

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 11, 2021

Scheduled date of dividend payment: –

Supplemental information for quarterly financial results: Yes

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

July 29, 2021

Financial Summary (Consolidated)

For the three months period ended June 30, 2021 <Under Japanese GAAP>

(Figures less than one million yen are rounded down)

1. Consolidated financial results (April 1, 2021 to June 30, 2021)

(1) Consolidated operating results

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

	Operating revenue		Net operating revenue		Operating income		Ordinary income	
FY 2021	149,836	16.5 %	126,721	20.2 %	31,848	91.7%	34,922	63.4%
FY 2020	128,612	(29.1)%	105,445	(1.6)%	16,612	33.8%	21,370	19.2%

(Note) Comprehensive income:

FY 2021: 28,504million yen , 38.2% ; FY 2020: 20,632million yen , 512.6%

	Profit attributable to owners of parent		Net income per share		Diluted net income per share	
FY 2021	23,560	34.2%	15.45	Yen	15.38	Yen
FY 2020	17,552	9.2%	11.55	Yen	11.50	Yen

(Note) Daiwa Securities Group Inc. (hereinafter the “Company”) has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 revised on March 31, 2020), etc. , from the beginning of the fiscal year ending March 31, 2022.

(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, 2021	25,586,624	1,581,457	5.2	%	866.74	Yen
As of Mar. 31, 2021	26,099,330	1,591,841	5.1	%	875.12	Yen

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

As of Jun. 30, 2021: 1,321,883million yen ; As of Mar. 31, 2021: 1,333,570million yen

2. Cash dividends

	Dividends per share (yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
FY 2020	–	11.00	–	25.00	36.00
FY 2021 (actual)	–				
FY 2021 (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, 2022 is undecided.

3. Earnings forecasts for the fiscal year ending March 31, 2022 (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, 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

Phone +81-3-5555-1111

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: Yes

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

(iii) Changes in accounting estimates: None

(iv) Restatements: None

(Note) For details, please see “(1) Changes in accounting policies, estimates, and restatements” under “1.Summary information” on page 2.

(4) Number of shares issued (common stock)

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

As of Jun. 30, 2021 : 1,699,378,772 ; As of Mar. 31, 2021 : 1,699,378,772

(ii) Number of treasury shares:

As of Jun. 30, 2021 : 174,254,573 ; As of Mar. 31, 2021 : 175,511,235

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

As of Jun. 30, 2021 : 1,524,567,176 ; As of Jun. 30, 2020 : 1,519,983,313

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, 2022(consolidated)”, the forecast of the dividend is not stated.

(Accompanying materials)

Contents

1. Summary information	2
(1) Changes in accounting policies, estimates, and restatements	2
2. Consolidated financial statements	3
(1) Consolidated balance sheets	3
(2) Consolidated statements of income and Consolidated statements of comprehensive income	6
(3) Going concern assumption	9
(4) Changes in substantial amounts of fluctuation in shareholders' equity	9
(5) Quarterly transition of consolidated statements of income	10

(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 Revenue Recognition” (ASBJ Statement No. 29 revised on March 31, 2020; hereinafter referred to as “Revenue Recognition Standard”), etc. , from the beginning of the fiscal year ending March 31, 2022, and recognize revenue at the amount expected to be received in exchange for its goods or services when the dominance of the promised goods or services are transferred to a customer.

For the application of the Revenue Recognition Standard, the Company has followed the transitional treatment prescribed in Article 84 proviso of the Revenue Recognition Standard. Accordingly, the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the first quarter under review has been added to or subtracted from retained earnings at the beginning of the quarter. However, for the contracts for which almost all revenues have been recognized under the previous accounting method before the beginning of this consolidated first quarter, the method stipulated in Article 86 of the Revenue Recognition Standard is not applied retroactively. In addition, in accordance to Provision (1) stipulated in Section 86 of the Revenue Recognition Standard, the accounts have been processed reflecting all contract modifications on all contracts made prior to the beginning of this consolidated first quarter, and the cumulative impact amount was either added to or subtracted from retained earnings at the beginning of this consolidated first quarter.

Due to the application of the Revenue Recognition Standard, “Notes and accounts receivable – trade” which were included in “Current assets” in the consolidated balance sheets for the previous fiscal year, are included in “Notes and accounts receivable - trade, and contract assets” from the beginning of the fiscal year ending March 31, 2022. In accordance with the transitional treatment stipulated in Article 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

This has no significant effect on the quarterly consolidated financial statements.

