

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 12, 2021

Scheduled date of dividend payment: December 1, 2021

Supplemental information for quarterly financial results: Yes

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



October 27, 2021

Financial Summary (Consolidated)

For the six months period ended September 30, 2021 <Under Japanese GAAP>

(Figures less than one million yen are rounded down)

1. Consolidated financial results (April 1, 2021 to September 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	304,538	18.4 %	255,943	18.5%	62,525	72.1%	71,919	59.4%
FY 2020	257,180	(24.6)%	215,934	6.1%	36,331	92.2%	45,120	62.4%

(Note) Comprehensive income:

FY 2021: 62,925 million yen, 66.0% ; FY 2020: 37,906 million yen, 138.6%

	Profit attributable to owners of parent		Net income per share		Diluted net income per share	
FY 2021	50,203	53.0 %	32.99	Yen	32.77	Yen
FY 2020	32,804	(1.7)%	21.56	Yen	21.47	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 Sep. 30, 2021	25,510,806	1,612,395	5.3	%	889.70	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 Sep. 30, 2021: 1,344,702 million yen ; As of Mar. 31, 2021: 1,333,570 million 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)	—	17.00			
FY 2021 (expected)			—	—	—

(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

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

(ii) Number of treasury shares:

As of Sep. 30, 2021 : 187,979,364 ; As of Mar. 31, 2021 : 175,511,235

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

As of Sep. 30, 2021 : 1,521,976,505 ; As of Sep. 30, 2020 : 1,521,503,590

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)

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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 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	September 30, 2021
Current assets:		
Cash and deposits	¥ 4,763,197	¥ 4,680,887
Cash segregated as deposits	485,876	602,795
Notes and accounts receivable - trade	21,488	-
Notes and accounts receivable - trade, and contract assets	-	24,190
Securities	996,683	1,051,844
Trading products:	7,834,093	6,824,827
Trading securities and other	5,374,191	4,646,388
Derivatives	2,459,901	2,178,438
Operational investment securities	97,092	100,150
Allowance for investment loss	(588)	(215)
Operating loans	1,996,121	1,938,394
Work in process	603	1,225
Margin transaction assets:	162,078	177,643
Loans on margin transactions	152,077	173,076
Cash collateral pledged for securities borrowing on margin transactions	10,001	4,566
Loans secured by securities:	7,448,321	7,832,873
Cash collateral pledged for securities borrowed	5,054,451	4,377,310
Loans on Gensaki transactions	2,393,870	3,455,562
Advances paid	20,131	30,544
Short-term loans receivable	595	796
Accrued income	36,229	40,378
Other	788,790	741,570
Allowance for doubtful accounts	(4,401)	(6,959)
Total current assets	24,646,314	24,040,947
Non-current assets:		
Property, plant and equipment	880,477	880,893
Intangible assets:	128,786	122,043
Goodwill	21,229	20,020
Other	107,557	102,022
Investments and other assets:	443,751	466,922
Investment securities	402,590	428,413
Long-term loans receivable	6,313	6,414
Guarantee deposits	17,692	17,125
Deferred tax assets	11,397	8,185
Other	10,415	11,442
Allowance for doubtful accounts	(1,037)	(1,038)
Allowance for investment loss	(3,620)	(3,620)
Total non-current assets	1,453,016	1,469,859
Total assets	¥ 26,099,330	¥ 25,510,806

