

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 11, 2022

Scheduled date of dividend payment: December 1, 2022

Supplemental information for quarterly financial results: Yes

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



October 31, 2022

Financial Summary (Consolidated)

For the six months period ended September 30, 2022 <Under Japanese GAAP>

(Figures less than one million yen are rounded down)

1. Consolidated financial results (April 1, 2022 to September 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	339,193	11.4%	217,055	(15.2)%	20,838	(66.7)%	32,941	(54.2)%
FY 2021	304,538	18.4%	255,943	18.5 %	62,525	72.1 %	71,919	59.4 %

(Note) Comprehensive income:

FY 2022: 92,980 million yen, 47.8% ; FY 2021: 62,925 million yen, 66.0%

	Profit attributable to owners of parent		Net income per share		Diluted net income per share	
FY 2022	31,455	(37.3)%	21.24	Yen	21.13	Yen
FY 2021	50,203	53.0 %	32.99	Yen	32.77	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 Sep. 30, 2022	31,461,475	1,697,428	4.5	%	971.62	Yen
As of Mar. 31, 2022	27,531,089	1,639,888	5.0	%	925.81	Yen

(Reference) Stockholders' equity (Total net assets - Share acquisition rights - Non-controlling interests):

As of Sep. 30, 2022: 1,428,464 million yen ; As of Mar. 31, 2022: 1,373,282 million 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)	—	11.00			
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.

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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, 2022 : 1,569,378,772 ; As of Mar. 31, 2022 : 1,699,378,772

(ii) Number of treasury shares:

As of Sep. 30, 2022 : 99,189,616 ; As of Mar. 31, 2022 : 216,075,985

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

As of Sep. 30, 2022 : 1,481,077,386 ; As of Sep. 30, 2021 : 1,521,976,505

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		September 30, 2022	
Current assets:				
Cash and deposits	¥	4,592,384	¥	3,964,637
Cash segregated as deposits		559,729		604,671
Notes and accounts receivable - trade, and contract assets		22,420		21,015
Securities		1,177,898		1,097,457
Trading products:		8,004,920		11,394,506
Trading securities and other		5,919,617		8,581,323
Derivatives		2,085,303		2,813,183
Operational investment securities		123,839		141,712
Allowance for investment loss		(151)		(271)
Operating loans		1,933,758		1,963,059
Work in process		768		1,032
Margin transaction assets:		177,401		171,075
Loans on margin transactions		170,555		168,402
Cash collateral pledged for securities borrowing on margin transactions		6,845		2,673
Loans secured by securities:		8,394,277		9,131,630
Cash collateral pledged for securities borrowed		5,283,874		6,823,607
Loans on Gensaki transactions		3,110,403		2,308,023
Advances paid		22,454		26,461
Short-term loans receivable		439		826
Accrued income		40,062		50,750
Other		967,025		1,352,497
Allowance for doubtful accounts		(7,589)		(8,715)
Total current assets		26,009,638		29,912,347
Non-current assets:				
Property, plant and equipment		913,879		924,124
Intangible assets:		121,482		121,594
Goodwill		19,657		19,748
Other		101,825		101,846
Investments and other assets:		486,088		503,409
Investment securities		443,446		460,731
Long-term loans receivable		6,451		6,396
Guarantee deposits		16,748		15,809
Deferred tax assets		11,992		11,716
Other		12,491		14,064
Allowance for doubtful accounts		(1,422)		(1,690)
Allowance for investment loss		(3,620)		(3,620)
Total non-current assets		1,521,450		1,549,128
Total assets	¥	27,531,089	¥	31,461,475

