

# Daiwa Securities Group Inc.

Code number: 8601

Stock Exchange Listings: Tokyo, Nagoya

URL: <http://www.daiwa-grp.jp/english/>

Scheduled date of filing quarterly financial report: November 9, 2018

Scheduled date of dividend payment: December 3, 2018

Supplemental information for quarterly financial results: Yes

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



October 29, 2018

## Financial Summary (Consolidated)

For the six months period ended September 30, 2018 <Under Japanese GAAP>

(Figures less than one million yen are rounded down)

### 1. Consolidated financial results (April 1, 2018 to September 30, 2018)

#### (1) Consolidated operating results

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

	Operating revenue		Net operating revenue		Operating income		Ordinary income	
FY 2018	347,746	3.4%	223,444	(6.7)%	37,667	(38.7)%	46,015	(33.3)%
FY 2017	336,264	13.2%	239,467	4.5%	61,420	7.1%	68,982	4.8%

(Note) Comprehensive income:

FY 2018: 47,735 million yen : (31.3) % ; FY 2017: 69,508 million yen : - %

	Profit attributable to owners of parent		Net income per share		Diluted net income per share	
FY 2018	36,286	(29.3)%	22.45	Yen	22.31	Yen
FY 2017	51,301	(6.7)%	30.75	Yen	30.56	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, 2018	20,963,519	1,300,984	6.2	%	801.84	Yen
As of Mar. 31, 2018	21,135,041	1,370,520	6.0	%	786.56	Yen

(Reference) Stockholders' equity (Total net assets - Subscription rights to shares - Non-controlling interests):

As of Sep. 30, 2018: 1,289,355 million yen ; As of Mar. 31, 2018: 1,273,133 million yen

### 2. Cash dividends

	Dividends per share (yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
FY 2017	-	13.00	-	15.00	28.00
FY 2018 (actual)	-	12.00			
FY 2018(expected)			-	-	-

(Note) Modification from the most recently announced dividend forecast: None

The expected amount of dividends for the fiscal year ending March 31, 2019 is undecided.

### 3. Earnings forecasts for the fiscal year ending March 31, 2019 (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: Hidenori Yamaguchi, Managing Director, Investor Relations Office

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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: None
  - ( ii ) Changes in accounting policies other than ( i ): None
  - ( iii ) Changes in accounting estimates: None
  - ( iv ) Restatements: None
- (4) Number of shares issued (common stock)
  - ( i ) Number of shares issued (including treasury shares):  
As of Sep. 30, 2018 : 1,699,378,772 ; As of Mar. 31, 2018 : 1,699,378,772
  - ( ii ) Number of treasury shares:  
As of Sep. 30, 2018 : 91,400,082 ; As of Mar. 31, 2018 : 80,774,994
  - ( iii ) Average number of shares issued and outstanding in each fiscal year:  
As of Sep. 30, 2018: 1,616,648,399 ; As of Sep. 30, 2017 : 1,668,579,870

#### 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.

#### Earnings forecasts and other information:

For the reasons listed in “3. Earnings forecasts for the fiscal year ending March 31, 2019(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: <http://www.daiwa-grp.jp/english/ir/presentation/index.html>

