

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 9, 2022

Scheduled date of dividend payment: —

Supplemental information for quarterly financial results: Yes

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



July 29, 2022

Financial Summary (Consolidated)

For the three months period ended June 30, 2022 <Under Japanese GAAP>

(Figures less than one million yen are rounded down)

1. Consolidated financial results (April 1, 2022 to June 30, 2022)

(1) Consolidated operating results

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

	Operating revenue		Net operating revenue		Operating income		Ordinary income	
FY 2022	146,640	Δ2.1 %	106,122	Δ16.3 %	8,847	Δ72.2%	18,085	Δ48.2%
FY 2021	149,836	16.5 %	126,721	20.2 %	31,848	91.7%	34,922	63.4%

(Note) Comprehensive income:

FY 2022: 53,840million yen, 88.9% ; FY 2021: 28,504million yen, 38.2%

	Profit attributable to owners of parent		Net income per share		Diluted net income per share	
FY 2022	11,878	Δ49.6%	8.01	Yen	7.96	Yen
FY 2021	23,560	34.2%	15.45	Yen	15.38	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 Jun. 30, 2022	28,747,174	1,668,661	4.9	%	943.71	Yen
As of Mar. 31, 2022	27,531,089	1,639,888	5.0	%	925.81	Yen

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

As of Jun. 30, 2022: 1,400,590million yen ; As of Mar. 31, 2022: 1,373,282million yen

2. Cash dividends

	Dividends per share (yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
FY 2021	—	17.00	—	16.00	33.00
FY 2022 (actual)	—				
FY 2022 (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, 2023 is undecided.

3. Earnings forecasts for the fiscal year ending March 31, 2023 (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 Jun. 30, 2022 : 1,569,378,772 ; As of Mar. 31, 2022 : 1,699,378,772

(ii) Number of treasury shares:

As of Jun. 30, 2022 : 85,251,112 ; As of Mar. 31, 2022 : 216,075,985

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

As of Jun. 30, 2022 : 1,483,794,025 ; As of Jun. 30, 2021 : 1,524,567,176

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, 2023(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 “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the fiscal year ending March 31, 2023, and prospectively has applied the new accounting policies under ASBJ Guidance No. 31 in accordance with the transitional provision set out in paragraph 27-2 of ASBJ Guidance No. 31.

This has no impact for the quarterly consolidated financial statements.

2. Consolidated financial statements

(1) Consolidated balance sheets

Assets	Millions of yen			
	As of			
	March 31, 2022		June 30, 2022	
Current assets:				
Cash and deposits	¥	4,592,384	¥	3,956,935
Cash segregated as deposits		559,729		552,760
Notes and accounts receivable - trade, and contract assets		22,420		20,689
Securities		1,177,898		1,155,314
Trading products:		8,004,920		8,630,884
Trading securities and other		5,919,617		6,263,426
Derivatives		2,085,303		2,367,457
Operational investment securities		123,839		134,997
Allowance for investment loss		(151)		(187)
Operating loans		1,933,758		2,155,308
Work in process		768		999
Margin transaction assets:		177,401		175,506
Loans on margin transactions		170,555		168,831
Cash collateral pledged for securities borrowing on margin transactions		6,845		6,675
Loans secured by securities:		8,394,277		9,266,201
Cash collateral pledged for securities borrowed		5,283,874		6,366,511
Loans on Gensaki transactions		3,110,403		2,899,690
Advances paid		22,454		21,531
Short-term loans receivable		439		653
Accrued income		40,062		42,506
Other		967,025		1,102,207
Allowance for doubtful accounts		(7,589)		(8,116)
Total current assets		26,009,638		27,208,192
Non-current assets:				
Property, plant and equipment		913,879		915,681
Intangible assets:		121,482		121,816
Goodwill		19,657		19,699
Other		101,825		102,117
Investments and other assets:		486,088		501,484
Investment securities		443,446		460,654
Long-term loans receivable		6,451		6,468
Guarantee deposits		16,748		16,825
Deferred tax assets		11,992		8,374
Other		12,491		14,204
Allowance for doubtful accounts		(1,422)		(1,421)
Allowance for investment loss		(3,620)		(3,620)
Total non-current assets		1,521,450		1,538,981
Total assets	¥	27,531,089	¥	28,747,174

