

# 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 10, 2023

Scheduled date of dividend payment: —

Supplemental information for quarterly financial results: Yes

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



July 31, 2023

## Financial Summary (Consolidated)

For the three months period ended June 30, 2023 <Under Japanese GAAP>

(Figures less than one million yen are rounded down)

### 1. Consolidated financial results (April 1, 2023 to June 30, 2023)

(1) Consolidated operating results

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

	Operating revenue		Net operating revenue		Operating income		Ordinary income	
FY 2023	266,259	81.6 %	134,110	26.4 %	30,733	247.4%	36,096	99.6%
FY 2022	146,640	△2.1 %	106,122	△16.3 %	8,847	△72.2%	18,085	△48.2%

(Note) Comprehensive income:

FY 2023: 82,097million yen , 52.5% ; FY 2022: 53,840million yen , 88.9%

	Profit attributable to owners of parent		Net income per share		Diluted net income per share	
FY 2023	23,712	99.6%	16.32	Yen	16.23	Yen
FY 2022	11,878	△49.6%	8.01	Yen	7.96	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, 2023	31,501,328	1,736,856	4.7	%	1,010.78	Yen
As of Mar. 31, 2023	26,413,248	1,675,489	5.3	%	968.93	Yen

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

As of Jun. 30, 2023: 1,468,713million yen ; As of Mar. 31, 2023: 1,407,840million yen

### 2. Cash dividends

	Dividends per share (yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
FY 2022	—	11.00	—	12.00	23.00
FY 2023 (actual)	—				
FY 2023 (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, 2024 is undecided.

### 3. Earnings forecasts for the fiscal year ending March 31, 2024 (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, Daiwa Securities Group Inc. (hereinafter the "Company") does not disclose the forecasts of consolidated operating results, considering the difficulty to forecast the performance.

Representative: Seiji Nakata, President

For inquiry: Motoi Mishiba, Executive Director, Corporate Planning Dept. Investor Relations Office

Phone +81-3-5555-1111

#### 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, 2023 : 1,569,378,772 ; As of Mar. 31, 2023 : 1,569,378,772

(ii) Number of treasury shares:

As of Jun. 30, 2023 : 116,330,214 ; As of Mar. 31, 2023 : 116,399,287

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

As of Jun. 30, 2023 : 1,453,025,004 ; As of Jun. 30, 2022 : 1,483,794,025

#### 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, 2024(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 “Practical Solution on the Accounting for and Disclosure of the issuance and holding of Electronically Recorded Transferable Rights That Must Be Indicated on Securities, etc.” (PITF No. 43, issued on August 26, 2022, Accounting Standards Board of Japan) from the beginning of the fiscal year ending March 31, 2024, and this practical solution is retroactively applied to all prior periods.

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, 2023		June 30, 2023	
<b>Current assets:</b>				
Cash and deposits	¥	3,866,819	¥	4,118,614
Cash segregated as deposits		541,629		577,738
Notes and accounts receivable - trade, and contract assets		22,062		20,679
Securities		1,131,682		1,242,300
Trading products:		7,625,713		10,356,635
Trading securities and other		5,425,159		7,609,575
Derivatives		2,200,554		2,747,060
Private equity and other investments		127,693		125,189
Allowance for investment loss		(70)		(289)
Operating loans receivable		2,015,034		2,326,876
Work in process		853		1,119
Margin transaction assets:		160,255		154,971
Loans on margin transactions		153,574		139,357
Cash collateral pledged for securities borrowing on margin transactions		6,680		15,613
Loans secured by securities:		8,341,562		9,867,253
Cash collateral pledged for securities borrowed		6,844,292		7,439,926
Securities purchased under resale agreements		1,497,270		2,427,326
Advances paid		18,756		25,620
Short-term loans receivable		810		871
Accrued income		63,805		70,745
Other current assets		965,074		1,065,325
Allowance for doubtful accounts		(8,822)		(9,371)
<b>Total current assets</b>		<b>24,872,860</b>		<b>29,944,281</b>
<b>Non-current assets:</b>				
Property, plant and equipment		916,873		915,493
Intangible assets:		125,571		127,140
Goodwill		18,526		19,092
Other		107,044		108,047
Investments and other assets:		497,943		514,413
Investment securities		455,317		473,024
Long-term loans receivable		6,498		6,505
Long-term guarantee deposits		15,796		15,567
Deferred tax assets		7,840		5,739
Other		17,771		18,856
Allowance for doubtful accounts		(1,660)		(1,660)
Allowance for investment loss		(3,620)		(3,620)
<b>Total non-current assets</b>		<b>1,540,388</b>		<b>1,557,047</b>
<b>Total assets</b>	¥	<b>26,413,248</b>	¥	<b>31,501,328</b>

