

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, 2023

Scheduled date of dividend payment: -

Supplemental information for quarterly financial results: Yes

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



January 30, 2023

Financial Summary (Consolidated)

For the nine months period ended December 31, 2022 <Under Japanese GAAP>

(Figures less than one million yen are rounded down)

1. Consolidated financial results (April 1, 2022 to December 31, 2022)

(1) Consolidated operating results

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

	Operating revenue		Net operating revenue		Operating income		Ordinary income	
FY 2022	572,229	21.5 %	338,488	(13.3)%	42,358	(57.0)%	56,112	(50.1)%
FY 2021	471,138	15.2 %	390,317	14.1 %	98,575	44.4 %	112,481	41.2 %

(Note) Comprehensive income:

FY 2022: 81,518 million yen, (15.4)% ; FY 2021: 96,321 million yen, 37.3%

	Profit attributable to owners of parent		Net income per share		Diluted net income per share	
FY 2022	46,750	(39.2)%	31.75	Yen	31.60	Yen
FY 2021	76,902	33.1 %	50.86	Yen	50.60	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 Dec. 31, 2022	28,115,421	1,657,832	4.9	%	955.66	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 Dec. 31, 2022: 1,388,380 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.

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

(ii) Number of treasury shares:

As of Dec. 31, 2022 : 116,575,773 ; As of Mar. 31, 2022 : 216,075,985

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

As of Dec. 31, 2022 : 1,472,252,859 ; As of Dec. 31, 2021 : 1,511,963,575

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		December 31, 2022	
Current assets:				
Cash and deposits	¥	4,592,384	¥	4,465,713
Cash segregated as deposits		559,729		504,143
Notes and accounts receivable - trade, and contract assets		22,420		19,580
Securities		1,177,898		1,037,450
Trading products:		8,004,920		8,325,191
Trading securities and other		5,919,617		5,540,590
Derivatives		2,085,303		2,784,600
Operational investment securities		123,839		142,363
Allowance for investment loss		(151)		(52)
Operating loans		1,933,758		1,908,865
Work in process		768		1,325
Margin transaction assets:		177,401		170,077
Loans on margin transactions		170,555		163,435
Cash collateral pledged for securities borrowing on margin transactions		6,845		6,642
Loans secured by securities:		8,394,277		8,886,131
Cash collateral pledged for securities borrowed		5,283,874		6,539,929
Loans on Gensaki transactions		3,110,403		2,346,202
Advances paid		22,454		15,334
Short-term loans receivable		439		712
Accrued income		40,062		59,812
Other		967,025		1,050,791
Allowance for doubtful accounts		(7,589)		(8,253)
Total current assets		26,009,638		26,579,187
Non-current assets:				
Property, plant and equipment		913,879		925,859
Intangible assets:		121,482		123,047
Goodwill		19,657		18,997
Other		101,825		104,049
Investments and other assets:		486,088		487,327
Investment securities		443,446		449,382
Long-term loans receivable		6,451		6,395
Guarantee deposits		16,748		15,492
Deferred tax assets		11,992		6,352
Other		12,491		15,013
Allowance for doubtful accounts		(1,422)		(1,689)
Allowance for investment loss		(3,620)		(3,620)
Total non-current assets		1,521,450		1,536,234
Total assets	¥	27,531,089	¥	28,115,421

