

# 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 13, 2024

Scheduled date of dividend payment: -

Supplemental information for quarterly financial results: Yes

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



January 31, 2024

## Financial Summary (Consolidated)

For the nine months period ended December 31, 2023 <Under Japanese GAAP>

(Figures less than one million yen are rounded down)

### 1. Consolidated financial results (April 1, 2023 to December 31, 2023)

(1) Consolidated operating results

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

	Operating revenue		Net operating revenue		Operating income		Ordinary income	
FY 2023	905,465	58.2 %	426,326	25.9%	106,622	151.7%	117,808	110.0%
FY 2022	572,229	21.5 %	338,488	(13.3)%	42,358	(57.0)%	56,112	(50.1)%

(Note) Comprehensive income:

FY 2023: 139,967 million yen , 71.7% ; FY 2022: 81,518 million yen , (15.4)%

	Profit attributable to owners of parent		Net income per share		Diluted net income per share	
FY 2023	81,962	75.3%	56.91	Yen	56.32	Yen
FY 2022	46,750	(39.2)%	31.75	Yen	31.60	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, 2023	31,734,346	1,728,706	4.6	%	1,031.99	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 Dec. 31, 2023: 1,459,671 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

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

(ii) Number of treasury shares:

As of Dec. 31, 2023 : 155,020,978 ; As of Mar. 31, 2023 : 116,399,287

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

As of Dec. 31, 2023 : 1,440,314,802 ; As of Dec. 31, 2022 : 1,472,252,859

#### 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		December 31, 2023	
<b>Current assets:</b>				
Cash and deposits	¥	3,866,819	¥	4,576,632
Cash segregated as deposits		541,629		511,475
Notes and accounts receivable - trade, and contract assets		22,062		23,719
Securities		1,131,682		1,287,118
Trading products:		7,625,713		7,194,280
Trading securities and other		5,425,159		4,744,520
Derivatives		2,200,554		2,449,759
Private equity and other investments		127,693		141,562
Allowance for investment loss		(70)		(12)
Operating loans receivable		2,015,034		2,674,649
Work in process		853		1,508
Margin transaction assets:		160,255		155,368
Loans on margin transactions		153,574		148,645
Cash collateral pledged for securities borrowing on margin transactions		6,680		6,722
Loans secured by securities:		8,341,562		12,526,343
Cash collateral pledged for securities borrowed		6,844,292		8,784,198
Securities purchased under resale agreements		1,497,270		3,742,145
Advances paid		18,756		28,700
Short-term loans receivable		810		1,262
Accrued income		63,805		82,652
Other current assets		965,074		960,875
Allowance for doubtful accounts		(8,822)		(9,369)
<b>Total current assets</b>		<b>24,872,860</b>		<b>30,156,766</b>
<b>Non-current assets:</b>				
Property, plant and equipment		916,873		922,084
Intangible assets:		125,571		130,929
Goodwill		18,526		19,690
Other		107,044		111,239
Investments and other assets:		497,943		524,566
Investment securities		455,317		478,826
Long-term loans receivable		6,498		6,513
Long-term guarantee deposits		15,796		15,996
Deferred tax assets		7,840		5,032
Other		17,771		23,476
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>1,577,580</b>
<b>Total assets</b>	¥	<b>26,413,248</b>	¥	<b>31,734,346</b>

Millions of yen

<i>Liabilities</i>	As of	
	March 31, 2023	December 31, 2023
<b>Current liabilities:</b>		
Notes and accounts payable - trade	¥ 8,120	¥ 7,508
Trading products:	5,442,548	6,151,836
Trading securities and other	3,451,608	3,913,127
Derivatives	1,990,940	2,238,709
Trade date accrual	1,155,831	350,920
Margin transaction liabilities:	52,785	44,554
Borrowings on margin transactions	3,817	4,357
Cash received for securities lending on margin transactions	48,967	40,197
Borrowings secured by securities:	7,929,609	12,080,308
Cash collateral received for securities lent	6,508,873	7,896,282
Securities sold under repurchase agreements	1,420,735	4,184,026
Deposits for the banking business	3,932,761	4,510,355
Deposits received	430,664	626,817
Guarantee deposits received	431,383	496,014
Short-term borrowings	1,292,848	1,245,013
Commercial papers	261,300	632,500
Current portion of bonds payable	485,029	205,374
Income taxes payable	10,675	23,508
Provision for bonuses	33,287	23,652
Other current liabilities	114,430	104,488
<b>Total current liabilities</b>	<b>21,581,275</b>	<b>26,502,852</b>
<b>Non-current liabilities:</b>		
Bonds payable	1,304,543	1,283,856
Long-term borrowings	1,706,985	2,073,638
Deferred tax liabilities	42,280	43,754
Retirement benefit liability	44,309	44,080
Provision for loss on litigation	169	238
Other non-current liabilities	53,906	52,924
<b>Total non-current liabilities</b>	<b>3,152,195</b>	<b>3,498,492</b>
<b>Reserves under special laws:</b>		
Reserve for financial instruments transaction liabilities	4,287	4,294
<b>Total reserves under special laws</b>	<b>4,287</b>	<b>4,294</b>
<b>Total liabilities</b>	<b>¥ 24,737,758</b>	<b>¥ 30,005,640</b>