Millions of yen

<i>Liabilities</i>	As of	
	March 31, 2022	June 30, 2022
Current liabilities:		
Notes and accounts payable - trade	¥ 6,361	¥ 5,540
Trading products:	4,945,900	5,933,696
Trading securities and other	2,948,427	3,689,599
Derivatives	1,997,473	2,244,097
Trade date accrual	548,406	84,204
Margin transaction liabilities:	70,318	62,949
Borrowings on margin transactions	5,327	1,631
Cash received for securities lending on margin transactions	64,991	61,318
Borrowings secured by securities:	9,463,697	10,407,202
Cash received on debt credit transaction of securities	4,761,437	5,899,241
Borrowings on Gensaki transaction	4,702,259	4,507,960
Deposits from banking business	4,189,105	4,142,009
Deposits received	456,384	551,140
Guarantee deposits received	347,468	408,653
Short-term borrowings	2,155,782	1,680,005
Commercial papers	116,000	145,000
Current portion of bonds	446,760	465,035
Income taxes payable	8,649	4,361
Provision for bonuses	37,586	13,899
Other	152,851	146,079
Total current liabilities	22,945,274	24,049,778
Non-current liabilities:		
Bonds payable	1,563,631	1,458,959
Long-term borrowings	1,237,048	1,419,797
Deferred tax liabilities	42,241	44,467
Retirement benefit liability	44,236	44,336
Provision for loss on litigation	115	122
Other	54,934	57,332
Total non-current liabilities	2,942,208	3,025,015
Reserves under special laws:		
Reserve for financial instruments transaction liabilities	3,717	3,718
Total reserves under special laws	3,717	3,718
Total liabilities	¥ 25,891,200	¥ 27,078,513

<i>Net assets</i>	Millions of yen			
	As of			
	March 31, 2022		June 30, 2022	
Shareholders' equity:				
Share capital	¥	247,397	¥	247,397
Capital surplus		230,451		230,451
Retained earnings		942,793		850,340
Treasury shares		(134,201)		(52,944)
Deposit for subscriptions to treasury shares		26		7
Total shareholders' equity		1,286,467		1,275,251
Accumulated other comprehensive income:				
Valuation difference on available-for-sale securities		29,587		24,452
Deferred gains or losses on hedges		9,940		18,419
Foreign currency translation adjustment		47,288		82,467
Total accumulated other comprehensive income		86,815		125,339
Share acquisition rights		9,109		8,433
Non-controlling interests		257,497		259,637
Total net assets		1,639,888		1,668,661
Total liabilities and net assets	¥	27,531,089	¥	28,747,174

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

Consolidated statements of income

	Millions of yen			
	Three Months Ended			
	June 30, 2021		June 30, 2022	
Operating revenue:				
Commission received:	¥	77,309	¥	67,004
Brokerage commission		18,600		15,137
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors		10,595		5,357
Fees for offering, secondary distribution and solicitation for selling and others for professional investors		6,295		3,620
Other fees received		41,817		42,889
Net trading income		26,293		15,594
Net gain on private equity and other securities		1,681		2,544
Financial revenue		21,295		34,836
Other operating revenue		23,257		26,659
Total operating revenue		149,836		146,640
Financial expenses		10,421		23,556
Other operating expenses		12,692		16,961
Net operating revenue		126,721		106,122
Selling, general and administrative expenses:				
Trading related expenses		15,230		17,409
Personnel expenses		49,200		49,116
Real estate expenses		9,137		9,704
Office cost		5,657		6,178
Depreciation		8,771		8,623
Taxes and dues		2,858		2,283
Provision of allowance for doubtful accounts		0		36
Other		4,017		3,921
Total selling, general and administrative expenses		94,873		97,274
Operating income		31,848		8,847
Non-operating income:				
Dividend income		1,532		1,492
Share of profit of entities accounted for using equity method		493		1,639
Foreign exchange gains		—		780
Gain on investments in partnerships		679		5,004
Other		1,036		1,208
Total non-operating income		3,742		10,127
Non-operating expenses:				
Interest expenses		458		476
Bond issuance cost		18		—
Other		191		412
Total non-operating expenses		668		889
Ordinary income	¥	34,922	¥	18,085

