

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: August 14, 2015

Scheduled date of dividend payment: -

Supplemental information for quarterly financial results: yes

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



July 29, 2015

Financial Summary (Consolidated)

For the fiscal year ended June 30, 2015 <Under Japanese GAAP>

(Figures less than one million yen are rounded down)

1. Consolidated financial results (April 1, 2015 to June 30, 2015)

(1) Consolidated operating results

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

	Operating revenue		Net operating revenue		Operating income		Ordinary income	
FY 2015	191,389	28.7 %	154,663	26.3 %	59,088	72.1 %	63,113	59.0 %
FY 2014	148,701	(18.8)%	122,490	(21.1)%	34,326	(44.9)%	39,705	(39.0)%

(Note) Comprehensive income:

FY 2015: 61,966 million yen : 77.9% ; FY 2014: 34,828 million yen : (47.5)%

	Profit attributable to owners of parent		Net income per share		Diluted net income per share	
FY 2015	44,836	30.4 %	26.24	Yen	25.99	Yen
FY 2014	34,380	(40.0)%	20.19	Yen	20.01	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, 2015	23,451,198	1,362,124	5.4 %	744.30 Yen
As of Mar. 31, 2015	23,001,585	1,434,680	5.4 %	725.27 Yen

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

As of Jun. 30, 2015: 1,272,263 million yen ; As of Mar. 31, 2015: 1,238,657 million yen

2. Cash dividends

	Dividends per share (yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
FY 2014	-	14.00	-	16.00	30.00
FY 2015 (actual)	-				
FY 2015 (expected)		To be determined			

(Note) Changes in expected dividends as of June 30, 2015: None

3. Earnings forecasts for the fiscal year ending March 31, 2016 (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.

4. Other notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries causing changes in the scope of consolidation) : Yes
 New companies: None
 Excluded companies: 1 company (name) Daiwa Office Investment Corporation
 (Note) For details, please see “(1) Changes in significant subsidiaries during the period” under “1. Notes to the Financial Summary” on page 2.
- (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 “(2) Changes in accounting policies, estimates, and restatements” under “1. Notes to the Financial Summary” on page 2.
- (4) Number of shares issued (common stock)
 (i) Number of shares issued (including treasury shares):
 As of Jun. 30, 2015: 1,749,378,772 ; As of Mar. 31, 2015: 1,749,378,772
 (ii) Number of treasury shares:
 As of Jun. 30, 2015: 40,036,659 ; As of Mar. 31, 2015: 41,531,718
 (iii) Average number of shares issued and outstanding in each fiscal year:
 As of Jun. 30, 2015: 1,708,606,884 ; As of Jun. 30, 2014: 1,703,107,335
 (Note) The Company has introduced “ESOP Trust Utilizing Employee Shareholding Association”.
 ESOP-owned stocks are included in number of treasury shares (6,492,000 stocks) and excluded from average number of shares (7,146,333 stocks) as of June 30, 2015, because the stocks are reported as “Treasury shares” on consolidated balance sheets.

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 based on “Financial Instruments and Exchange Act”. The procedure has not yet finished at the point of releasing this Financial Summary.

Earnings forecasts and other information:

Not applicable.

(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. Notes to the Financial Summary

(1) Changes in significant subsidiaries during the period

Daiwa Office Investment Corporation, or DOI, the Company's consolidated subsidiary, raised its capital through the issuance and distribution of new units with its payment date on June 1, 2015. Consequently, DOI has become the Company's affiliated entity due to the decrease in proportion of the Group.

(2) Changes in accounting policies, estimates, and restatements

(Changes in accounting policies)

Effective from April 1, 2015, the Group has applied "Accounting Standards for Business Combinations" (ASBJ Statement No.21; Sep.13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22; Sep.13, 2013), "Accounting Standard for Business Divestitures" (ASBJ Statement No.7; Sep.13, 2013), etc., and changes in the proportion held by non-controlling interests have been changed to recognize directly in equity in case of continuingly retaining control, and acquisition-related costs have been changed to be accounted for as expenses in the consolidated accounting periods in which they occurred. As to the business combinations being occurred after the beginning date of the current period, the Group has changed the method to re-allocate the adjusted acquisition costs after defining provisional accounting treatment onto the consolidated financial statements of the period in which the business combinations were conducted. Moreover, the indications of Net income, etc., and Minority interests have been changed to Non-controlling interests. To reflect this change, the Group's comparative consolidated financial statements for the three months ended June 30, 2014, and full year ended March 31, 2015, has been reclassified.