## 1. Consolidated financial statements

## (1) Consolidated balance sheets

Assets	Millions of yen			
	As of			
	March 31, 2018		September 30, 2018	
<b>Current assets:</b>				
Cash and deposits	¥	3,694,283	¥	3,580,301
Cash segregated as deposits		348,912		341,878
Notes and accounts receivable - trade		19,479		18,338
Securities		987,210		1,040,638
Trading products:		6,667,033		6,558,521
Trading securities and other		4,170,557		3,981,795
Derivatives		2,496,475		2,576,726
Operational investment securities		115,332		104,809
Allowance for investment loss		(505)		(469)
Operating loans		1,442,939		1,537,081
Work in process		479		1,205
Margin transaction assets:		262,963		210,820
Loans on margin transactions		231,486		178,518
Cash collateral pledged for securities borrowing on margin transactions		31,476		32,302
Loans secured by securities:		6,496,752		6,295,319
Cash collateral pledged for securities borrowed		6,472,791		5,746,960
Loans on Gensaki transactions		23,961		548,358
Advances paid		17,549		28,572
Short-term loans receivable		388		390
Accrued income		35,880		39,867
Other		390,020		501,489
Allowance for doubtful accounts		(244)		(246)
<b>Total current assets</b>		<b>20,478,476</b>		<b>20,258,518</b>
<b>Non-current assets:</b>				
Property, plant and equipment		124,190		147,656
Intangible assets:		105,776		110,803
Goodwill		11,170		10,740
Other		94,605		100,063
Investments and other assets:		426,598		446,540
Investment securities		367,196		384,689
Long-term loans receivable		4,932		4,934
Guarantee deposits		17,527		17,676
Deferred tax assets		6,162		6,215
Other		31,450		33,688
Allowance for doubtful accounts		(671)		(664)
<b>Total non-current assets</b>		<b>656,565</b>		<b>705,000</b>
<b>Total assets</b>	¥	<b>21,135,041</b>	¥	<b>20,963,519</b>

<i>Liabilities</i>	Millions of yen	
	As of	
	March 31, 2018	September 30, 2018
<b>Current liabilities:</b>		
Notes and accounts payable - trade	¥ 7,065	¥ 6,913
Trading products:	5,030,817	4,714,524
Trading securities and other	2,830,472	2,384,727
Derivatives	2,200,345	2,329,796
Trade date accrual	407,184	418,396
Margin transaction liabilities:	71,344	73,092
Borrowings on margin transactions	3,007	2,327
Cash received for securities lending on margin transactions	68,336	70,764
Loans payable secured by securities:	5,775,897	6,129,329
Cash received on debt credit transaction of securities	5,645,028	5,409,484
Borrowings on Gensaki transaction	130,868	719,845
Deposits from banking business	3,388,444	3,617,462
Deposits received	256,858	326,613
Guarantee deposits received	420,039	396,911
Short-term loans payable	1,091,771	493,887
Commercial papers	105,000	150,000
Current portion of bonds	261,494	200,124
Income taxes payable	9,211	7,510
Provision for bonuses	34,862	21,401
Other	175,115	105,582
<b>Total current liabilities</b>	<b>17,035,108</b>	<b>16,661,748</b>
<b>Non-current liabilities:</b>		
Bonds payable	1,315,349	1,358,839
Long-term loans payable	1,327,780	1,550,609
Deferred tax liabilities	9,203	11,571
Net defined benefit liabilities	41,758	42,708
Provision for loss on litigation	24,485	25,898
Other	6,889	7,213
<b>Total non-current liabilities</b>	<b>2,725,467</b>	<b>2,996,840</b>
<b>Reserves under special laws:</b>		
Reserve for financial products transaction liabilities	3,945	3,945
<b>Total reserves under special laws</b>	<b>3,945</b>	<b>3,945</b>
<b>Total liabilities</b>	<b>¥ 19,764,521</b>	<b>¥ 19,662,535</b>

	Millions of yen	
	As of	
	March 31, 2018	September 30, 2018
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Capital stock	¥ 247,397	¥ 247,397
Capital surplus	230,713	230,633
Retained earnings	785,730	797,625
Treasury shares	(54,310)	(61,413)
Deposit for subscriptions to treasury shares	3	16
<b>Total shareholders' equity</b>	<b>1,209,535</b>	<b>1,214,258</b>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	61,176	59,956
Deferred gains or losses on hedges	(129)	2,334
Foreign currency translation adjustment	2,550	12,806
<b>Total accumulated other comprehensive income</b>	<b>63,597</b>	<b>75,097</b>
<b>Subscription rights to shares</b>	<b>8,790</b>	<b>8,445</b>
<b>Non-controlling interests</b>	<b>88,596</b>	<b>3,183</b>
<b>Total net assets</b>	<b>1,370,520</b>	<b>1,300,984</b>
<b>Total liabilities and net assets</b>	<b>¥ 21,135,041</b>	<b>¥ 20,963,519</b>

