

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: November 10, 2020

Scheduled date of dividend payment: December 1, 2020

Supplemental information for quarterly financial results: Yes

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



October 29, 2020

Financial Summary (Consolidated)

For the six months period ended September 30, 2020 <Under Japanese GAAP>

(Figures less than one million yen are rounded down)

1. Consolidated financial results (April 1, 2020 to September 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	257,180	(24.6)%	215,934	6.1%	36,331	92.2%	45,120	62.4%
FY 2019	341,007	(1.9)%	203,446	(8.9)%	18,900	(49.8)%	27,784	(39.6)%

(Note) Comprehensive income:

FY 2020: 37,906 million yen, 138.6% ; FY 2019: 15,885 million yen, (66.7)%

	Profit attributable to owners of parent		Net income per share		Diluted net income per share	
FY 2020	32,804	(1.7)%	21.56	Yen	21.47	Yen
FY 2019	33,383	(8.0)%	21.34	Yen	21.24	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 Sep. 30, 2020	25,583,609	1,285,466	4.8	%	810.92	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 Sep. 30, 2020: 1,235,097 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)	-	11.00	-	-	-
FY 2020(expected)	-	-	-	-	-

(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

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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 Sep. 30, 2020 : 1,699,378,772 ; As of Mar. 31, 2020 : 1,699,378,772
(ii) Number of treasury shares:
As of Sep. 30, 2020 : 176,295,862 ; As of Mar. 31, 2020 : 179,915,970
(iii) Average number of shares issued and outstanding in each fiscal year:
As of Sep. 30, 2020: 1,521,503,590 ; As of Sep. 30, 2019: 1,564,161,988

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	September 30, 2020		
Current assets:				
Cash and deposits	¥ 3,964,512	¥ 4,200,326		
Cash segregated as deposits	415,953	403,118		
Notes and accounts receivable - trade	18,427	17,838		
Securities	873,064	947,601		
Trading products:	8,027,289	9,521,487		
Trading securities and other	4,300,600	6,180,284		
Derivatives	3,726,689	3,341,203		
Operational investment securities	202,557	244,641		
Allowance for investment loss	(1,160)	(1,199)		
Operating loans	1,768,471	1,912,953		
Work in process	609	1,001		
Margin transaction assets:	114,384	142,358		
Loans on margin transactions	105,203	119,799		
Cash collateral pledged for securities borrowing on margin transactions	9,180	22,558		
Loans secured by securities:	6,685,756	6,593,998		
Cash collateral pledged for securities borrowed	4,813,361	4,706,651		
Loans on Gensaki transactions	1,872,394	1,887,347		
Advances paid	25,682	15,105		
Short-term loans receivable	3,087	948		
Accrued income	36,483	33,167		
Other	711,935	594,768		
Allowance for doubtful accounts	(415)	(548)		
Total current assets	22,846,637	24,627,568		
Non-current assets:				
Property, plant and equipment	309,166	309,012		
Intangible assets:	124,115	120,908		
Goodwill	13,629	12,953		
Other	110,486	107,955		
Investments and other assets:	542,179	526,120		
Investment securities	491,660	479,370		
Long-term loans receivable	5,915	6,188		
Guarantee deposits	17,877	17,830		
Deferred tax assets	17,125	13,794		
Other	10,042	9,484		
Allowance for doubtful accounts	(440)	(547)		
Total non-current assets	975,462	956,041		
Total assets	¥ 23,822,099	¥ 25,583,609		

