

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: February 10, 2021

Scheduled date of dividend payment: -

Supplemental information for quarterly financial results: Yes

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



January 28, 2021

Financial Summary (Consolidated)

For the nine months period ended December 31, 2020 <Under Japanese GAAP>

(Figures less than one million yen are rounded down)

1. Consolidated financial results (April 1, 2020 to December 31, 2020)

(1) Consolidated operating results

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

	Operating revenue		Net operating revenue		Operating income		Ordinary income	
FY 2020	408,817	(20.1)%	342,083	8.4%	68,273	80.2%	79,635	59.2%
FY 2019	511,680	(4.6)%	315,638	(5.4)%	37,883	(29.7)%	50,023	(23.6)%

(Note) Comprehensive income:

FY 2020: 70,134 million yen, 37.5% ; FY 2019: 51,024 million yen, 62.7%

	Profit attributable to owners of parent		Net income per share		Diluted net income per share	
FY 2020	57,789	17.7%	37.97	Yen	37.81	Yen
FY 2019	49,091	(2.6)%	31.66	Yen	31.50	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, 2020	26,234,974	1,300,145	4.8	%	820.74	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 Dec. 31, 2020: 1,250,130 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 Dec. 31, 2020 : 1,699,378,772 ; As of Mar. 31, 2020 : 1,699,378,772
(ii) Number of treasury shares:
As of Dec. 31, 2020 : 176,219,151 ; As of Mar. 31, 2020 : 179,915,970
(iii) Average number of shares issued and outstanding in each fiscal year:
As of Dec. 31, 2020: 1,522,046,196 ; As of Dec. 31, 2019: 1,550,681,940

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 has applied 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		December 31, 2020	
Current assets:				
Cash and deposits	¥	3,964,512	¥	4,594,032
Cash segregated as deposits		415,953		484,949
Notes and accounts receivable - trade		18,427		18,692
Securities		873,064		977,510
Trading products:		8,027,289		8,641,265
Trading securities and other		4,300,600		5,568,401
Derivatives		3,726,689		3,072,863
Operational investment securities		202,557		234,761
Allowance for investment loss		(1,160)		(594)
Operating loans		1,768,471		1,989,732
Work in process		609		982
Margin transaction assets:		114,384		131,157
Loans on margin transactions		105,203		120,601
Cash collateral pledged for securities borrowing on margin transactions		9,180		10,555
Loans secured by securities:		6,685,756		7,574,807
Cash collateral pledged for securities borrowed		4,813,361		5,091,172
Loans on Gensaki transactions		1,872,394		2,483,634
Advances paid		25,682		18,678
Short-term loans receivable		3,087		1,637
Accrued income		36,483		33,413
Other		711,935		564,268
Allowance for doubtful accounts		(415)		(426)
Total current assets		22,846,637		25,264,869
Non-current assets:				
Property, plant and equipment		309,166		316,354
Intangible assets:		124,115		119,558
Goodwill		13,629		12,574
Other		110,486		106,984
Investments and other assets:		542,179		534,190
Investment securities		491,660		487,923
Long-term loans receivable		5,915		6,204
Guarantee deposits		17,877		22,299
Deferred tax assets		17,125		8,886
Other		10,042		9,424
Allowance for doubtful accounts		(440)		(547)
Total non-current assets		975,462		970,104
Total assets	¥	23,822,099	¥	26,234,974

	Millions of yen	
	As of	
<i>Liabilities</i>	March 31, 2020	December 31, 2020
Current liabilities:		
Notes and accounts payable - trade	¥ 8,938	¥ 5,188
Trading products:	5,362,261	4,292,463
Trading securities and other	1,805,910	1,360,467
Derivatives	3,556,351	2,931,995
Trade date accrual	544,689	1,177,349
Margin transaction liabilities:	59,256	70,660
Borrowings on margin transactions	3,994	3,794
Cash received for securities lending on margin transactions	55,261	66,865
Borrowings secured by securities:	7,198,730	9,438,657
Cash received on debt credit transaction of securities	4,839,095	5,504,265
Borrowings on Gensaki transaction	2,359,635	3,934,391
Deposits from banking business	4,037,201	4,250,517
Deposits received	353,943	511,775
Guarantee deposits received	414,641	409,526
Short-term borrowings	1,276,948	1,395,654
Commercial papers	178,000	268,000
Current portion of bonds	277,852	205,798
Income taxes payable	7,403	3,399
Provision for bonuses	26,747	21,354
Other	172,101	102,264
Total current liabilities	19,918,716	22,152,608
Non-current liabilities:		
Bonds payable	1,379,226	1,453,179
Long-term borrowings	1,183,272	1,241,455
Deferred tax liabilities	4,369	6,491
Retirement benefit liability	44,359	44,726
Provision for loss on litigation	1,570	1,659
Other	28,900	30,788
Total non-current liabilities	2,641,697	2,778,300
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	¥ 24,934,828

	Millions of yen	
	As of	
<i>Net assets</i>	March 31, 2020	December 31, 2020
Shareholders' equity:		
Share capital	¥ 247,397	¥ 247,397
Capital surplus	230,808	230,699
Retained earnings	834,442	861,220
Treasury shares	(110,351)	(108,081)
Deposit for subscriptions to treasury shares	13	4
Total shareholders' equity	1,202,310	1,231,241
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	26,853	36,048
Deferred gains or losses on hedges	(13,592)	(8,168)
Foreign currency translation adjustment	(5,556)	(8,992)
Total accumulated other comprehensive income	7,703	18,888
Share acquisition rights	8,901	9,126
Non-controlling interests	38,849	40,888
Total net assets	1,257,766	1,300,145
Total liabilities and net assets	¥ 23,822,099	¥ 26,234,974