With regard to the application of Accounting Standards for Business Combinations, etc., the Group has applied its methods prospectively from the beginning of this period based on the transitional period treatments defined in Clause 58-2(4), Accounting Standards for Business Combinations, Clause 44-5(4), Accounting Standard for Consolidated Financial Statements, and Clause 57-4 (4), Accounting Standard for Business Divestitures, and no effect was on the consolidated financial statements.

2. Consolidated financial statements

(1) Consolidated balance sheets

Millions of yen

Assets	As of	
	March 31, 2015	June 30, 2015
Current assets:		
Cash and deposits	¥ 2,985,779	¥ 3,427,134
Cash segregated as deposits	349,094	349,727
Notes and accounts receivable - trade	18,286	16,307
Securities	2,629,847	2,561,423
Trading products:	8,304,368	8,791,825
Trading securities and other	5,192,464	5,920,180
Derivatives	3,111,904	2,871,645
Operational investment securities	156,157	146,718
Allowance for investment loss	(36,633)	(36,477)
Operating loans	287,010	278,187
Work in process	1,226	1,547
Margin transaction assets:	240,971	237,193
Loans on margin transactions	221,524	218,977
Cash collateral pledged for securities borrowing on margin transactions	19,447	18,215
Loans secured by securities:	6,728,201	6,622,820
Cash collateral pledged for securities borrowed	6,727,866	6,546,279
Loans on Gensaki transactions	334	76,541
Advances paid	29,640	46,323
Short-term loans receivable	538	711
Accrued income	36,578	35,181
Deferred tax assets	11,944	10,124
Other	447,985	390,183
Allowance for doubtful accounts	(323)	(361)
Total current assets	22,190,674	22,878,572
Non-current assets:		
Property, plant and equipment	458,534	123,683
Intangible assets:	77,082	75,228
Goodwill	4,820	4,835
Other	72,262	70,392
Investments and other assets:	275,294	373,714
Investment securities	241,642	341,482
Long-term loans receivable	4,971	4,965
Guarantee deposits	16,903	17,702
Deferred tax assets	1,899	1,642
Other	11,256	9,301
Allowance for doubtful accounts	(1,378)	(1,379)
Total non-current assets	810,911	572,626
Total assets	¥ 23,001,585	¥ 23,451,198

Millions of yen

Liabilities**Current liabilities:**

	As of	
	March 31, 2015	June 30, 2015
Notes and accounts payable - trade	¥ 5,468	¥ 3,920
Trading products:	6,014,287	5,206,948
Trading securities and other	3,374,209	2,808,139
Derivatives	2,640,078	2,398,808
Trade date accrual	288,309	668,221
Margin transaction liabilities:	55,051	56,529
Borrowings on margin transactions	9,326	5,231
Cash received for securities lending on margin transactions	45,725	51,297
Loans payable secured by securities:	7,553,191	8,171,597
Cash received on debt credit transaction of securities	7,550,001	8,111,593
Borrowings on Gensaki transaction	3,189	60,004
Deposits for banking business	2,745,681	2,947,735
Deposits received	249,183	308,148
Guarantee deposits received	503,974	504,490
Short-term loans payable	1,011,879	1,148,954
Commercial papers	388,380	445,380
Current portion of bonds	264,942	295,896
Income taxes payable	13,804	20,885
Deferred tax liabilities	25,931	14,401
Provision for bonuses	35,438	17,229
Other	198,359	197,037
Total current liabilities	19,353,884	20,007,377

Non-current liabilities:

Bonds payable	1,179,092	1,119,570
Long-term loans payable	946,408	885,680
Deferred tax liabilities	25,983	27,943
Net defined benefit liabilities	36,237	36,707
Provision for loss on litigation	1,877	2,055
Other	19,494	5,811
Total non-current liabilities	2,209,094	2,077,769

Reserves under special laws:

Reserve for financial products transaction liabilities	3,926	3,928
Total reserves under special laws	3,926	3,928

Total liabilities

¥ 21,566,904	¥ 22,089,074
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Millions of yen

Net assets**Shareholders' equity:**

	March 31, 2015		June 30, 2015
Capital stock	¥ 247,397	¥	247,397
Capital surplus	231,283		231,407
Retained earnings	623,755		641,143
Treasury shares	(15,771)		(15,200)
Deposit for subscriptions to treasury shares	3		3
Total shareholders' equity	1,086,668		1,104,750

Accumulated other comprehensive income:

Valuation difference on available-for-sale securities	135,687		133,565
Deferred gains or losses on hedges	(26,815)		(22,035)
Foreign currency translation adjustment	43,116		55,982
Total accumulated other comprehensive income	151,988		167,512

