

# 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 13, 2023

Scheduled date of dividend payment: December 1, 2023

Supplemental information for quarterly financial results: Yes

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



October 31, 2023

## Financial Summary (Consolidated)

For the six months period ended September 30, 2023 <Under Japanese GAAP>

(Figures less than one million yen are rounded down)

### 1. Consolidated financial results (April 1, 2023 to September 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	570,087	68.1%	278,432	28.3%	68,561	229.0%	76,932	133.5%
FY 2022	339,193	11.4%	217,055	(15.2)%	20,838	(66.7)%	32,941	(54.2)%

(Note) Comprehensive income:

FY 2023: 134,151 million yen, 44.3% ; FY 2022: 92,980 million yen, 47.8%

	Profit attributable to owners of parent		Net income per share		Diluted net income per share	
FY 2023	53,505	70.1%	36.91	Yen	36.62	Yen
FY 2022	31,455	(37.3)%	21.24	Yen	21.13	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, 2023	33,424,666	1,773,266	4.5	%	1,046.95	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 Sep. 30, 2023: 1,504,956 million yen ; As of Mar. 31, 2023: 1,407,840 million 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)	—	19.00			
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

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

(ii) Number of treasury shares:

As of Sep. 30, 2023 : 131,960,656 ; As of Mar. 31, 2023 : 116,399,287

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

As of Sep. 30, 2023 : 1,449,633,032 ; As of Sep. 30, 2022 : 1,481,077,386

#### 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		September 30, 2023	
<b>Current assets:</b>				
Cash and deposits	¥	3,866,819	¥	4,403,775
Cash segregated as deposits		541,629		585,138
Notes and accounts receivable - trade, and contract assets		22,062		24,709
Securities		1,131,682		1,273,534
Trading products:		7,625,713		10,711,024
Trading securities and other		5,425,159		7,678,920
Derivatives		2,200,554		3,032,104
Private equity and other investments		127,693		128,008
Allowance for investment loss		(70)		(383)
Operating loans receivable		2,015,034		2,594,837
Work in process		853		1,319
Margin transaction assets:		160,255		168,469
Loans on margin transactions		153,574		159,101
Cash collateral pledged for securities borrowing on margin transactions		6,680		9,368
Loans secured by securities:		8,341,562		10,720,513
Cash collateral pledged for securities borrowed		6,844,292		7,999,515
Securities purchased under resale agreements		1,497,270		2,720,997
Advances paid		18,756		25,962
Short-term loans receivable		810		1,317
Accrued income		63,805		78,126
Other current assets		965,074		1,139,500
Allowance for doubtful accounts		(8,822)		(9,852)
<b>Total current assets</b>		<b>24,872,860</b>		<b>31,846,002</b>
<b>Non-current assets:</b>				
Property, plant and equipment		916,873		923,699
Intangible assets:		125,571		128,928
Goodwill		18,526		18,750
Other		107,044		110,178
Investments and other assets:		497,943		526,036
Investment securities		455,317		481,832
Long-term loans receivable		6,498		6,515
Long-term guarantee deposits		15,796		16,035
Deferred tax assets		7,840		5,941
Other		17,771		20,993
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>1,578,664</b>
<b>Total assets</b>	¥	<b>26,413,248</b>	¥	<b>33,424,666</b>

Millions of yen

<i>Liabilities</i>	As of	
	March 31, 2023	September 30, 2023
<b>Current liabilities:</b>		
Notes and accounts payable - trade	¥ 8,120	¥ 8,896
Trading products:	5,442,548	6,344,600
Trading securities and other	3,451,608	3,552,555
Derivatives	1,990,940	2,792,044
Trade date accrual	1,155,831	1,857,706
Margin transaction liabilities:	52,785	46,379
Borrowings on margin transactions	3,817	3,475
Cash received for securities lending on margin transactions	48,967	42,904
Borrowings secured by securities:	7,929,609	12,097,399
Cash collateral received for securities lent	6,508,873	8,264,395
Securities sold under repurchase agreements	1,420,735	3,833,004
Deposits for the banking business	3,932,761	4,441,070
Deposits received	430,664	702,705
Guarantee deposits received	431,383	561,413
Short-term borrowings	1,292,848	1,351,963
Commercial papers	261,300	439,500
Current portion of bonds payable	485,029	251,698
Income taxes payable	10,675	23,168
Provision for bonuses	33,287	26,317
Other current liabilities	114,430	185,213
<b>Total current liabilities</b>	<b>21,581,275</b>	<b>28,338,033</b>
<b>Non-current liabilities:</b>		
Bonds payable	1,304,543	1,148,923
Long-term borrowings	1,706,985	2,016,125
Deferred tax liabilities	42,280	44,486
Retirement benefit liability	44,309	44,044
Provision for loss on litigation	169	213
Other non-current liabilities	53,906	55,279
<b>Total non-current liabilities</b>	<b>3,152,195</b>	<b>3,309,073</b>
<b>Reserves under special laws:</b>		
Reserve for financial instruments transaction liabilities	4,287	4,292
<b>Total reserves under special laws</b>	<b>4,287</b>	<b>4,292</b>
<b>Total liabilities</b>	<b>¥ 24,737,758</b>	<b>¥ 31,651,399</b>