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

Consolidated statements of income

	Millions of yen	
	Six Months Ended	
	September 30, 2017	September 30, 2018
<b>Operating revenue:</b>		
Commission received:	¥ 148,477	¥ 140,050
Commission to consignees	32,902	31,333
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	18,751	17,665
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	21,946	15,055
Other fees received	74,876	75,995
Net trading income:	47,147	53,668
Net trading income from securities	13,815	19,392
Net trading income from bond, forex and other	33,331	34,276
Net gain on private equity and other securities	15,609	(171)
Financial revenue	91,932	130,112
Other operating revenue	33,096	24,086
<b>Total operating revenue</b>	<b>336,264</b>	<b>347,746</b>
<b>Financial expenses</b>	<b>74,047</b>	<b>105,203</b>
<b>Other operating expenses</b>	<b>22,749</b>	<b>19,098</b>
<b>Net operating revenue</b>	<b>239,467</b>	<b>223,444</b>
<b>Selling, general and administrative expenses:</b>		
Trading related expenses	35,296	35,913
Personnel expenses	87,861	92,101
Real estate expenses	17,665	18,475
Office cost	12,945	13,136
Depreciation	12,126	12,524
Taxes and dues	5,490	5,401
Provision of allowance for doubtful accounts	114	2
Other	6,546	8,220
<b>Total selling, general and administrative expenses</b>	<b>178,046</b>	<b>185,776</b>
<b>Operating income</b>	<b>61,420</b>	<b>37,667</b>
<b>Non-operating income:</b>		
Dividend income	2,585	2,674
Share of profit of entities accounted for using equity method	3,890	4,552
Foreign exchange gains	64	148
Other	1,778	1,626
<b>Total non-operating income</b>	<b>8,319</b>	<b>9,001</b>
<b>Non-operating expenses:</b>		
Interest expenses	16	13
Loss on investments in partnership	-	166
Bond issuance cost	656	37
Other	83	436
<b>Total non-operating expenses</b>	<b>757</b>	<b>653</b>
<b>Ordinary income</b>	<b>¥ 68,982</b>	<b>¥ 46,015</b>

Millions of yen			
Six Months Ended			
	September 30, 2017	September 30, 2018	
<b>Extraordinary income:</b>			
Gain on sales of non-current assets	¥ 814	¥ -	
Gain on sales of investment securities	814	6,045	
Gain on step acquisitions	1,498	-	
Gain on reversal of subscription rights to shares	894	688	
Compensation for transfer	-	347	
Other	688	-	
<b>Total extraordinary income</b>	<b>4,710</b>	<b>7,080</b>	
<b>Extraordinary losses:</b>			
Loss on sales and retirement of non-current assets	124	138	
Loss on change in equity	-	105	
Office transfer expenses	-	553	
Business restructuring cost	89	-	
Cost of product compensation related	-	631	
<b>Total extraordinary losses</b>	<b>214</b>	<b>1,428</b>	
<b>Income before income taxes</b>	<b>73,478</b>	<b>51,668</b>	
Income taxes – current	12,548	13,180	
Income taxes - deferred	4,950	2,215	
<b>Total income taxes</b>	<b>17,499</b>	<b>15,396</b>	
<b>Profit</b>	<b>55,979</b>	<b>36,271</b>	
<b>Profit(loss) attributable to non-controlling interests</b>	<b>4,677</b>	<b>(15)</b>	
<b>Profit attributable to owners of parent</b>	<b>¥ 51,301</b>	<b>¥ 36,286</b>	



Consolidated statements of comprehensive income

	Millions of yen	
	Six Months Ended	
	September 30, 2017	September 30, 2018
<b>Profit</b>	¥ 55,979	¥ 36,271
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	6,737	(1,065)
Deferred gains or losses on hedges	(984)	2,403
Foreign currency translation adjustment	7,168	10,287
Share of other comprehensive income of entities accounted for using equity method	608	(161)
<b>Total other comprehensive income</b>	13,529	11,464
<b>Comprehensive income</b>	¥ 69,508	¥ 47,735
<b>Comprehensive income attributable to:</b>		
Comprehensive income attributable to owners of parent	¥ 64,855	¥ 47,786
Comprehensive income attributable to non-controlling interests	4,652	(50)

(3)Going concern assumptions

Not applicable.

(4)Changes in substantial amounts of fluctuation in shareholders' equity

Not applicable.