	Millions of yen	
	Three Months Ended	
	June 30, 2021	June 30, 2022
Extraordinary income:		
Gain on receipt of donated non-current assets	¥ 318	¥ —
Gain on sales of investment securities	236	2,179
Reversal of provision for loss on litigation	686	—
Gain on reversal of subscription rights to shares	—	667
Total extraordinary income	1,241	2,846
Extraordinary losses:		
Loss on sales and retirement of non-current assets	66	30
Impairment loss	495	—
Loss on valuation of investment securities	380	308
Loss on change in equity	—	42
Provision of reserve for financial products transaction liabilities	—	1
Structural reform cost	44	—
Business restructuring expenses	—	91
Expenses related to the 120th anniversary project	—	276
Total extraordinary losses	987	751
Income before income taxes	35,176	20,180
Income taxes - current	4,561	1,214
Income taxes - deferred	4,743	4,309
Total income taxes	9,304	5,524
Profit	25,871	14,656
Profit attributable to non-controlling interests	2,310	2,778
Profit attributable to owners of parent	¥ 23,560	¥ 11,878

Consolidated statements of comprehensive income

	Millions of yen	
	Three Months Ended	
	June 30, 2021	June 30, 2022
Profit	¥ 25,871	¥ 14,656
Other comprehensive income:		
Valuation difference on available-for-sale securities	696	(5,071)
Deferred gains or losses on hedges	(2,198)	8,528
Foreign currency translation adjustment	1,410	33,075
Share of other comprehensive income of entities accounted for using equity method	2,723	2,651
Total other comprehensive income	2,632	39,183
Comprehensive income	¥ 28,504	¥ 53,840
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	¥ 25,741	¥ 50,401
Comprehensive income attributable to non-controlling interests	2,762	3,438

(3) Going concern assumptions

Not applicable.

(4) Changes in substantial amounts of fluctuation in shareholders' equity

On May 10, 2022, the Company canceled 130 million treasury shares pursuant to resolution of the meeting of the Executive Management Committee held on April 27, 2022. Because of this cancellation of treasury shares, retained earnings and treasury shares each decreased by 80,744 million yen for the first three months of the current fiscal year. Accordingly, as of June 30, 2022, the amount of retained earnings was 850,340 million yen and the amount of treasury shares was 52,944 million yen.

(5) Quarterly transition of consolidated statements of income

	Millions of yen				
	Three Months Ended				
	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022
Operating revenue:					
Commission received:	¥ 77,309	¥ 82,983	¥ 84,490	¥ 69,267	¥ 67,004
Commission to consignees	18,600	19,521	20,105	17,679	15,137
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	10,595	9,833	13,708	5,072	5,357
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	6,295	6,181	5,559	3,403	3,620
Other fees received	41,817	47,445	45,117	43,112	42,889
Net trading income	26,293	25,847	28,544	20,837	15,594
Net gain on private equity and other securities	1,681	926	1,037	2,403	2,544
Financial revenue	21,295	18,587	17,687	18,408	34,836
Other operating revenue	23,257	26,357	34,840	37,415	26,659
Total operating revenue	149,836	154,702	166,599	148,333	146,640
Financial expenses	10,421	12,503	10,225	11,562	23,556
Other operating expenses	12,692	12,976	21,999	24,994	16,961
Net operating revenue	126,721	129,222	134,374	111,776	106,122
Selling, general and administrative expenses:					
Trading related expenses	15,230	15,148	16,393	15,815	17,409
Personnel expenses	49,200	51,827	50,036	47,726	49,116
Real estate expenses	9,137	9,338	9,524	9,644	9,704
Office cost	5,657	6,275	6,406	6,399	6,178
Depreciation	8,771	8,773	8,753	8,513	8,623
Taxes and dues	2,858	2,577	2,949	2,292	2,283
Provision of allowance for doubtful accounts	0	24	(1)	9	36
Other	4,017	4,579	4,261	4,415	3,921
Total selling, general and administrative expenses	94,873	98,544	98,323	94,817	97,274
Operating income	31,848	30,677	36,050	16,958	8,847
Non-operating income	3,742	7,026	5,263	7,214	10,127
Non-operating expenses	668	707	751	833	889
Ordinary income	34,922	36,997	40,561	23,340	18,085
Extraordinary income	1,241	3,378	402	3,988	2,846
Extraordinary losses	987	323	101	1,754	751
Income before income taxes	35,176	40,051	40,862	25,574	20,180
Income taxes - current	4,561	14,130	8,625	12,292	1,214
Income taxes - deferred	4,743	(3,103)	3,221	(6,949)	4,309
Total income taxes	9,304	11,026	11,846	5,342	5,524
Profit	25,871	29,024	29,016	20,232	14,656
Profit attributable to non-controlling interests	2,310	2,381	2,317	2,242	2,778
Profit attributable to owners of parent	¥ 23,560	¥ 26,642	¥ 26,698	¥ 17,989	¥ 11,878