<i>Liabilities</i>	Millions of yen	
	As of	
	March 31, 2022	September 30, 2022
Current liabilities:		
Notes and accounts payable - trade	¥ 6,361	¥ 6,733
Trading products:	4,945,900	6,304,799
Trading securities and other	2,948,427	3,677,577
Derivatives	1,997,473	2,627,222
Trade date accrual	548,406	882,325
Margin transaction liabilities:	70,318	64,272
Borrowings on margin transactions	5,327	7,560
Cash received for securities lending on margin transactions	64,991	56,711
Borrowings secured by securities:	9,463,697	12,097,340
Cash received on debt credit transaction of securities	4,761,437	6,796,464
Borrowings on Gensaki transaction	4,702,259	5,300,875
Deposits from banking business	4,189,105	4,126,220
Deposits received	456,384	622,780
Guarantee deposits received	347,468	486,851
Short-term borrowings	2,155,782	1,054,553
Commercial papers	116,000	166,300
Current portion of bonds	446,760	494,409
Income taxes payable	8,649	7,188
Provision for bonuses	37,586	22,179
Other	152,851	242,902
Total current liabilities	22,945,274	26,578,857
Non-current liabilities:		
Bonds payable	1,563,631	1,415,880
Long-term borrowings	1,237,048	1,619,465
Deferred tax liabilities	42,241	43,925
Retirement benefit liability	44,236	44,457
Provision for loss on litigation	115	127
Other	54,934	57,613
Total non-current liabilities	2,942,208	3,181,469
Reserves under special laws:		
Reserve for financial instruments transaction liabilities	3,717	3,720
Total reserves under special laws	3,717	3,720
Total liabilities	¥ 25,891,200	¥ 29,764,047

<i>Net assets</i>	Millions of yen			
	As of			
	March 31, 2022		September 30, 2022	
Shareholders' equity:				
Share capital	¥	247,397	¥	247,397
Capital surplus		230,451		230,358
Retained earnings		942,793		869,909
Treasury shares		(134,201)		(61,451)
Deposits for subscriptions of treasury shares		26		1
Total shareholders' equity		1,286,467		1,286,215
Accumulated other comprehensive income:				
Valuation difference on available-for-sale securities		29,587		21,137
Deferred gains or losses on hedges		9,940		22,196
Foreign currency translation adjustment		47,288		98,915
Total accumulated other comprehensive income		86,815		142,249
Share acquisition rights		9,109		8,561
Non-controlling interests		257,497		260,401
Total net assets		1,639,888		1,697,428
Total liabilities and net assets	¥	27,531,089	¥	31,461,475

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

Consolidated statements of income

	Millions of yen			
	Six Months Ended			
	September 30, 2021		September 30, 2022	
Operating revenue:				
Commission received:	¥	160,292	¥	137,511
Brokerage commission		38,122		31,242
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors		20,429		11,653
Fees for offering, secondary distribution and solicitation for selling and others for professional investors		12,477		6,664
Other fees received		89,263		87,951
Net trading income		52,140		34,036
Net gain on private equity and other securities		2,607		1,020
Financial revenue		39,882		101,444
Other operating revenue		49,614		65,179
Total operating revenue		304,538		339,193
Financial expenses		22,925		76,043
Other operating expenses		25,669		46,094
Net operating revenue		255,943		217,055
Selling, general and administrative expenses:				
Trading related expenses		30,378		35,415
Personnel expenses		101,027		97,892
Real estate expenses		18,475		19,468
Office expenses		11,933		12,439
Depreciation		17,544		17,394
Taxes and dues		5,436		5,047
Provision of allowance for doubtful accounts		24		38
Other		8,597		8,520
Total selling, general and administrative expenses		193,417		196,216
Operating income		62,525		20,838
Non-operating income:				
Dividend income		2,488		2,434
Share of profit of entities accounted for using equity method		4,432		3,681
Foreign exchange gains		69		1,398
Gain on investments in investment partnerships		2,340		5,028
Other		1,439		1,758
Total non-operating income		10,769		14,300
Non-operating expenses:				
Interest expenses		909		952
Bond issuance costs		18		102
Other		448		1,143
Total non-operating expenses		1,375		2,198
Ordinary income	¥	71,919	¥	32,941

	Millions of yen	
	Six Months Ended	
	September 30, 2021	September 30, 2022
Extraordinary income:		
Gain on sale of non-current assets	¥ 45	¥ 11,288
Gain on receipt of donated non-current assets	318	-
Gain on sale of investment securities	340	4,494
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	-
Gain on reversal of share acquisition rights	-	667
Total extraordinary income	4,619	16,450
Extraordinary losses:		
Loss on sale and retirement of non-current assets	142	1,257
Impairment losses	485	-
Loss on valuation of investment securities	505	2,594
Loss on change in equity	-	42
Provision of reserve for financial instruments transaction liabilities	-	3
Structural reform costs	44	-
Business restructuring expenses	-	602
Expenses related to the 120th anniversary project	-	354
Other	133	-
Total extraordinary losses	1,311	4,855
Income before income taxes	75,228	44,536
Income taxes - current	18,691	7,784
Income taxes - deferred	1,639	349
Total income taxes	20,331	8,134
Profit	54,896	36,401
Profit attributable to non-controlling interests	4,692	4,946
Profit attributable to owners of parent	¥ 50,203	¥ 31,455