(5)Other notes

(Additional information)

"Partial Amendments to Accounting Standard for Tax Effect Accounting "(ASBJ Statement No. 28, February 16, 2018) has been applied from the beginning of 1Q consolidated accounting period.

Deferred tax assets are stated in the category of investment and other assets, deferred tax liabilities are stated in the category of fixed liabilities.

## (6) Quarterly transition of consolidated statements of income

	Millions of yen				
	Three Months Ended				
	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018
<b>Operating revenue:</b>					
Commission received:	¥ 78,730	¥ 85,531	¥ 79,616	¥ 73,813	¥ 66,236
Commission to consignees	16,688	21,753	19,142	16,566	14,766
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	13,010	9,890	6,537	11,466	6,199
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	10,803	13,247	10,613	7,669	7,385
Other fees received	38,228	40,640	43,323	38,111	37,884
Net trading income:	23,079	30,446	31,411	26,610	27,057
Net trading income from securities	6,040	11,400	13,769	11,732	7,659
Net trading income from bond, forex and other	17,038	19,046	17,641	14,878	19,397
Net gain on private equity and other securities	13,862	6,217	5,085	2,045	(2,216)
Financial revenue	48,096	47,898	50,612	62,070	68,041
Other operating revenue	12,841	20,782	18,733	10,635	13,451
<b>Total operating revenue</b>	<b>176,611</b>	<b>190,875</b>	<b>185,461</b>	<b>175,175</b>	<b>172,570</b>
<b>Financial expenses</b>	<b>34,480</b>	<b>30,441</b>	<b>43,859</b>	<b>50,559</b>	<b>54,643</b>
<b>Other operating expenses</b>	<b>11,207</b>	<b>25,437</b>	<b>10,714</b>	<b>9,009</b>	<b>10,088</b>
<b>Net operating revenue</b>	<b>130,923</b>	<b>134,997</b>	<b>130,886</b>	<b>115,606</b>	<b>107,837</b>
<b>Selling, general and administrative expenses:</b>					
Trading related expenses	18,658	18,488	18,663	17,961	17,952
Personnel expenses	44,645	48,387	49,616	46,903	45,197
Real estate expenses	8,847	9,080	9,163	9,260	9,215
Office cost	6,494	6,728	6,879	6,519	6,617
Depreciation	6,009	6,119	6,090	6,290	6,233
Taxes and dues	2,736	2,635	2,606	2,637	2,764
Provision of allowance for doubtful accounts	113	(9)	(104)	10	(7)
Other	3,420	3,294	4,605	3,871	4,348
<b>Total selling, general and administrative expenses</b>	<b>90,924</b>	<b>94,725</b>	<b>97,520</b>	<b>93,454</b>	<b>92,321</b>
<b>Operating income</b>	<b>39,998</b>	<b>40,271</b>	<b>33,365</b>	<b>22,151</b>	<b>15,516</b>
Non-operating income	3,864	3,039	10,567	4,335	4,666
Non-operating expenses	33	94	455	626	27
<b>Ordinary income</b>	<b>43,829</b>	<b>43,216</b>	<b>43,477</b>	<b>25,860</b>	<b>20,154</b>
Extraordinary income	2,187	481	5,018	1,256	5,824
Extraordinary losses	55	9,684	2,122	115	1,313
<b>Income before income taxes</b>	<b>45,961</b>	<b>34,012</b>	<b>46,373</b>	<b>27,002</b>	<b>24,665</b>
Income taxes - current	10,865	7,893	14,252	3,220	9,959
Income taxes - deferred	(1,473)	3,384	(4,487)	5,249	(3,033)
<b>Total income taxes</b>	<b>9,392</b>	<b>11,277</b>	<b>9,764</b>	<b>8,470</b>	<b>6,925</b>
<b>Profit</b>	<b>36,568</b>	<b>22,734</b>	<b>36,608</b>	<b>18,531</b>	<b>17,739</b>
<b>Profit(loss) attributable to non-controlling interests</b>	<b>4,663</b>	<b>37</b>	<b>26</b>	<b>(2)</b>	<b>(12)</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 31,905</b>	<b>¥ 22,697</b>	<b>¥ 36,581</b>	<b>¥ 18,534</b>	<b>¥ 17,751</b>