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

Consolidated statements of income

	Millions of yen	
	Nine Months Ended	
	December 31, 2019	December 31, 2020
Operating revenue:		
Commission received:	¥ 198,222	¥ 205,223
Brokerage commission	39,096	53,831
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	24,737	30,745
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	17,438	12,887
Other fees received	116,950	107,758
Net trading income	75,481	87,543
Net gain on private equity and other securities	(3,733)	6,511
Financial revenue	202,683	71,343
Other operating revenue	39,027	38,195
Total operating revenue	511,680	408,817
Financial expenses	172,484	38,279
Other operating expenses	23,557	28,453
Net operating revenue	315,638	342,083
Selling, general and administrative expenses:		
Trading related expenses	51,959	42,469
Personnel expenses	137,134	140,538
Real estate expenses	27,228	28,309
Office cost	19,384	18,158
Depreciation	23,017	25,318
Taxes and dues	7,775	8,057
Provision of allowance for doubtful accounts	70	308
Other	11,183	10,649
Total selling, general and administrative expenses	277,754	273,810
Operating income	37,883	68,273
Non-operating income:		
Dividend income	3,173	1,814
Share of profit of entities accounted for using equity method	7,129	6,674
Gain on investments in partnerships	1	2,059
Other	2,730	2,720
Total non-operating income	13,035	13,269
Non-operating expenses:		
Interest expenses	138	384
Foreign exchange losses	153	472
Bond issuance cost	93	163
Other	510	886
Total non-operating expenses	895	1,907
Ordinary income	¥ 50,023	¥ 79,635

	Millions of yen	
	Nine Months Ended	
	December 31, 2019	December 31, 2020
Extraordinary income:		
Gain on sales of non-current assets	¥ 8,587	¥ 57
Gain on sales of investment securities	4,076	3,833
Gain on step acquisitions	4,642	-
Gain on change in equity	11,413	-
Total extraordinary income	28,720	3,890
Extraordinary losses:		
Loss on sales and retirement of non-current assets	51	477
Impairment loss	766	380
Loss on valuation of investment securities	1,318	-
Loss on change in equity	-	68
Structural reform cost	11,675	-
Other	-	280
Total extraordinary losses	13,812	1,206
Income before income taxes	64,931	82,319
Income taxes - current	15,177	18,721
Income taxes - deferred	194	4,660
Total income taxes	15,372	23,382
Profit	49,558	58,937
Profit attributable to non-controlling interests	467	1,147
Profit attributable to owners of parent	¥ 49,091	¥ 57,789

Consolidated statements of comprehensive income

	Millions of yen	
	Nine Months Ended	
	December 31, 2019	December 31, 2020
Profit	¥ 49,558	¥ 58,937
Other comprehensive income:		
Valuation difference on available-for-sale securities	3,533	9,525
Deferred gains or losses on hedges	595	5,315
Foreign currency translation adjustment	(3,724)	(4,343)
Share of other comprehensive income of entities accounted for using equity method	1,060	699
Total other comprehensive income	1,465	11,197
Comprehensive income	¥ 51,024	¥ 70,134
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	¥ 50,553	¥ 68,974
Comprehensive income attributable to non-controlling interests	470	1,160

(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, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
Operating revenue:					
Commission received:	¥ 68,448	¥ 68,352	¥ 57,749	¥ 70,809	¥ 76,664
Brokerage commission	13,994	17,406	17,124	16,420	20,287
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	9,466	5,081	4,430	14,443	11,871
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	5,369	5,816	4,068	4,205	4,613
Other fees received	39,617	40,047	32,126	35,740	39,892
Net trading income	24,868	18,321	32,056	22,832	32,654
Net gain on private equity and other securities	1,563	3,748	641	3,210	2,660
Financial revenue	62,713	55,439	26,516	20,396	24,429
Other operating revenue	13,079	14,745	11,648	11,319	15,227
Total operating revenue	170,672	160,606	128,612	128,568	151,636
Financial expenses	49,216	37,432	15,582	11,536	11,160
Other operating expenses	9,264	12,552	7,583	6,543	14,326
Net operating revenue	112,191	110,621	105,445	110,488	126,149
Selling, general and administrative expenses:					
Trading related expenses	17,391	16,931	13,289	14,414	14,765
Personnel expenses	46,527	46,897	44,979	46,647	48,911
Real estate expenses	9,155	9,418	9,409	9,442	9,457
Office cost	6,653	6,585	6,144	5,779	6,233
Depreciation	7,605	7,795	8,404	8,441	8,473
Taxes and dues	2,585	2,753	2,762	2,587	2,707
Provision of allowance for doubtful accounts	11	99	136	39	132
Other	3,278	3,734	3,706	3,416	3,526
Total selling, general and administrative expenses	93,209	94,216	88,833	90,768	94,207
Operating income	18,982	16,405	16,612	19,719	31,941
Non-operating income	3,688	4,429	5,165	4,544	3,559
Non-operating expenses	431	574	407	513	986
Ordinary income	22,239	20,259	21,370	23,750	34,514
Extraordinary income	1,834	8,756	2,995	184	709
Extraordinary losses	446	9,118	185	949	72
Income before income taxes	23,627	19,897	24,181	22,985	35,152
Income taxes - current	3,877	10,910	2,482	9,516	6,723
Income taxes - deferred	3,594	(2,719)	3,795	(2,098)	2,963
Total income taxes	7,471	8,190	6,277	7,417	9,687
Profit	16,155	11,706	17,903	15,568	25,465
Profit attributable to non-controlling interests	447	451	351	316	479
Profit attributable to owners of parent	¥ 15,707	¥ 11,255	¥ 17,552	¥ 15,252	¥ 24,985