Millions of yen

<i>Net assets</i>	As of	
	March 31, 2023	September 30, 2023
<b>Shareholders' equity:</b>		
Share capital	¥ 247,397	¥ 247,397
Capital surplus	230,274	230,697
Retained earnings	886,160	920,697
Treasury shares	(71,522)	(85,284)
Deposits for subscriptions of treasury shares	—	48
<b>Total shareholders' equity</b>	<b>1,292,309</b>	<b>1,313,556</b>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	24,717	35,823
Deferred gains or losses on hedges	16,028	29,377
Foreign currency translation adjustment	74,785	126,198
<b>Total accumulated other comprehensive income</b>	<b>115,531</b>	<b>191,399</b>
<b>Share acquisition rights</b>	<b>8,793</b>	<b>7,751</b>
<b>Non-controlling interests</b>	<b>258,855</b>	<b>260,559</b>
<b>Total net assets</b>	<b>1,675,489</b>	<b>1,773,266</b>
<b>Total liabilities and net assets</b>	<b>¥ 26,413,248</b>	<b>¥ 33,424,666</b>

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

Consolidated statements of income

	Millions of yen			
	Six Months Ended			
	September 30, 2022		September 30, 2023	
<b>Operating revenue:</b>				
Commission received:	¥	137,511	¥	168,506
Brokerage commission		31,242		43,777
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors		11,653		20,671
Fees for offering, secondary distribution and solicitation for selling and others for professional investors		6,664		7,639
Other commission received		87,951		96,417
Net trading income		34,036		44,667
Net gain on private equity and other investments		1,020		3,458
Financial revenue		101,444		288,777
Other operating revenue		65,179		64,676
<b>Total operating revenue</b>		<b>339,193</b>		<b>570,087</b>
<b>Financial expenses</b>		<b>76,043</b>		<b>244,548</b>
<b>Other operating expenses</b>		<b>46,094</b>		<b>47,106</b>
<b>Net operating revenue</b>		<b>217,055</b>		<b>278,432</b>
<b>Selling, general and administrative expenses:</b>				
Trading related expenses		35,415		38,918
Personnel expenses		97,892		105,765
Real estate expenses		19,468		19,644
Office expenses		12,439		12,988
Depreciation		17,394		17,527
Taxes and dues		5,047		6,136
Provision of allowance for doubtful accounts		38		5
Other		8,520		8,883
<b>Total selling, general and administrative expenses</b>		<b>196,216</b>		<b>209,870</b>
<b>Operating income</b>		<b>20,838</b>		<b>68,561</b>
<b>Non-operating income:</b>				
Dividend income		2,434		2,436
Share of profit of entities accounted for using the equity method		3,681		1,390
Foreign exchange gains		1,398		2,901
Gain on investments in investment partnerships		5,028		818
Other		1,758		2,585
<b>Total non-operating income</b>		<b>14,300</b>		<b>10,132</b>
<b>Non-operating expenses:</b>				
Interest expenses		952		1,000
Bond issuance costs		102		—
Other		1,143		762
<b>Total non-operating expenses</b>		<b>2,198</b>		<b>1,762</b>
<b>Ordinary income</b>	¥	<b>32,941</b>	¥	<b>76,932</b>



	Millions of yen	
	Six Months Ended	
	September 30, 2022	September 30, 2023
<b>Extraordinary income:</b>		
Gain on sale of non-current assets	¥ 11,288	¥ 29
Gain on sale of investment securities	4,494	2,490
Gain on reversal of share acquisition rights	667	1,164
<b>Total extraordinary income</b>	<b>16,450</b>	<b>3,683</b>
<b>Extraordinary losses:</b>		
Loss on sale and retirement of non-current assets	1,257	852
Loss on sale of investment securities	—	7
Loss on valuation of investment securities	2,594	205
Loss on change in equity	42	—
Provision of reserve for financial instruments transaction liabilities	3	4
Business restructuring expenses	602	—
Expenses related to the 120th anniversary project	354	—
<b>Total extraordinary losses</b>	<b>4,855</b>	<b>1,070</b>
<b>Income before income taxes</b>	<b>44,536</b>	<b>79,545</b>
Income taxes - current	7,784	26,143
Income taxes - deferred	349	(4,562)
<b>Total income taxes</b>	<b>8,134</b>	<b>21,581</b>
<b>Profit</b>	<b>36,401</b>	<b>57,964</b>
<b>Profit attributable to non-controlling interests</b>	<b>4,946</b>	<b>4,458</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 31,455</b>	<b>¥ 53,505</b>