2. Consolidated financial statements

(1) Consolidated balance sheets

Assets	Millions of yen			
	As of			
		March 31, 2021		June 30, 2021
Current assets:				
Cash and deposits	¥	4,763,197	¥	3,970,756
Cash segregated as deposits		485,876		520,245
Notes and accounts receivable - trade		21,488		-
Notes and accounts receivable - trade, and contract assets		-		22,048
Securities		996,683		1,100,734
Trading products:		7,834,093		8,464,158
Trading securities and other		5,374,191		6,115,772
Derivatives		2,459,901		2,348,386
Operational investment securities		97,092		97,124
Allowance for investment loss		(588)		(663)
Operating loans		1,996,121		1,921,295
Work in process		603		816
Margin transaction assets:		162,078		181,557
Loans on margin transactions		152,077		176,303
Cash collateral pledged for securities borrowing on margin transactions		10,001		5,253
Loans secured by securities:		7,448,321		7,053,099
Cash collateral pledged for securities borrowed		5,054,451		4,248,248
Loans on Gensaki transactions		2,393,870		2,804,850
Advances paid		20,131		30,152
Short-term loans receivable		595		368
Accrued income		36,229		36,098
Other		788,790		738,423
Allowance for doubtful accounts		(4,401)		(4,412)
Total current assets		24,646,314		24,131,803
Non-current assets:				
Property, plant and equipment		880,477		883,318
Intangible assets:		128,786		124,479
Goodwill		21,229		20,357
Other		107,557		104,122
Investments and other assets:		443,751		447,023
Investment securities		402,590		409,325
Long-term loans receivable		6,313		7,300
Guarantee deposits		17,692		17,260
Deferred tax assets		11,397		6,491
Other		10,415		11,305
Allowance for doubtful accounts		(1,037)		(1,038)
Allowance for investment loss		(3,620)		(3,620)
Total non-current assets		1,453,016		1,454,821
Total assets	¥	26,099,330	¥	25,586,624

Millions of yen

<i>Liabilities</i>	As of	
	March 31, 2021	June 30, 2021
Current liabilities:		
Notes and accounts payable - trade	¥ 5,382	¥ 4,437
Trading products:	4,367,822	4,372,958
Trading securities and other	2,032,969	2,153,565
Derivatives	2,334,853	2,219,393
Trade date accrual	1,320,279	845,460
Margin transaction liabilities:	64,022	62,750
Borrowings on margin transactions	4,139	1,576
Cash received for securities lending on margin transactions	59,882	61,174
Borrowings secured by securities:	8,176,094	8,922,306
Cash received on debt credit transaction of securities	4,699,647	4,527,766
Borrowings on Gensaki transaction	3,476,447	4,394,540
Deposits from banking business	4,416,097	4,286,793
Deposits received	419,994	529,562
Guarantee deposits received	366,351	350,110
Short-term borrowings	1,408,288	871,894
Commercial papers	265,000	225,000
Current portion of bonds	203,774	293,932
Income taxes payable	17,962	13,336
Provision for bonuses	36,316	15,341
Other	151,966	113,842
Total current liabilities	21,219,352	20,907,727
Non-current liabilities:		
Bonds payable	1,557,333	1,521,571
Long-term borrowings	1,586,913	1,433,768
Deferred tax liabilities	43,176	42,730
Retirement benefit liability	44,773	44,509
Provision for loss on litigation	1,809	203
Other	50,430	50,954
Total non-current liabilities	3,284,436	3,093,738
Reserves under special laws:		
Reserve for financial instruments transaction liabilities	3,699	3,700
Total reserves under special laws	3,699	3,700
Total liabilities	¥ 24,507,489	¥ 24,005,167

Millions of yen

<i>Net assets</i>	As of	
	March 31, 2021	June 30, 2021
Shareholders' equity:		
Share capital	¥ 247,397	¥ 247,397
Capital surplus	230,651	230,651
Retained earnings	911,742	897,112
Treasury shares	(107,646)	(106,875)
Deposit for subscriptions to treasury shares	9	2
Total shareholders' equity	1,282,154	1,268,287
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	41,587	42,460
Deferred gains or losses on hedges	(3,058)	(5,239)
Foreign currency translation adjustment	12,886	16,374
Total accumulated other comprehensive income	51,415	53,595
Share acquisition rights	9,125	9,028
Non-controlling interests	249,145	250,545
Total net assets	1,591,841	1,581,457
Total liabilities and net assets	¥ 26,099,330	¥ 25,586,624

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

Consolidated statements of income

	Millions of yen			
	Three Months Ended			
	June 30, 2020		June 30, 2021	
Operating revenue:				
Commission received:	¥	57,749	¥	77,309
Brokerage commission		17,124		18,600
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors		4,430		10,595
Fees for offering, secondary distribution and solicitation for selling and others for professional investors		4,068		6,295
Other fees received		32,126		41,817
Net trading income		32,056		26,293
Net gain on private equity and other securities		641		1,681
Financial revenue		26,516		21,295
Other operating revenue		11,648		23,257
Total operating revenue		128,612		149,836
Financial expenses		15,582		10,421
Other operating expenses		7,583		12,692
Net operating revenue		105,445		126,721
Selling, general and administrative expenses:				
Trading related expenses		13,289		15,230
Personnel expenses		44,979		49,200
Real estate expenses		9,409		9,137
Office cost		6,144		5,657
Depreciation		8,404		8,771
Taxes and dues		2,762		2,858
Provision of allowance for doubtful accounts		136		0
Other		3,706		4,017
Total selling, general and administrative expenses		88,833		94,873
Operating income		16,612		31,848
Non-operating income:				
Dividend income		626		1,532
Share of profit of entities accounted for using equity method		2,291		493
Gain on investments in partnerships		956		679
Other		1,290		1,036
Total non-operating income		5,165		3,742
Non-operating expenses:				
Interest expenses		125		458
Foreign exchange losses		43		0
Bond issuance cost		86		18
Other		151		190
Total non-operating expenses		407		668
Ordinary income	¥	21,370	¥	34,922

