

# 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, 2022

Scheduled date of dividend payment: -

Supplemental information for quarterly financial results: Yes

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



January 28, 2022

## Financial Summary (Consolidated)

For the nine months period ended December 31, 2021 <Under Japanese GAAP>

(Figures less than one million yen are rounded down)

### 1. Consolidated financial results (April 1, 2021 to December 31, 2021)

(1) Consolidated operating results

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

	Operating revenue		Net operating revenue		Operating income		Ordinary income	
FY 2021	471,138	15.2 %	390,317	14.1%	98,575	44.4%	112,481	41.2%
FY 2020	408,817	(20.1)%	342,083	8.4%	68,273	80.2%	79,635	59.2%

(Note) Comprehensive income:

FY 2021: 96,321 million yen, 37.3%; FY 2020: 70,134 million yen, 37.5%

	Profit attributable to owners of parent		Net income per share		Diluted net income per share	
FY 2021	76,902	33.1%	50.86	Yen	50.60	Yen
FY 2020	57,789	17.7%	37.97	Yen	37.81	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 Dec. 31, 2021	26,415,274	1,600,496	5.0	%	897.76	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 Dec. 31, 2021: 1,331,188 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 Dec. 31, 2021 : 1,699,378,772 ; As of Mar. 31, 2021 : 1,699,378,772

(ii) Number of treasury shares:

As of Dec. 31, 2021 : 216,614,948 ; As of Mar. 31, 2021 : 175,511,235

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

As of Dec. 31, 2021 : 1,511,963,575 ; As of Dec. 31, 2020 : 1,522,046,196

#### 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		December 31, 2021	
<b>Current assets:</b>				
Cash and deposits	¥	4,763,197	¥	4,612,814
Cash segregated as deposits		485,876		549,640
Notes and accounts receivable - trade		21,488		-
Notes and accounts receivable - trade, and contract assets		-		23,262
Securities		996,683		1,187,201
Trading products:		7,834,093		7,874,684
Trading securities and other		5,374,191		5,879,398
Derivatives		2,459,901		1,995,286
Operational investment securities		97,092		105,187
Allowance for investment loss		(588)		(152)
Operating loans		1,996,121		1,902,353
Work in process		603		3,471
Margin transaction assets:		162,078		186,373
Loans on margin transactions		152,077		183,245
Cash collateral pledged for securities borrowing on margin transactions		10,001		3,128
Loans secured by securities:		7,448,321		7,719,679
Cash collateral pledged for securities borrowed		5,054,451		4,771,355
Loans on Gensaki transactions		2,393,870		2,948,324
Advances paid		20,131		16,894
Short-term loans receivable		595		653
Accrued income		36,229		35,947
Other		788,790		686,365
Allowance for doubtful accounts		(4,401)		(6,978)
<b>Total current assets</b>		<b>24,646,314</b>		<b>24,897,397</b>
<b>Non-current assets:</b>				
Property, plant and equipment		880,477		907,956
Intangible assets:		128,786		120,608
Goodwill		21,229		19,731
Other		107,557		100,877
Investments and other assets:		443,751		489,311
Investment securities		402,590		451,102
Long-term loans receivable		6,313		6,602
Guarantee deposits		17,692		17,572
Deferred tax assets		11,397		6,832
Other		10,415		11,860
Allowance for doubtful accounts		(1,037)		(1,037)
Allowance for investment loss		(3,620)		(3,620)
<b>Total non-current assets</b>		<b>1,453,016</b>		<b>1,517,876</b>
<b>Total assets</b>	¥	<b>26,099,330</b>	¥	<b>26,415,274</b>

Millions of yen

<i>Liabilities</i>	As of	
	March 31, 2021	December 31, 2021
<b>Current liabilities:</b>		
Notes and accounts payable - trade	¥ 5,382	¥ 5,873
Trading products:	4,367,822	4,816,533
Trading securities and other	2,032,969	2,940,096
Derivatives	2,334,853	1,876,436
Trade date accrual	1,320,279	1,063,431
Margin transaction liabilities:	64,022	66,249
Borrowings on margin transactions	4,139	1,758
Cash received for securities lending on margin transactions	59,882	64,491
Borrowings secured by securities:	8,176,094	8,251,769
Cash received on debt credit transaction of securities	4,699,647	4,690,300
Borrowings on Gensaki transaction	3,476,447	3,561,469
Deposits from banking business	4,416,097	4,325,339
Deposits received	419,994	580,124
Guarantee deposits received	366,351	323,358
Short-term borrowings	1,408,288	1,832,382
Commercial papers	265,000	77,000
Current portion of bonds	203,774	362,587
Income taxes payable	17,962	4,436
Provision for bonuses	36,316	27,552
Other	151,966	105,014
<b>Total current liabilities</b>	<b>21,219,352</b>	<b>21,841,653</b>
<b>Non-current liabilities:</b>		
Bonds payable	1,557,333	1,550,124
Long-term borrowings	1,586,913	1,276,178
Deferred tax liabilities	43,176	42,804
Retirement benefit liability	44,773	44,554
Provision for loss on litigation	1,809	157
Other	50,430	55,601
<b>Total non-current liabilities</b>	<b>3,284,436</b>	<b>2,969,419</b>
<b>Reserves under special laws:</b>		
Reserve for financial instruments transaction liabilities	3,699	3,703
<b>Total reserves under special laws</b>	<b>3,699</b>	<b>3,703</b>
<b>Total liabilities</b>	<b>¥ 24,507,489</b>	<b>¥ 24,814,777</b>