Millions of yen

<i>Liabilities</i>	As of	
	March 31, 2023	June 30, 2023
<b>Current liabilities:</b>		
Notes and accounts payable - trade	¥ 8,120	¥ 7,171
Trading products:	5,442,548	6,532,465
Trading securities and other	3,451,608	3,968,939
Derivatives	1,990,940	2,563,526
Trade date accrual	1,155,831	1,413,251
Margin transaction liabilities:	52,785	53,667
Borrowings on margin transactions	3,817	2,223
Cash received for securities lending on margin transactions	48,967	51,443
Borrowings secured by securities:	7,929,609	10,953,867
Cash collateral received for securities lent	6,508,873	7,834,338
Securities sold under repurchase agreements	1,420,735	3,119,529
Deposits for the banking business	3,932,761	4,349,721
Deposits received	430,664	616,978
Guarantee deposits received	431,383	500,857
Short-term borrowings	1,292,848	1,328,780
Commercial papers	261,300	339,800
Current portion of bonds payable	485,029	351,288
Income taxes payable	10,675	12,593
Provision for bonuses	33,287	14,093
Other current liabilities	114,430	167,678
<b>Total current liabilities</b>	<b>21,581,275</b>	<b>26,642,213</b>
<b>Non-current liabilities:</b>		
Bonds payable	1,304,543	1,221,417
Long-term borrowings	1,706,985	1,749,856
Deferred tax liabilities	42,280	47,047
Retirement benefit liability	44,309	43,956
Provision for loss on litigation	169	214
Other non-current liabilities	53,906	55,476
<b>Total non-current liabilities</b>	<b>3,152,195</b>	<b>3,117,968</b>
<b>Reserves under special laws:</b>		
Reserve for financial instruments transaction liabilities	4,287	4,289
<b>Total reserves under special laws</b>	<b>4,287</b>	<b>4,289</b>
<b>Total liabilities</b>	<b>¥ 24,737,758</b>	<b>¥ 29,764,472</b>

<i>Net assets</i>	Millions of yen			
	As of			
	March 31, 2023		June 30, 2023	
<b>Shareholders' equity:</b>				
Share capital	¥	247,397	¥	247,397
Capital surplus		230,274		230,285
Retained earnings		886,160		890,904
Treasury shares		(71,522)		(71,480)
<b>Total shareholders' equity</b>		<b>1,292,309</b>		<b>1,297,106</b>
<b>Accumulated other comprehensive income:</b>				
Valuation difference on available-for-sale securities		24,717		39,567
Deferred gains or losses on hedges		16,028		20,936
Foreign currency translation adjustment		74,785		111,102
<b>Total accumulated other comprehensive income</b>		<b>115,531</b>		<b>171,606</b>
<b>Share acquisition rights</b>		<b>8,793</b>		<b>7,746</b>
<b>Non-controlling interests</b>		<b>258,855</b>		<b>260,396</b>
<b>Total net assets</b>		<b>1,675,489</b>		<b>1,736,856</b>
<b>Total liabilities and net assets</b>	¥	<b>26,413,248</b>	¥	<b>31,501,328</b>