	Millions of yen	
	Three Months Ended	
	June 30, 2020	June 30, 2021
Extraordinary income:		
Gain on receipt of donated non-current assets	¥ —	¥ 318
Gain on sales of investment securities	2,995	236
Reversal of provision for loss on litigation	—	686
Total extraordinary income	2,995	1,241
Extraordinary losses:		
Loss on sales and retirement of non-current assets	19	66
Impairment loss	—	495
Loss on valuation of investment securities	97	380
Loss on change in equity	68	—
Structural reform cost	—	44
Total extraordinary losses	185	987
Income before income taxes	24,181	35,176
Income taxes - current	2,482	4,561
Income taxes - deferred	3,795	4,743
Total income taxes	6,277	9,304
Profit	17,903	25,871
Profit attributable to non-controlling interests	351	2,310
Profit attributable to owners of parent	¥ 17,552	¥ 23,560

Consolidated statements of comprehensive income

Millions of yen

	Three Months Ended	
	June 30, 2020	June 30, 2021
Profit	¥ 17,903	¥ 25,871
Other comprehensive income:		
Valuation difference on available-for-sale securities	3,061	696
Deferred gains or losses on hedges	2,027	(2,198)
Foreign currency translation adjustment	(1,831)	1,410
Share of other comprehensive income of entities accounted for using equity method	(529)	2,723
Total other comprehensive income	2,728	2,632
Comprehensive income	¥ 20,632	¥ 28,504
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	¥ 20,279	¥ 25,741
Comprehensive income attributable to non-controlling interests	353	2,762

(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, 2020	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021
Operating revenue:					
Commission received:	¥ 57,749	¥ 70,809	¥ 76,664	¥ 81,612	¥ 77,309
Commission to consignees	17,124	16,420	20,287	24,194	18,600
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	4,430	14,443	11,871	7,353	10,595
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	4,068	4,205	4,613	6,324	6,295
Other fees received	32,126	35,740	39,892	43,740	41,817
Net trading income	32,056	22,832	32,654	31,352	26,293
Net gain on private equity and other securities	641	3,210	2,660	(1,703)	1,681
Financial revenue	26,516	20,396	24,429	21,845	21,295
Other operating revenue	11,648	11,319	15,227	34,249	23,257
Total operating revenue	128,612	128,568	151,636	167,355	149,836
Financial expenses	15,582	11,536	11,160	16,201	10,421
Other operating expenses	7,583	6,543	14,326	26,577	12,692
Net operating revenue	105,445	110,488	126,149	124,576	126,721
Selling, general and administrative expenses:					
Trading related expenses	13,289	14,414	14,765	15,142	15,230
Personnel expenses	44,979	46,647	48,911	52,464	49,200
Real estate expenses	9,409	9,442	9,457	10,132	9,137
Office cost	6,144	5,779	6,233	6,207	5,657
Depreciation	8,404	8,441	8,473	8,601	8,771
Taxes and dues	2,762	2,587	2,707	3,436	2,858
Provision of allowance for doubtful accounts	136	39	132	(26)	0
Other	3,706	3,416	3,526	4,032	4,017
Total selling, general and administrative expenses	88,833	90,768	94,207	99,990	94,873
Operating income	16,612	19,719	31,941	24,586	31,848
Non-operating income	5,165	4,544	3,559	12,231	3,742
Non-operating expenses	407	513	986	1,277	668
Ordinary income	21,370	23,750	34,514	35,540	34,922
Extraordinary income	2,995	184	709	47,760	1,241
Extraordinary losses	185	949	72	21,052	987
Income before income taxes	24,181	22,985	35,152	62,247	35,176
Income taxes - current	2,482	9,516	6,723	16,867	4,561
Income taxes - deferred	3,795	(2,098)	2,963	(5,334)	4,743
Total income taxes	6,277	7,417	9,687	11,533	9,304
Profit	17,903	15,568	25,465	50,714	25,871
Profit (loss) attributable to non-controlling interests	351	316	479	107	2,310
Profit attributable to owners of parent	¥ 17,552	¥ 15,252	¥ 24,985	¥ 50,606	¥ 23,560