Millions of yen

<i>Net assets</i>	As of	
	March 31, 2021	December 31, 2021
<b>Shareholders' equity:</b>		
Share capital	¥ 247,397	¥ 247,397
Capital surplus	230,651	230,536
Retained earnings	911,742	924,689
Treasury shares	(107,646)	(134,510)
Deposit for subscriptions to treasury shares	9	14
<b>Total shareholders' equity</b>	<b>1,282,154</b>	<b>1,268,128</b>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	41,587	38,125
Deferred gains or losses on hedges	(3,058)	(1,807)
Foreign currency translation adjustment	12,886	26,741
<b>Total accumulated other comprehensive income</b>	<b>51,415</b>	<b>63,060</b>
<b>Share acquisition rights</b>	<b>9,125</b>	<b>9,213</b>
<b>Non-controlling interests</b>	<b>249,145</b>	<b>260,094</b>
<b>Total net assets</b>	<b>1,591,841</b>	<b>1,600,496</b>
<b>Total liabilities and net assets</b>	<b>¥ 26,099,330</b>	<b>¥ 26,415,274</b>

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

Consolidated statements of income

	Millions of yen			
	Nine Months Ended			
	December 31, 2020		December 31, 2021	
<b>Operating revenue:</b>				
Commission received:	¥	205,223	¥	244,783
Brokerage commission		53,831		58,227
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors		30,745		34,137
Fees for offering, secondary distribution and solicitation for selling and others for professional investors		12,887		18,036
Other fees received		107,758		134,380
Net trading income		87,543		80,684
Net gain on private equity and other securities		6,511		3,644
Financial revenue		71,343		57,570
Other operating revenue		38,195		84,454
<b>Total operating revenue</b>		<b>408,817</b>		<b>471,138</b>
<b>Financial expenses</b>		<b>38,279</b>		<b>33,151</b>
<b>Other operating expenses</b>		<b>28,453</b>		<b>47,668</b>
<b>Net operating revenue</b>		<b>342,083</b>		<b>390,317</b>
<b>Selling, general and administrative expenses:</b>				
Trading related expenses		42,469		46,772
Personnel expenses		140,538		151,063
Real estate expenses		28,309		27,999
Office cost		18,158		18,340
Depreciation		25,318		26,298
Taxes and dues		8,057		8,386
Provision of allowance for doubtful accounts		308		22
Other		10,649		12,858
<b>Total selling, general and administrative expenses</b>		<b>273,810</b>		<b>291,741</b>
<b>Operating income</b>		<b>68,273</b>		<b>98,575</b>
<b>Non-operating income:</b>				
Dividend income		1,814		2,977
Share of profit of entities accounted for using equity method		6,674		5,124
Foreign exchange gains		-		170
Gain on investments in partnerships		2,059		5,070
Other		2,720		2,689
<b>Total non-operating income</b>		<b>13,269</b>		<b>16,032</b>
<b>Non-operating expenses:</b>				
Interest expenses		384		1,375
Foreign exchange losses		472		-
Bond issuance cost		163		30
Other		886		721
<b>Total non-operating expenses</b>		<b>1,907</b>		<b>2,127</b>
<b>Ordinary income</b>	¥	<b>79,635</b>	¥	<b>112,481</b>



	Millions of yen	
	Nine Months Ended	
	December 31, 2020	December 31, 2021
<b>Extraordinary income:</b>		
Gain on sales of non-current assets	¥ 57	¥ 45
Gain on receipt of donated non-current assets	-	318
Gain on sales of investment securities	3,833	742
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
<b>Total extraordinary income</b>	<b>3,890</b>	<b>5,021</b>
<b>Extraordinary losses:</b>		
Loss on sales and retirement of non-current assets	477	147
Impairment loss	380	486
Loss on valuation of investment securities	-	586
Loss on change in equity	68	-
Structural reform cost	-	44
Other	280	147
<b>Total extraordinary losses</b>	<b>1,206</b>	<b>1,412</b>
<b>Income before income taxes</b>	<b>82,319</b>	<b>116,091</b>
Income taxes - current	18,721	27,317
Income taxes - deferred	4,660	4,861
<b>Total income taxes</b>	<b>23,382</b>	<b>32,178</b>
<b>Profit</b>	<b>58,937</b>	<b>83,912</b>
<b>Profit attributable to non-controlling interests</b>	<b>1,147</b>	<b>7,010</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 57,789</b>	<b>¥ 76,902</b>

