Guarantee deposits received		414,641		411,503
Short-term borrowings		1,276,948		1,317,892
Commercial papers		178,000		120,300
Current portion of bonds		277,852		253,842
Income taxes payable		7,403		4,068
Provision for bonuses		26,747		10,550
Other		172,101		117,673
Total current liabilities		19,918,716		21,679,199
Non-current liabilities:				
Bonds payable		1,379,226		1,432,835
Long-term borrowings		1,183,272		1,198,441
Deferred tax liabilities		4,369		5,150
Retirement benefit liability		44,359		44,418
Provision for loss on litigation		1,570		1,586
Other		28,900		27,829
Total non-current liabilities		2,641,697		2,710,262
Reserves under special laws:				
Reserve for financial instruments transaction liabilities		3,918		3,918
Total reserves under special laws		3,918		3,918
Total liabilities	¥	22,564,333	¥	24,393,380

Net assets	Millions of yen	
	As of	
	March 31, 2020	June 30, 2020
Shareholders' equity:		
Share capital	¥ 247,397	¥ 247,397
Capital surplus	230,808	230,808
Retained earnings	834,442	838,123
Treasury shares	(110,351)	(109,541)
Deposit for subscriptions to treasury shares	13	7
Total shareholders' equity	1,202,310	1,206,794
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	26,853	29,524
Deferred gains or losses on hedges	(13,592)	(11,434)
Foreign currency translation adjustment	(5,556)	(7,659)
Total accumulated other comprehensive income	7,703	10,430
Share acquisition rights	8,901	8,812
Non-controlling interests	38,849	38,157
Total net assets	1,257,766	1,264,195
Total liabilities and net assets	¥ 23,822,099	¥ 25,657,575

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

Consolidated statements of income

	Millions of yen	
	Three Months Ended	
	June 30, 2019	June 30, 2020
Operating revenue:		
Commission received:	¥ 64,962	¥ 57,749
Brokerage commission	12,416	17,124
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	6,932	4,430
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	6,352	4,068
Other fees received	39,261	32,126
Net trading income	27,992	32,056
Net gain on private equity and other securities	944	641
Financial revenue	72,893	26,516
Other operating revenue	14,548	11,648
Total operating revenue	181,341	128,612
Financial expenses	65,774	15,582
Other operating expenses	8,443	7,583
Net operating revenue	107,123	105,445
Selling, general and administrative expenses:		
Trading related expenses	17,806	13,289
Personnel expenses	46,935	44,979
Real estate expenses	9,108	9,409
Office cost	6,431	6,144
Depreciation	7,748	8,404
Taxes and dues	2,560	2,762
Provision of allowance for doubtful accounts	48	136
Other	4,069	3,706
Total selling, general and administrative expenses	94,708	88,833
Operating income	12,414	16,612
Non-operating income:		
Dividend income	1,248	626
Share of profit of entities accounted for using equity method	2,933	2,291
Gain on investments in partnerships	-	956
Other	1,564	1,290
Total non-operating income	5,746	5,165
Non-operating expenses:		
Interest expenses	6	125
Foreign exchange losses	72	43
Bond issuance cost	60	86
Other	99	151
Total non-operating expenses	237	407
Ordinary income	¥ 17,922	¥ 21,370

	Millions of yen	
	Three Months Ended	
	June 30, 2019	June 30, 2020
Extraordinary income:		
Gain on sales of investment securities	¥ -	¥ 2,995
Gain on change in equity	11,413	-
Total extraordinary income	11,413	2,995
Extraordinary losses:		
Loss on sales and retirement of non-current assets	24	19
Impairment loss	624	-
Loss on valuation of investment securities	875	97
Loss on change in equity	-	68
Structural reform cost	7,969	-
Total extraordinary losses	9,494	185
Income before income taxes	19,841	24,181
Income taxes – current	2,370	2,482
Income taxes - deferred	1,372	3,795
Total income taxes	3,742	6,277
Profit	16,098	17,903
Profit attributable to non-controlling interests	32	351
Profit attributable to owners of parent	¥ 16,066	¥ 17,552

Consolidated statements of comprehensive income

	Millions of yen	
	Three Months Ended	
	June 30, 2019	June 30, 2020
Profit	¥ 16,098	¥ 17,903
Other comprehensive income:		
Valuation difference on available-for-sale securities	(1,342)	3,061
Deferred gains or losses on hedges	(1,400)	2,027
Foreign currency translation adjustment	(10,063)	(1,831)
Share of other comprehensive income of entities accounted for using equity method	75	(529)
Total other comprehensive income	(12,731)	2,728
Comprehensive income	¥ 3,367	¥ 20,632
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	¥ 3,359	¥ 20,279
Comprehensive income attributable to non-controlling interests	7	353

(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				
	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020
Operating revenue:					
Commission received:	¥ 64,962	¥ 64,810	¥ 68,448	68,352	57,749
Brokerage commission	12,416	12,684	13,994	17,406	17,124
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	6,932	8,337	9,466	5,081	4,430
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	6,352	5,716	5,369	5,816	4,068
Other fees received	39,261	38,071	39,617	40,047	32,126
Net trading income	27,992	22,620	24,868	18,321	32,056
Net gain on private equity and other securities	944	(6,241)	1,563	3,748	641
Financial revenue	72,893	67,076	62,713	55,439	26,516
Other operating revenue	14,548	11,400	13,079	14,745	11,648
Total operating revenue	181,341	159,666	170,672	160,606	128,612
Financial expenses	65,774	57,492	49,216	37,432	15,582
Other operating expenses	8,443	5,850	9,264	12,552	7,583
Net operating revenue	107,123	96,323	112,191	110,621	105,445
Selling, general and administrative expenses:					
Trading related expenses	17,806	16,761	17,391	16,931	13,289
Personnel expenses	46,935	43,671	46,527	46,897	44,979
Real estate expenses	9,108	8,964	9,155	9,418	9,409
Office cost	6,431	6,298	6,653	6,585	6,144
Depreciation	7,748	7,664	7,605	7,795	8,404
Taxes and dues	2,560	2,629	2,585	2,753	2,762
Provision of allowance for doubtful accounts	48	10	11	99	136
Other	4,069	3,836	3,278	3,734	3,706
Total selling, general and administrative expenses	94,708	89,836	93,209	94,216	88,833
Operating income	12,414	6,486	18,982	16,405	16,612
Non-operating income	5,746	3,601	3,688	4,429	5,165
Non-operating expenses	237	226	431	574	407
Ordinary income	17,922	9,861	22,239	20,259	21,370
Extraordinary income	11,413	15,471	1,834	8,756	2,995
Extraordinary losses	9,494	3,871	446	9,118	185
Income before income taxes	19,841	21,461	23,627	19,897	24,181
Income taxes - current	2,370	8,929	3,877	10,910	2,482
Income taxes - deferred	1,372	(4,772)	3,594	(2,719)	3,795
Total income taxes	3,742	4,157	7,471	8,190	6,277
Profit	16,098	17,304	16,155	11,706	17,903
Profit(loss) attributable to non-controlling interests	32	(12)	447	451	351
Profit attributable to owners of parent	¥ 16,066	¥ 17,316	¥ 15,707	¥ 11,255	¥ 17,552