Millions of yen

<i>Liabilities</i>	As of	
	March 31, 2021	September 30, 2021
Current liabilities:		
Notes and accounts payable - trade	¥ 5,382	¥ 5,289
Trading products:	4,367,822	3,927,318
Trading securities and other	2,032,969	1,890,590
Derivatives	2,334,853	2,036,728
Trade date accrual	1,320,279	745,360
Margin transaction liabilities:	64,022	67,567
Borrowings on margin transactions	4,139	3,611
Cash received for securities lending on margin transactions	59,882	63,956
Borrowings secured by securities:	8,176,094	8,590,281
Cash received on debt credit transaction of securities	4,699,647	4,217,630
Borrowings on Gensaki transaction	3,476,447	4,372,651
Deposits from banking business	4,416,097	4,291,472
Deposits received	419,994	645,778
Guarantee deposits received	366,351	349,108
Short-term borrowings	1,408,288	1,596,333
Commercial papers	265,000	232,000
Current portion of bonds	203,774	338,450
Income taxes payable	17,962	8,073
Provision for bonuses	36,316	29,469
Other	151,966	128,776
Total current liabilities	21,219,352	20,955,279
Non-current liabilities:		
Bonds payable	1,557,333	1,501,302
Long-term borrowings	1,586,913	1,295,236
Deferred tax liabilities	43,176	42,833
Retirement benefit liability	44,773	44,594
Provision for loss on litigation	1,809	167
Other	50,430	55,295
Total non-current liabilities	3,284,436	2,939,428
Reserves under special laws:		
Reserve for financial instruments transaction liabilities	3,699	3,702
Total reserves under special laws	3,699	3,702
Total liabilities	¥ 24,507,489	¥ 23,898,411

Millions of yen

<i>Net assets</i>	As of	
	March 31, 2021	September 30, 2021
Shareholders' equity:		
Share capital	¥ 247,397	¥ 247,397
Capital surplus	230,651	230,536
Retained earnings	911,742	923,658
Treasury shares	(107,646)	(115,729)
Deposit for subscriptions to treasury shares	9	5
Total shareholders' equity	1,282,154	1,285,869
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	41,587	45,340
Deferred gains or losses on hedges	(3,058)	(4,112)
Foreign currency translation adjustment	12,886	17,604
Total accumulated other comprehensive income	51,415	58,833
Share acquisition rights	9,125	9,094
Non-controlling interests	249,145	258,597
Total net assets	1,591,841	1,612,395
Total liabilities and net assets	¥ 26,099,330	¥ 25,510,806

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

Consolidated statements of income

	Millions of yen			
	Six Months Ended			
	September 30, 2020		September 30, 2021	
Operating revenue:				
Commission received:	¥	128,559	¥	160,292
Brokerage commission		33,544		38,122
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors		18,873		20,429
Fees for offering, secondary distribution and solicitation for selling and others for professional investors		8,274		12,477
Other fees received		67,866		89,263
Net trading income		54,888		52,140
Net gain on private equity and other securities		3,851		2,607
Financial revenue		46,913		39,882
Other operating revenue		22,968		49,614
Total operating revenue		257,180		304,538
Financial expenses		27,118		22,925
Other operating expenses		14,127		25,669
Net operating revenue		215,934		255,943
Selling, general and administrative expenses:				
Trading related expenses		27,704		30,378
Personnel expenses		91,627		101,027
Real estate expenses		18,851		18,475
Office cost		11,924		11,933
Depreciation		16,845		17,544
Taxes and dues		5,349		5,436
Provision of allowance for doubtful accounts		175		24
Other		7,122		8,597
Total selling, general and administrative expenses		179,602		193,417
Operating income		36,331		62,525
Non-operating income:				
Dividend income		1,490		2,488
Share of profit of entities accounted for using equity method		4,263		4,432
Foreign exchange gains		-		69
Gain on investments in partnerships		2,061		2,340
Other		1,893		1,439
Total non-operating income		9,709		10,769
Non-operating expenses:				
Interest expenses		251		909
Foreign exchange losses		143		-
Bond issuance cost		160		18
Other		364		448
Total non-operating expenses		921		1,375
Ordinary income	¥	45,120	¥	71,919