Consolidated statements of comprehensive income

	Millions of yen	
	Six Months Ended	
	September 30, 2022	September 30, 2023
<b>Profit</b>	¥ 36,401	¥ 57,964
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	(8,813)	10,954
Deferred gains or losses on hedges	12,304	13,252
Foreign currency translation adjustment	47,765	44,200
Share of other comprehensive income of entities accounted for using the equity method	5,323	7,779
<b>Total other comprehensive income</b>	<b>56,578</b>	<b>76,186</b>
<b>Comprehensive income</b>	<b>¥ 92,980</b>	<b>¥ 134,151</b>
<b>Comprehensive income attributable to:</b>		
Comprehensive income attributable to owners of parent	¥ 86,888	¥ 129,374
Comprehensive income attributable to non-controlling interests	6,091	4,776

(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				
	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023
<b>Operating revenue:</b>					
Commission received:	¥ 70,506	¥ 69,588	¥ 72,890	¥ 82,381	¥ 86,124
Brokerage commission	16,104	16,662	16,368	21,795	21,982
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	6,296	7,653	8,857	11,429	9,242
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	3,043	2,580	2,071	3,890	3,749
Other commission received	45,062	42,692	45,593	45,267	51,150
Net trading income	18,441	22,324	13,891	20,480	24,186
Net gain on private equity and other investments	(1,523)	1,735	937	186	3,272
Financial revenue	66,607	110,885	120,218	134,340	154,436
Other operating revenue	38,519	28,502	85,922	28,869	35,807
<b>Total operating revenue</b>	<b>192,552</b>	<b>233,036</b>	<b>293,860</b>	<b>266,259</b>	<b>303,827</b>
<b>Financial expenses</b>	<b>52,486</b>	<b>91,027</b>	<b>101,427</b>	<b>113,701</b>	<b>130,846</b>
<b>Other operating expenses</b>	<b>29,132</b>	<b>20,574</b>	<b>66,696</b>	<b>18,447</b>	<b>28,659</b>
<b>Net operating revenue</b>	<b>110,933</b>	<b>121,433</b>	<b>125,737</b>	<b>134,110</b>	<b>144,321</b>
<b>Selling, general and administrative expenses:</b>					
Trading related expenses	18,006	18,147	17,981	18,700	20,217
Personnel expenses	48,776	50,192	51,705	52,063	53,701
Real estate expenses	9,764	9,747	9,488	9,720	9,924
Office expenses	6,260	6,478	6,850	6,524	6,464
Depreciation	8,770	8,584	8,518	8,734	8,793
Taxes and dues	2,764	2,431	2,712	3,223	2,913
Provision of allowance for doubtful accounts	1	14	(3)	4	1
Other	4,598	4,316	4,568	4,406	4,476
<b>Total selling, general and administrative expenses</b>	<b>98,942</b>	<b>99,913</b>	<b>101,822</b>	<b>103,377</b>	<b>106,492</b>
<b>Operating income</b>	<b>11,990</b>	<b>21,519</b>	<b>23,915</b>	<b>30,733</b>	<b>37,828</b>
Non-operating income	4,173	2,468	7,910	7,637	2,494
Non-operating expenses	1,308	817	1,006	2,274	(512)
<b>Ordinary income</b>	<b>14,855</b>	<b>23,170</b>	<b>30,818</b>	<b>36,096</b>	<b>40,835</b>
Extraordinary income	13,603	1,086	649	1,456	2,227
Extraordinary losses	4,103	392	3,102	708	361
<b>Income before income taxes</b>	<b>24,355</b>	<b>23,864</b>	<b>28,365</b>	<b>36,844</b>	<b>42,701</b>
Income taxes - current	6,569	2,258	9,936	11,549	14,593
Income taxes - deferred	(3,959)	4,072	(1,319)	(663)	(3,899)
<b>Total income taxes</b>	<b>2,609</b>	<b>6,330</b>	<b>8,617</b>	<b>10,886</b>	<b>10,694</b>
<b>Profit</b>	<b>21,745</b>	<b>17,533</b>	<b>19,747</b>	<b>25,957</b>	<b>32,006</b>
<b>Profit attributable to non-controlling interests</b>	<b>2,168</b>	<b>2,238</b>	<b>2,622</b>	<b>2,245</b>	<b>2,213</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 19,576</b>	<b>¥ 15,295</b>	<b>¥ 17,124</b>	<b>¥ 23,712</b>	<b>¥ 29,793</b>