	Millions of yen	
	As of	
<i>Liabilities</i>	March 31, 2020	September 30, 2020
Current liabilities:		
Notes and accounts payable - trade	¥ 8,938	¥ 4,743
Trading products:	5,362,261	5,034,280
Trading securities and other	1,805,910	1,846,897
Derivatives	3,556,351	3,187,383
Trade date accrual	544,689	445,059
Margin transaction liabilities:	59,256	70,927
Borrowings on margin transactions	3,994	2,586
Cash received for securities lending on margin transactions	55,261	68,341
Borrowings secured by securities:	7,198,730	8,923,327
Cash received on debt credit transaction of securities	4,839,095	4,772,729
Borrowings on Gensaki transaction	2,359,635	4,150,597
Deposits from banking business	4,037,201	4,029,382
Deposits received	353,943	455,537
Guarantee deposits received	414,641	396,196
Short-term borrowings	1,276,948	1,584,954
Commercial papers	178,000	299,000
Current portion of bonds	277,852	196,328
Income taxes payable	7,403	5,408
Provision for bonuses	26,747	20,432
Other	172,101	109,346
Total current liabilities	19,918,716	21,574,925
Non-current liabilities:		
Bonds payable	1,379,226	1,434,210
Long-term borrowings	1,183,272	1,206,709
Deferred tax liabilities	4,369	5,158
Retirement benefit liability	44,359	44,638
Provision for loss on litigation	1,570	1,598
Other	28,900	26,983
Total non-current liabilities	2,641,697	2,719,298
Reserves under special laws:		
Reserve for financial instruments transaction liabilities	3,918	3,919
Total reserves under special laws	3,918	3,919
Total liabilities	¥ 22,564,333	¥ 24,298,143

<i>Net assets</i>	Millions of yen	
	As of	
	March 31, 2020	September 30, 2020
Shareholders' equity:		
Share capital	¥ 247,397	¥ 247,397
Capital surplus	230,808	230,699
Retained earnings	834,442	852,993
Treasury shares	(110,351)	(108,129)
Deposit for subscriptions to treasury shares	13	0
Total shareholders' equity	1,202,310	1,222,962
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	26,853	31,267
Deferred gains or losses on hedges	(13,592)	(10,906)
Foreign currency translation adjustment	(5,556)	(8,226)
Total accumulated other comprehensive income	7,703	12,135
Share acquisition rights	8,901	8,964
Non-controlling interests	38,849	41,404
Total net assets	1,257,766	1,285,466
Total liabilities and net assets	¥ 23,822,099	¥ 25,583,609

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

Consolidated statements of income

	Millions of yen	
	Six Months Ended	
	September 30, 2019	September 30, 2020
Operating revenue:		
Commission received:	¥ 129,773	¥ 128,559
Brokerage commission	25,101	33,544
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	15,270	18,873
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	12,068	8,274
Other fees received	77,332	67,866
Net trading income	50,613	54,888
Net gain on private equity and other securities	(5,297)	3,851
Financial revenue	139,969	46,913
Other operating revenue	25,948	22,968
Total operating revenue	341,007	257,180
Financial expenses	123,267	27,118
Other operating expenses	14,293	14,127
Net operating revenue	203,446	215,934
Selling, general and administrative expenses:		
Trading related expenses	34,568	27,704
Personnel expenses	90,607	91,627
Real estate expenses	18,072	18,851
Office cost	12,730	11,924
Depreciation	15,412	16,845
Taxes and dues	5,189	5,349
Provision of allowance for doubtful accounts	58	175
Other	7,905	7,122
Total selling, general and administrative expenses	184,545	179,602
Operating income	18,900	36,331
Non-operating income:		
Dividend income	2,681	1,490
Share of profit of entities accounted for using equity method	4,553	4,263
Gain on investments in partnerships	4	2,061
Other	2,107	1,893
Total non-operating income	9,347	9,709
Non-operating expenses:		
Interest expenses	12	251
Foreign exchange losses	95	143
Bond issuance cost	60	160
Other	295	364
Total non-operating expenses	464	921
Ordinary income	¥ 27,784	¥ 45,120