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

Consolidated statements of income

	Millions of yen			
	Three Months Ended			
	June 30, 2022		June 30, 2023	
<b>Operating revenue:</b>				
Commission received:	¥	67,004	¥	82,381
Brokerage commission		15,137		21,795
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors		5,357		11,429
Fees for offering, secondary distribution and solicitation for selling and others for professional investors		3,620		3,890
Other commission received		42,889		45,267
Net trading income		15,594		20,480
Net gain on private equity and other investments		2,544		186
Financial revenue		34,836		134,340
Other operating revenue		26,659		28,869
<b>Total operating revenue</b>		<b>146,640</b>		<b>266,259</b>
<b>Financial expenses</b>		<b>23,556</b>		<b>113,701</b>
<b>Other operating expenses</b>		<b>16,961</b>		<b>18,447</b>
<b>Net operating revenue</b>		<b>106,122</b>		<b>134,110</b>
<b>Selling, general and administrative expenses:</b>				
Trading related expenses		17,409		18,700
Personnel expenses		49,116		52,063
Real estate expenses		9,704		9,720
Office expenses		6,178		6,524
Depreciation		8,623		8,734
Taxes and dues		2,283		3,223
Provision of allowance for doubtful accounts		36		4
Other		3,921		4,406
<b>Total selling, general and administrative expenses</b>		<b>97,274</b>		<b>103,377</b>
<b>Operating income</b>		<b>8,847</b>		<b>30,733</b>
<b>Non-operating income:</b>				
Dividend income		1,492		1,308
Share of profit of entities accounted for using the equity method		1,639		—
Foreign exchange gains		780		4,464
Gain on investments in investment partnerships		5,004		233
Other		1,208		1,631
<b>Total non-operating income</b>		<b>10,127</b>		<b>7,637</b>
<b>Non-operating expenses:</b>				
Interest expenses		476		496
Share of loss of entities accounted for using the equity method		—		1,450
Other		412		328
<b>Total non-operating expenses</b>		<b>889</b>		<b>2,274</b>
<b>Ordinary income</b>	¥	<b>18,085</b>	¥	<b>36,096</b>



	Millions of yen	
	Three Months Ended	
	June 30, 2022	June 30, 2023
<b>Extraordinary income:</b>		
Gain on sales of investment securities	¥ 2,179	¥ 292
Gain on reversal of share acquisition rights	667	1,164
<b>Total extraordinary income</b>	<b>2,846</b>	<b>1,456</b>
<b>Extraordinary losses:</b>		
Loss on sale and retirement of non-current assets	30	661
Loss on sale of investment securities	—	7
Loss on valuation of investment securities	308	37
Loss on change in equity	42	—
Provision of reserve for financial instruments transaction liabilities	1	1
Business restructuring expenses	91	—
Expenses related to the 120th anniversary project	276	—
<b>Total extraordinary losses</b>	<b>751</b>	<b>708</b>
<b>Income before income taxes</b>	<b>20,180</b>	<b>36,844</b>
Income taxes - current	1,214	11,549
Income taxes - deferred	4,309	(663)
<b>Total income taxes</b>	<b>5,524</b>	<b>10,886</b>
<b>Profit</b>	<b>14,656</b>	<b>25,957</b>
<b>Profit attributable to non-controlling interests</b>	<b>2,778</b>	<b>2,245</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 11,878</b>	<b>¥ 23,712</b>

Consolidated statements of comprehensive income

	Millions of yen	
	Three Months Ended	
	June 30, 2022	June 30, 2023
<b>Profit</b>	¥ 14,656	¥ 25,957
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	(5,071)	14,896
Deferred gains or losses on hedges	8,528	4,766
Foreign currency translation adjustment	33,075	34,085
Share of other comprehensive income of entities accounted for using the equity method	2,651	2,391
<b>Total other comprehensive income</b>	<b>39,183</b>	<b>56,140</b>
<b>Comprehensive income</b>	<b>¥ 53,840</b>	<b>¥ 82,097</b>
<b>Comprehensive income attributable to:</b>		
Comprehensive income attributable to owners of parent	¥ 50,401	¥ 79,788
Comprehensive income attributable to non-controlling interests	3,438	2,309