	Millions of yen	
	Six Months Ended	
	September 30, 2020	September 30, 2021
Extraordinary income:		
Gain on sale of non-current assets	¥ 57	¥ 45
Gain on receipt of donated non-current assets	-	318
Gain on sale of investment securities	3,123	340
Gain on sale of shares of subsidiaries and associates	-	2,926
Recoveries of written off receivables	-	302
Reversal of provision for loss on litigation	-	686
Total extraordinary income	3,180	4,619
Extraordinary losses:		
Loss on sales and retirement of non-current assets	367	142
Impairment loss	383	485
Loss on valuation of investment securities	35	505
Loss on change in equity	68	-
Structural reform cost	-	44
Other	280	133
Total extraordinary losses	1,134	1,311
Income before income taxes	47,167	75,228
Income taxes - current	11,998	18,691
Income taxes - deferred	1,696	1,639
Total income taxes	13,694	20,331
Profit	33,472	54,896
Profit attributable to non-controlling interests	667	4,692
Profit attributable to owners of parent	¥ 32,804	¥ 50,203

Consolidated statements of comprehensive income

	Millions of yen	
	Six Months Ended	
	September 30, 2020	September 30, 2021
Profit	¥ 33,472	¥ 54,896
Other comprehensive income:		
Valuation difference on available-for-sale securities	4,689	3,453
Deferred gains or losses on hedges	2,562	(1,096)
Foreign currency translation adjustment	(3,126)	2,324
Share of other comprehensive income of entities accounted for using equity method	309	3,347
Total other comprehensive income	4,434	8,028
Comprehensive income	¥ 37,906	¥ 62,925
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	¥ 37,235	¥ 57,621
Comprehensive income attributable to non-controlling interests	670	5,303

(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, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021
Operating revenue:					
Commission received:	¥ 70,809	¥ 76,664	¥ 81,612	¥ 77,309	¥ 82,983
Brokerage commission	16,420	20,287	24,194	18,600	19,521
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	14,443	11,871	7,353	10,595	9,833
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	4,205	4,613	6,324	6,295	6,181
Other fees received	35,740	39,892	43,740	41,817	47,445
Net trading income	22,832	32,654	31,352	26,293	25,847
Net gain on private equity and other securities	3,210	2,660	(1,703)	1,681	926
Financial revenue	20,396	24,429	21,845	21,295	18,587
Other operating revenue	11,319	15,227	34,249	23,257	26,357
Total operating revenue	128,568	151,636	167,355	149,836	154,702
Financial expenses	11,536	11,160	16,201	10,421	12,503
Other operating expenses	6,543	14,326	26,577	12,692	12,976
Net operating revenue	110,488	126,149	124,576	126,721	129,222
Selling, general and administrative expenses:					
Trading related expenses	14,414	14,765	15,142	15,230	15,148
Personnel expenses	46,647	48,911	52,464	49,200	51,827
Real estate expenses	9,442	9,457	10,132	9,137	9,338
Office cost	5,779	6,233	6,207	5,657	6,275
Depreciation	8,441	8,473	8,601	8,771	8,773
Taxes and dues	2,587	2,707	3,436	2,858	2,577
Provision of allowance for doubtful accounts	39	132	(26)	0	24
Other	3,416	3,526	4,032	4,017	4,579
Total selling, general and administrative expenses	90,768	94,207	99,990	94,873	98,544
Operating income	19,719	31,941	24,586	31,848	30,677
Non-operating income	4,544	3,559	12,231	3,742	7,026
Non-operating expenses	513	986	1,277	668	707
Ordinary income	23,750	34,514	35,540	34,922	36,997
Extraordinary income	184	709	47,760	1,241	3,378
Extraordinary losses	949	72	21,052	987	323
Income before income taxes	22,985	35,152	62,247	35,176	40,051
Income taxes - current	9,516	6,723	16,867	4,561	14,130
Income taxes - deferred	(2,098)	2,963	(5,334)	4,743	(3,103)
Total income taxes	7,417	9,687	11,533	9,304	11,026
Profit	15,568	25,465	50,714	25,871	29,024
Profit attributable to non-controlling interests	316	479	107	2,310	2,381
Profit attributable to owners of parent	¥ 15,252	¥ 24,985	¥ 50,606	¥ 23,560	¥ 26,642