Consolidated statements of comprehensive income

	Millions of yen	
	Nine Months Ended	
	December 31, 2020	December 31, 2021
<b>Profit</b>	¥ 58,937	¥ 83,912
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	9,525	(3,752)
Deferred gains or losses on hedges	5,315	1,322
Foreign currency translation adjustment	(4,343)	11,861
Share of other comprehensive income of entities accounted for using equity method	699	2,976
<b>Total other comprehensive income</b>	<b>11,197</b>	<b>12,408</b>
<b>Comprehensive income</b>	<b>¥ 70,134</b>	<b>¥ 96,321</b>
<b>Comprehensive income attributable to:</b>		
Comprehensive income attributable to owners of parent	¥ 68,974	¥ 88,546
Comprehensive income attributable to non-controlling interests	1,160	7,774

(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, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021
<b>Operating revenue:</b>					
Commission received:	¥ 76,664	¥ 81,612	¥ 77,309	¥ 82,983	¥ 84,490
Brokerage commission	20,287	24,194	18,600	19,521	20,105
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	11,871	7,353	10,595	9,833	13,708
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	4,613	6,324	6,295	6,181	5,559
Other fees received	39,892	43,740	41,817	47,445	45,117
Net trading income	32,654	31,352	26,293	25,847	28,544
Net gain on private equity and other securities	2,660	(1,703)	1,681	926	1,037
Financial revenue	24,429	21,845	21,295	18,587	17,687
Other operating revenue	15,227	34,249	23,257	26,357	34,840
<b>Total operating revenue</b>	<b>151,636</b>	<b>167,355</b>	<b>149,836</b>	<b>154,702</b>	<b>166,599</b>
<b>Financial expenses</b>	<b>11,160</b>	<b>16,201</b>	<b>10,421</b>	<b>12,503</b>	<b>10,225</b>
<b>Other operating expenses</b>	<b>14,326</b>	<b>26,577</b>	<b>12,692</b>	<b>12,976</b>	<b>21,999</b>
<b>Net operating revenue</b>	<b>126,149</b>	<b>124,576</b>	<b>126,721</b>	<b>129,222</b>	<b>134,374</b>
<b>Selling, general and administrative expenses:</b>					
Trading related expenses	14,765	15,142	15,230	15,148	16,393
Personnel expenses	48,911	52,464	49,200	51,827	50,036
Real estate expenses	9,457	10,132	9,137	9,338	9,524
Office cost	6,233	6,207	5,657	6,275	6,406
Depreciation	8,473	8,601	8,771	8,773	8,753
Taxes and dues	2,707	3,436	2,858	2,577	2,949
Provision of allowance for doubtful accounts	132	(26)	0	24	(1)
Other	3,526	4,032	4,017	4,579	4,261
<b>Total selling, general and administrative expenses</b>	<b>94,207</b>	<b>99,990</b>	<b>94,873</b>	<b>98,544</b>	<b>98,323</b>
<b>Operating income</b>	<b>31,941</b>	<b>24,586</b>	<b>31,848</b>	<b>30,677</b>	<b>36,050</b>
Non-operating income	3,559	12,231	3,742	7,026	5,263
Non-operating expenses	986	1,277	668	707	751
<b>Ordinary income</b>	<b>34,514</b>	<b>35,540</b>	<b>34,922</b>	<b>36,997</b>	<b>40,561</b>
Extraordinary income	709	47,760	1,241	3,378	402
Extraordinary losses	72	21,052	987	323	101
<b>Income before income taxes</b>	<b>35,152</b>	<b>62,247</b>	<b>35,176</b>	<b>40,051</b>	<b>40,862</b>
Income taxes - current	6,723	16,867	4,561	14,130	8,625
Income taxes - deferred	2,963	(5,334)	4,743	(3,103)	3,221
<b>Total income taxes</b>	<b>9,687</b>	<b>11,533</b>	<b>9,304</b>	<b>11,026</b>	<b>11,846</b>
<b>Profit</b>	<b>25,465</b>	<b>50,714</b>	<b>25,871</b>	<b>29,024</b>	<b>29,016</b>
<b>Profit attributable to non-controlling interests</b>	<b>479</b>	<b>107</b>	<b>2,310</b>	<b>2,381</b>	<b>2,317</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 24,985</b>	<b>¥ 50,606</b>	<b>¥ 23,560</b>	<b>¥ 26,642</b>	<b>¥ 26,698</b>