(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				
	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023
<b>Operating revenue:</b>					
Commission received:	¥ 67,004	¥ 70,506	¥ 69,588	¥ 72,890	¥ 82,381
Brokerage commission	15,137	16,104	16,662	16,368	21,795
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	5,357	6,296	7,653	8,857	11,429
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	3,620	3,043	2,580	2,071	3,890
Other commission received	42,889	45,062	42,692	45,593	45,267
Net trading income	15,594	18,441	22,324	13,891	20,480
Net gain on private equity and other investments	2,544	(1,523)	1,735	937	186
Financial revenue	34,836	66,607	110,885	120,218	134,340
Other operating revenue	26,659	38,519	28,502	85,922	28,869
<b>Total operating revenue</b>	<b>146,640</b>	<b>192,552</b>	<b>233,036</b>	<b>293,860</b>	<b>266,259</b>
<b>Financial expenses</b>	<b>23,556</b>	<b>52,486</b>	<b>91,027</b>	<b>101,427</b>	<b>113,701</b>
<b>Other operating expenses</b>	<b>16,961</b>	<b>29,132</b>	<b>20,574</b>	<b>66,696</b>	<b>18,447</b>
<b>Net operating revenue</b>	<b>106,122</b>	<b>110,933</b>	<b>121,433</b>	<b>125,737</b>	<b>134,110</b>
<b>Selling, general and administrative expenses:</b>					
Trading related expenses	17,409	18,006	18,147	17,981	18,700
Personnel expenses	49,116	48,776	50,192	51,705	52,063
Real estate expenses	9,704	9,764	9,747	9,488	9,720
Office expenses	6,178	6,260	6,478	6,850	6,524
Depreciation	8,623	8,770	8,584	8,518	8,734
Taxes and dues	2,283	2,764	2,431	2,712	3,223
Provision of allowance for doubtful accounts	36	1	14	(3)	4
Other	3,921	4,598	4,316	4,568	4,406
<b>Total selling, general and administrative expenses</b>	<b>97,274</b>	<b>98,942</b>	<b>99,913</b>	<b>101,822</b>	<b>103,377</b>
<b>Operating income</b>	<b>8,847</b>	<b>11,990</b>	<b>21,519</b>	<b>23,915</b>	<b>30,733</b>
Non-operating income	10,127	4,173	2,468	7,910	7,637
Non-operating expenses	889	1,308	817	1,006	2,274
<b>Ordinary income</b>	<b>18,085</b>	<b>14,855</b>	<b>23,170</b>	<b>30,818</b>	<b>36,096</b>
Extraordinary income	2,846	13,603	1,086	649	1,456
Extraordinary losses	751	4,103	392	3,102	708
<b>Income before income taxes</b>	<b>20,180</b>	<b>24,355</b>	<b>23,864</b>	<b>28,365</b>	<b>36,844</b>
Income taxes - current	1,214	6,569	2,258	9,936	11,549
Income taxes - deferred	4,309	(3,959)	4,072	(1,319)	(663)
<b>Total income taxes</b>	<b>5,524</b>	<b>2,609</b>	<b>6,330</b>	<b>8,617</b>	<b>10,886</b>
<b>Profit</b>	<b>14,656</b>	<b>21,745</b>	<b>17,533</b>	<b>19,747</b>	<b>25,957</b>
<b>Profit attributable to non-controlling interests</b>	<b>2,778</b>	<b>2,168</b>	<b>2,238</b>	<b>2,622</b>	<b>2,245</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 11,878</b>	<b>¥ 19,576</b>	<b>¥ 15,295</b>	<b>¥ 17,124</b>	<b>¥ 23,712</b>