Consolidated statements of comprehensive income

	Millions of yen	
	Six Months Ended	
	September 30, 2021	September 30, 2022
Profit	¥ 54,896	¥ 36,401
Other comprehensive income:		
Valuation difference on available-for-sale securities	3,453	(8,813)
Deferred gains or losses on hedges	(1,096)	12,304
Foreign currency translation adjustment	2,324	47,765
Share of other comprehensive income of entities accounted for using equity method	3,347	5,323
Total other comprehensive income	8,028	56,578
Comprehensive income	¥ 62,925	¥ 92,980
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	¥ 57,621	¥ 86,888
Comprehensive income attributable to non-controlling interests	5,303	6,091

(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 based on a resolution of the meeting of the Executive Management Committee held on April 27, 2022. Because of this cancellation, retained earnings and treasury shares decreased by 80,744 million yen, respectively, for the six months ended September 30, 2022. Accordingly, as of September 30, 2022, retained earnings was 869,909 million yen and treasury shares was 61,451 million yen.

(5) Quarterly transition of consolidated statements of income

Millions of yen

	Three Months Ended				
	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022
Operating revenue:					
Commission received:	¥ 82,983	¥ 84,490	¥ 69,267	¥ 67,004	¥ 70,506
Commission to consignees	19,521	20,105	17,679	15,137	16,104
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	9,833	13,708	5,072	5,357	6,296
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	6,181	5,559	3,403	3,620	3,043
Other fees received	47,445	45,117	43,112	42,889	45,062
Net trading income	25,847	28,544	20,837	15,594	18,441
Net gain on private equity and other securities	926	1,037	2,403	2,544	(1,523)
Financial revenue	18,587	17,687	18,408	34,836	66,607
Other operating revenue	26,357	34,840	37,415	26,659	38,519
Total operating revenue	154,702	166,599	148,333	146,640	192,552
Financial expenses	12,503	10,225	11,562	23,556	52,486
Other operating expenses	12,976	21,999	24,994	16,961	29,132
Net operating revenue	129,222	134,374	111,776	106,122	110,933
Selling, general and administrative expenses:					
Trading related expenses	15,148	16,393	15,815	17,409	18,006
Personnel expenses	51,827	50,036	47,726	49,116	48,776
Real estate expenses	9,338	9,524	9,644	9,704	9,764
Office expenses	6,275	6,406	6,399	6,178	6,260
Depreciation	8,773	8,753	8,513	8,623	8,770
Taxes and dues	2,577	2,949	2,292	2,283	2,764
Provision of allowance for doubtful accounts	24	(1)	9	36	1
Other	4,579	4,261	4,415	3,921	4,598
Total selling, general and administrative expenses	98,544	98,323	94,817	97,274	98,942
Operating income	30,677	36,050	16,958	8,847	11,990
Non-operating income	7,026	5,263	7,214	10,127	4,173
Non-operating expenses	707	751	833	889	1,308
Ordinary income	36,997	40,561	23,340	18,085	14,855
Extraordinary income	3,378	402	3,988	2,846	13,603
Extraordinary losses	323	101	1,754	751	4,103
Income before income taxes	40,051	40,862	25,574	20,180	24,355
Income taxes - current	14,130	8,625	12,292	1,214	6,569
Income taxes - deferred	(3,103)	3,221	(6,949)	4,309	(3,959)
Total income taxes	11,026	11,846	5,342	5,524	2,609
Profit	29,024	29,016	20,232	14,656	21,745
Profit attributable to non-controlling interests	2,381	2,317	2,242	2,778	2,168
Profit attributable to owners of parent	¥ 26,642	¥ 26,698	¥ 17,989	¥ 11,878	¥ 19,576