<i>Liabilities</i>	Millions of yen	
	As of	
	March 31, 2022	December 31, 2022
Current liabilities:		
Notes and accounts payable - trade	¥ 6,361	¥ 7,438
Trading products:	4,945,900	5,606,060
Trading securities and other	2,948,427	3,101,907
Derivatives	1,997,473	2,504,152
Trade date accrual	548,406	718,499
Margin transaction liabilities:	70,318	50,092
Borrowings on margin transactions	5,327	3,630
Cash received for securities lending on margin transactions	64,991	46,461
Borrowings secured by securities:	9,463,697	9,685,635
Cash received on debt credit transaction of securities	4,761,437	6,653,371
Borrowings on Gensaki transaction	4,702,259	3,032,264
Deposits from banking business	4,189,105	4,135,808
Deposits received	456,384	538,759
Guarantee deposits received	347,468	570,068
Short-term borrowings	2,155,782	1,098,789
Commercial papers	116,000	298,300
Current portion of bonds	446,760	509,407
Income taxes payable	8,649	4,483
Provision for bonuses	37,586	20,622
Other	152,851	116,680
Total current liabilities	22,945,274	23,360,646
Non-current liabilities:		
Bonds payable	1,563,631	1,325,448
Long-term borrowings	1,237,048	1,626,693
Deferred tax liabilities	42,241	42,287
Retirement benefit liability	44,236	44,458
Provision for loss on litigation	115	59
Other	54,934	54,271
Total non-current liabilities	2,942,208	3,093,218
Reserves under special laws:		
Reserve for financial instruments transaction liabilities	3,717	3,724
Total reserves under special laws	3,717	3,724
Total liabilities	¥ 25,891,200	¥ 26,457,589

<i>Net assets</i>	Millions of yen			
	As of			
	March 31, 2022		December 31, 2022	
Shareholders' equity:				
Share capital	¥	247,397	¥	247,397
Capital surplus		230,451		230,358
Retained earnings		942,793		869,035
Treasury shares		(134,201)		(71,631)
Deposits for subscriptions to treasury shares		26		1
Total shareholders' equity		1,286,467		1,275,162
Accumulated other comprehensive income:				
Valuation difference on available-for-sale securities		29,587		16,884
Deferred gains or losses on hedges		9,940		23,483
Foreign currency translation adjustment		47,288		72,850
Total accumulated other comprehensive income		86,815		113,218
Share acquisition rights		9,109		8,727
Non-controlling interests		257,497		260,724
Total net assets		1,639,888		1,657,832
Total liabilities and net assets	¥	27,531,089	¥	28,115,421

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

Consolidated statements of income

	Millions of yen			
	Nine Months Ended			
	December 31, 2021		December 31, 2022	
Operating revenue:				
Commission received:	¥	244,783	¥	207,100
Brokerage commission		58,227		47,904
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors		34,137		19,307
Fees for offering, secondary distribution and solicitation for selling and others for professional investors		18,036		9,244
Other fees received		134,380		130,644
Net trading income		80,684		56,361
Net gain on private equity and other securities		3,644		2,755
Financial revenue		57,570		212,329
Other operating revenue		84,454		93,681
Total operating revenue		471,138		572,229
Financial expenses		33,151		167,071
Other operating expenses		47,668		66,669
Net operating revenue		390,317		338,488
Selling, general and administrative expenses:				
Trading related expenses		46,772		53,563
Personnel expenses		151,063		148,084
Real estate expenses		27,999		29,216
Office expenses		18,340		18,917
Depreciation		26,298		25,979
Taxes and dues		8,386		7,479
Provision of allowance for doubtful accounts		22		52
Other		12,858		12,836
Total selling, general and administrative expenses		291,741		296,130
Operating income		98,575		42,358
Non-operating income:				
Dividend income		2,977		2,650
Share of profit of entities accounted for using equity method		5,124		4,797
Foreign exchange gains		170		911
Gain on investments in investment partnerships		5,070		5,777
Other		2,689		2,632
Total non-operating income		16,032		16,769
Non-operating expenses:				
Interest expenses		1,375		1,429
Bond issuance costs		30		106
Other		721		1,479
Total non-operating expenses		2,127		3,015
Ordinary income	¥	112,481	¥	56,112