	Millions of yen	
	Six Months Ended	
	September 30, 2019	September 30, 2020
Extraordinary income:		
Gain on sales of non-current assets	¥ 8,587	¥ 57
Gain on sales of investment securities	2,241	3,123
Gain on step acquisitions	4,642	-
Gain on change in equity	11,413	-
Total extraordinary income	26,885	3,180
Extraordinary losses:		
Loss on sales and retirement of non-current assets	50	367
Impairment loss	619	383
Loss on valuation of investment securities	1,102	35
Loss on change in equity	-	68
Structural reform cost	11,593	-
Other	-	280
Total extraordinary losses	13,365	1,134
Income before income taxes	41,303	47,167
Income taxes - current	11,300	11,998
Income taxes - deferred	(3,400)	1,696
Total income taxes	7,900	13,694
Profit	33,403	33,472
Profit attributable to non-controlling interests	19	667
Profit attributable to owners of parent	¥ 33,383	¥ 32,804

Consolidated statements of comprehensive income

	Millions of yen	
	Six Months Ended	
	September 30, 2019	September 30, 2020
Profit	¥ 33,403	¥ 33,472
Other comprehensive income:		
Valuation difference on available-for-sale securities	(2,070)	4,689
Deferred gains or losses on hedges	(2,947)	2,562
Foreign currency translation adjustment	(12,248)	(3,126)
Share of other comprehensive income of entities accounted for using equity method	(250)	309
Total other comprehensive income	(17,517)	4,434
Comprehensive income	¥ 15,885	¥ 37,906
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	¥ 15,887	¥ 37,235
Comprehensive income attributable to non-controlling interests	(1)	670

(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				
	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020
Operating revenue:					
Commission received:	¥ 64,810	¥ 68,448	¥ 68,352	¥ 57,749	¥ 70,809
Brokerage commission	12,684	13,994	17,406	17,124	16,420
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	8,337	9,466	5,081	4,430	14,443
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	5,716	5,369	5,816	4,068	4,205
Other fees received	38,071	39,617	40,047	32,126	35,740
Net trading income	22,620	24,868	18,321	32,056	22,832
Net gain on private equity and other securities	(6,241)	1,563	3,748	641	3,210
Financial revenue	67,076	62,713	55,439	26,516	20,396
Other operating revenue	11,400	13,079	14,745	11,648	11,319
Total operating revenue	159,666	170,672	160,606	128,612	128,568
Financial expenses	57,492	49,216	37,432	15,582	11,536
Other operating expenses	5,850	9,264	12,552	7,583	6,543
Net operating revenue	96,323	112,191	110,621	105,445	110,488
Selling, general and administrative expenses:					
Trading related expenses	16,761	17,391	16,931	13,289	14,414
Personnel expenses	43,671	46,527	46,897	44,979	46,647
Real estate expenses	8,964	9,155	9,418	9,409	9,442
Office cost	6,298	6,653	6,585	6,144	5,779
Depreciation	7,664	7,605	7,795	8,404	8,441
Taxes and dues	2,629	2,585	2,753	2,762	2,587
Provision of allowance for doubtful accounts	10	11	99	136	39
Other	3,836	3,278	3,734	3,706	3,416
Total selling, general and administrative expenses	89,836	93,209	94,216	88,833	90,768
Operating income	6,486	18,982	16,405	16,612	19,719
Non-operating income	3,601	3,688	4,429	5,165	4,544
Non-operating expenses	226	431	574	407	513
Ordinary income	9,861	22,239	20,259	21,370	23,750
Extraordinary income	15,471	1,834	8,756	2,995	184
Extraordinary losses	3,871	446	9,118	185	949
Income before income taxes	21,461	23,627	19,897	24,181	22,985
Income taxes - current	8,929	3,877	10,910	2,482	9,516
Income taxes - deferred	(4,772)	3,594	(2,719)	3,795	(2,098)
Total income taxes	4,157	7,471	8,190	6,277	7,417
Profit	17,304	16,155	11,706	17,903	15,568
Profit(loss) attributable to non-controlling interests	(12)	447	451	351	316
Profit attributable to owners of parent	¥ 17,316	¥ 15,707	¥ 11,255	¥ 17,552	¥ 15,252