Millions of yen

<i>Net assets</i>	As of	
	March 31, 2023	December 31, 2023
<b>Shareholders' equity:</b>		
Share capital	¥ 247,397	¥ 247,397
Capital surplus	230,274	231,153
Retained earnings	886,160	921,843
Treasury shares	(71,522)	(107,193)
Deposits for subscriptions of treasury shares	—	61
<b>Total shareholders' equity</b>	<b>1,292,309</b>	<b>1,293,263</b>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	24,717	46,963
Deferred gains or losses on hedges	16,028	9,812
Foreign currency translation adjustment	74,785	109,632
<b>Total accumulated other comprehensive income</b>	<b>115,531</b>	<b>166,407</b>
<b>Share acquisition rights</b>	<b>8,793</b>	<b>7,678</b>
<b>Non-controlling interests</b>	<b>258,855</b>	<b>261,356</b>
<b>Total net assets</b>	<b>1,675,489</b>	<b>1,728,706</b>
<b>Total liabilities and net assets</b>	<b>¥ 26,413,248</b>	<b>¥ 31,734,346</b>

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

Consolidated statements of income

	Millions of yen	
	Nine Months Ended	
	December 31, 2022	December 31, 2023
<b>Operating revenue:</b>		
Commission received:	¥ 207,100	¥ 254,761
Brokerage commission	47,904	64,022
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	19,307	29,951
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	9,244	11,836
Other commission received	130,644	148,951
Net trading income	56,361	71,247
Net gain on private equity and other investments	2,755	6,427
Financial revenue	212,329	450,644
Other operating revenue	93,681	122,384
<b>Total operating revenue</b>	<b>572,229</b>	<b>905,465</b>
<b>Financial expenses</b>	<b>167,071</b>	<b>386,299</b>
<b>Other operating expenses</b>	<b>66,669</b>	<b>92,840</b>
<b>Net operating revenue</b>	<b>338,488</b>	<b>426,326</b>
<b>Selling, general and administrative expenses:</b>		
Trading related expenses	53,563	59,412
Personnel expenses	148,084	161,522
Real estate expenses	29,216	29,648
Office expenses	18,917	19,754
Depreciation	25,979	26,360
Taxes and dues	7,479	9,129
Provision of allowance for doubtful accounts	52	6
Other	12,836	13,868
<b>Total selling, general and administrative expenses</b>	<b>296,130</b>	<b>319,704</b>
<b>Operating income</b>	<b>42,358</b>	<b>106,622</b>
<b>Non-operating income:</b>		
Dividend income	2,650	3,367
Share of profit of entities accounted for using the equity method	4,797	2,186
Foreign exchange gains	911	2,791
Gain on investments in investment partnerships	5,777	2,005
Other	2,632	3,772
<b>Total non-operating income</b>	<b>16,769</b>	<b>14,123</b>
<b>Non-operating expenses:</b>		
Interest expenses	1,429	1,505
Bond issuance costs	106	163
Other	1,479	1,268
<b>Total non-operating expenses</b>	<b>3,015</b>	<b>2,936</b>
<b>Ordinary income</b>	<b>¥ 56,112</b>	<b>¥ 117,808</b>



	Millions of yen	
	Nine Months Ended	
	December 31, 2022	December 31, 2023
<b>Extraordinary income:</b>		
Gain on sale of non-current assets	¥ 11,714	¥ 29
Gain on sale of investment securities	5,154	4,479
Gain on reversal of share acquisition rights	667	1,164
<b>Total extraordinary income</b>	<b>17,536</b>	<b>5,673</b>
<b>Extraordinary losses:</b>		
Loss on sale and retirement of non-current assets	1,732	923
Loss on sale of investment securities	—	7
Loss on valuation of investment securities	2,195	214
Loss on change in equity	42	71
Provision of reserve for financial instruments transaction liabilities	7	6
Business restructuring expenses	857	564
Expenses related to the 120th anniversary project	412	—
Other	—	140
<b>Total extraordinary losses</b>	<b>5,248</b>	<b>1,929</b>
<b>Income before income taxes</b>	<b>68,400</b>	<b>121,552</b>
Income taxes - current	10,043	34,150
Income taxes - deferred	4,421	(1,272)
<b>Total income taxes</b>	<b>14,464</b>	<b>32,878</b>
<b>Profit</b>	<b>53,935</b>	<b>88,674</b>
<b>Profit attributable to non-controlling interests</b>	<b>7,185</b>	<b>6,711</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 46,750</b>	<b>¥ 81,962</b>