	Millions of yen	
	Nine Months Ended	
	December 31, 2021	December 31, 2022
Extraordinary income:		
Gain on sales of non-current assets	¥ 45	¥ 11,714
Gain on receipt of donated non-current assets	318	-
Gain on sales of investment securities	742	5,154
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	5,021	17,536
Extraordinary losses:		
Loss on sale and retirement of non-current assets	147	1,732
Impairment losses	486	-
Loss on valuation of investment securities	586	2,195
Loss on change in equity	-	42
Provision of reserve for financial instruments transaction liabilities	-	7
Structural reform costs	44	-
Business restructuring expenses	-	857
Expenses related to the 120th anniversary project	-	412
Other	147	-
Total extraordinary losses	1,412	5,248
Income before income taxes	116,091	68,400
Income taxes - current	27,317	10,043
Income taxes - deferred	4,861	4,421
Total income taxes	32,178	14,464
Profit	83,912	53,935
Profit attributable to non-controlling interests	7,010	7,185
Profit attributable to owners of parent	¥ 76,902	¥ 46,750

Consolidated statements of comprehensive income

	Millions of yen	
	Nine Months Ended	
	December 31, 2021	December 31, 2022
Profit	¥ 83,912	¥ 53,935
Other comprehensive income:		
Valuation difference on available-for-sale securities	(3,752)	(12,851)
Deferred gains or losses on hedges	1,322	13,707
Foreign currency translation adjustment	11,861	21,880
Share of other comprehensive income of entities accounted for using equity method	2,976	4,846
Total other comprehensive income	12,408	27,582
Comprehensive income	¥ 96,321	¥ 81,518
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	¥ 88,546	¥ 73,153
Comprehensive income attributable to non-controlling interests	7,774	8,364

(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 nine months ended December 31, 2022. Accordingly, as of December 31, 2022, retained earnings was 869,035 million yen and treasury shares was 71,631 million yen.

(5) Quarterly transition of consolidated statements of income

Millions of yen

	Three Months Ended				
	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
Operating revenue:					
Commission received:	¥ 84,490	¥ 69,267	¥ 67,004	¥ 70,506	¥ 69,588
Commission to consignees	20,105	17,679	15,137	16,104	16,662
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	13,708	5,072	5,357	6,296	7,653
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	5,559	3,403	3,620	3,043	2,580
Other fees received	45,117	43,112	42,889	45,062	42,692
Net trading income	28,544	20,837	15,594	18,441	22,324
Net gain on private equity and other securities	1,037	2,403	2,544	(1,523)	1,735
Financial revenue	17,687	18,408	34,836	66,607	110,885
Other operating revenue	34,840	37,415	26,659	38,519	28,502
Total operating revenue	166,599	148,333	146,640	192,552	233,036
Financial expenses	10,225	11,562	23,556	52,486	91,027
Other operating expenses	21,999	24,994	16,961	29,132	20,574
Net operating revenue	134,374	111,776	106,122	110,933	121,433
Selling, general and administrative expenses:					
Trading related expenses	16,393	15,815	17,409	18,006	18,147
Personnel expenses	50,036	47,726	49,116	48,776	50,192
Real estate expenses	9,524	9,644	9,704	9,764	9,747
Office expenses	6,406	6,399	6,178	6,260	6,478
Depreciation	8,753	8,513	8,623	8,770	8,584
Taxes and dues	2,949	2,292	2,283	2,764	2,431
Provision of allowance for doubtful accounts	(1)	9	36	1	14
Other	4,261	4,415	3,921	4,598	4,316
Total selling, general and administrative expenses	98,323	94,817	97,274	98,942	99,913
Operating income	36,050	16,958	8,847	11,990	21,519
Non-operating income	5,263	7,214	10,127	4,173	2,468
Non-operating expenses	751	833	889	1,308	817
Ordinary income	40,561	23,340	18,085	14,855	23,170
Extraordinary income	402	3,988	2,846	13,603	1,086
Extraordinary losses	101	1,754	751	4,103	392
Income before income taxes	40,862	25,574	20,180	24,355	23,864
Income taxes - current	8,625	12,292	1,214	6,569	2,258
Income taxes - deferred	3,221	(6,949)	4,309	(3,959)	4,072
Total income taxes	11,846	5,342	5,524	2,609	6,330
Profit	29,016	20,232	14,656	21,745	17,533
Profit attributable to non-controlling interests	2,317	2,242	2,778	2,168	2,238
Profit attributable to owners of parent	¥ 26,698	¥ 17,989	¥ 11,878	¥ 19,576	¥ 15,295