Consolidated statements of comprehensive income

	Millions of yen	
	Nine Months Ended	
	December 31, 2022	December 31, 2023
<b>Profit</b>	¥ 53,935	¥ 88,674
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	(12,851)	22,153
Deferred gains or losses on hedges	13,707	(6,338)
Foreign currency translation adjustment	21,880	28,042
Share of other comprehensive income of entities accounted for using the equity method	4,846	7,435
<b>Total other comprehensive income</b>	<b>27,582</b>	<b>51,292</b>
<b>Comprehensive income</b>	<b>¥ 81,518</b>	<b>¥ 139,967</b>
<b>Comprehensive income attributable to:</b>		
Comprehensive income attributable to owners of parent	¥ 73,153	¥ 132,839
Comprehensive income attributable to non-controlling interests	8,364	7,127

(3) Going concern assumption

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				
	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023
<b>Operating revenue:</b>					
Commission received:	¥ 69,588	¥ 72,890	¥ 82,381	¥ 86,124	¥ 86,254
Brokerage commission	16,662	16,368	21,795	21,982	20,244
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	7,653	8,857	11,429	9,242	9,279
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	2,580	2,071	3,890	3,749	4,196
Other commission received	42,692	45,593	45,267	51,150	52,533
Net trading income	22,324	13,891	20,480	24,186	26,580
Net gain on private equity and other investments	1,735	937	186	3,272	2,968
Financial revenue	110,885	120,218	134,340	154,436	161,866
Other operating revenue	28,502	85,922	28,869	35,807	57,707
<b>Total operating revenue</b>	<b>233,036</b>	<b>293,860</b>	<b>266,259</b>	<b>303,827</b>	<b>335,378</b>
<b>Financial expenses</b>	<b>91,027</b>	<b>101,427</b>	<b>113,701</b>	<b>130,846</b>	<b>141,751</b>
<b>Other operating expenses</b>	<b>20,574</b>	<b>66,696</b>	<b>18,447</b>	<b>28,659</b>	<b>45,733</b>
<b>Net operating revenue</b>	<b>121,433</b>	<b>125,737</b>	<b>134,110</b>	<b>144,321</b>	<b>147,894</b>
<b>Selling, general and administrative expenses:</b>					
Trading related expenses	18,147	17,981	18,700	20,217	20,494
Personnel expenses	50,192	51,705	52,063	53,701	55,757
Real estate expenses	9,747	9,488	9,720	9,924	10,003
Office expenses	6,478	6,850	6,524	6,464	6,766
Depreciation	8,584	8,518	8,734	8,793	8,833
Taxes and dues	2,431	2,712	3,223	2,913	2,992
Provision of allowance for doubtful accounts	14	(3)	4	1	0
Other	4,316	4,568	4,406	4,476	4,985
<b>Total selling, general and administrative expenses</b>	<b>99,913</b>	<b>101,822</b>	<b>103,377</b>	<b>106,492</b>	<b>109,834</b>
<b>Operating income</b>	<b>21,519</b>	<b>23,915</b>	<b>30,733</b>	<b>37,828</b>	<b>38,060</b>
Non-operating income	2,468	7,910	7,637	2,494	3,991
Non-operating expenses	817	1,006	2,274	(512)	1,174
<b>Ordinary income</b>	<b>23,170</b>	<b>30,818</b>	<b>36,096</b>	<b>40,835</b>	<b>40,876</b>
Extraordinary income	1,086	649	1,456	2,227	1,989
Extraordinary losses	392	3,102	708	361	858
<b>Income before income taxes</b>	<b>23,864</b>	<b>28,365</b>	<b>36,844</b>	<b>42,701</b>	<b>42,007</b>
Income taxes - current	2,258	9,936	11,549	14,593	8,006
Income taxes - deferred	4,072	(1,319)	(663)	(3,899)	3,290
<b>Total income taxes</b>	<b>6,330</b>	<b>8,617</b>	<b>10,886</b>	<b>10,694</b>	<b>11,296</b>
<b>Profit</b>	<b>17,533</b>	<b>19,747</b>	<b>25,957</b>	<b>32,006</b>	<b>30,710</b>
<b>Profit attributable to non-controlling interests</b>	<b>2,238</b>	<b>2,622</b>	<b>2,245</b>	<b>2,213</b>	<b>2,253</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 15,295</b>	<b>¥ 17,124</b>	<b>¥ 23,712</b>	<b>¥ 29,793</b>	<b>¥ 28,457</b>