Subscription rights to shares

8,205 8,310

Non-controlling interests

187,818 81,550

Total net assets

1,434,680 1,362,124

Total liabilities and net assets

¥ 23,001,585 ¥ 23,451,198

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

Millions of yen

	Three Months Ended	
	June 30, 2014	June 30, 2015
Operating revenue:		
Commission received:	¥ 68,686	¥ 80,041
Commission to consignees	14,082	21,035
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	11,172	9,031
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	10,569	11,226
Other fees received	32,861	38,748
Net trading income:	37,579	49,043
Net trading income from securities	5,716	10,606
Net trading income from bond, forex and other	31,862	38,437
Net gain on private equity and other securities	1,916	3,704
Financial revenue	26,578	37,830
Other operating revenue	13,940	20,768
Total operating revenue	148,701	191,389
Financial expenses	16,530	23,978
Other operating expenses	9,680	12,746
Net operating revenue	122,490	154,663
Selling, general and administrative expenses:		
Trading related expenses	17,870	18,871
Personnel expenses	43,618	49,358
Real estate expenses	9,212	9,287
Office cost	6,332	6,501
Depreciation	6,030	5,953
Taxes and dues	1,883	2,895
Provision of allowance for doubtful accounts	-	26
Other	3,215	2,681
Total selling, general and administrative expenses	88,164	95,574
Operating income	34,326	59,088
Non-operating income:		
Interest income	11	11
Dividend income	1,881	1,300
Amortization of negative goodwill	1,141	-
Share of profit of entities accounted for using equity method	633	2,045
Other	2,317	1,349
Total non-operating income	5,985	4,706
Non-operating expenses:		
Interest expenses	349	375
Foreign exchange losses	-	48
Other	257	256
Total non-operating expenses	607	681
Ordinary income	¥ 39,705	¥ 63,113

Millions of yen

	Three Months Ended	
	June 30, 2014	June 30, 2015
Extraordinary income:		
Gain on sales of investment securities	¥ -	¥ 50
Gain on change in equity	-	3,092
Gain on bad debts recovered	500	-
Total extraordinary income	500	3,143
Extraordinary losses:		
Impairment loss	-	328
Loss on valuation of investment securities	304	-
Provision of reserve for financial products transaction liabilities	171	2
Total extraordinary losses	476	330
Income before income taxes	39,728	65,926
Income taxes - current	2,914	26,246
Income taxes - deferred	1,372	(6,610)
Total income taxes	4,286	19,636
Profit	35,441	46,290
Profit attributable to non-controlling interests	1,061	1,453
Profit attributable to owners of parent	¥ 34,380	¥ 44,836

Consolidated statements of comprehensive income

Millions of yen

	Three Months Ended	
	June 30, 2014	June 30, 2015
Profit	¥ 35,441	¥ 46,290
Other comprehensive income:		
Valuation difference on available-for-sale securities	12,429	(2,104)
Deferred gains or losses on hedges	(11,801)	4,803
Foreign currency translation adjustment	(1,106)	12,898
Share of other comprehensive income of entities accounted for using equity method	(134)	79
Total other comprehensive income	(613)	15,676
Comprehensive income	¥ 34,828	¥ 61,966
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	¥ 33,812	¥ 60,360
Comprehensive income attributable to non-controlling interests	1,016	1,605

(3) Facts or circumstances casting doubt on 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, 2014	September 30, 2014	December 31, 2014	March 31, 2015	June 30, 2015
Operating revenue:					
Commission received:	¥ 68,686	¥ 70,954	¥ 76,029	¥ 75,445	¥ 80,041
Commission to consignees	14,082	16,585	20,010	19,271	21,035
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	11,172	10,214	9,678	6,487	9,031
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	10,569	10,162	10,293	10,025	11,226
Other fees received	32,861	33,991	36,046	39,660	38,748
Net trading income:	37,579	39,016	38,806	41,817	49,043
Net trading income from securities	5,716	3,804	10,597	4,676	10,606
Net trading income from bond, forex and other	31,862	35,212	28,209	37,140	38,437
Net gain on private equity and other securities	1,916	1,543	3,384	570	3,704
Financial revenue	26,578	29,789	34,612	34,954	37,830
Other operating revenue	13,940	14,351	26,750	22,667	20,768
Total operating revenue	148,701	155,656	179,583	175,454	191,389
Financial expenses	16,530	15,381	27,660	20,497	23,978
Other operating expenses	9,680	10,110	11,674	15,640	12,746
Net operating revenue	122,490	130,163	140,248	139,316	154,663
Selling, general and administrative expenses:					
Trading related expenses	17,870	18,569	18,762	18,473	18,871
Personnel expenses	43,618	44,157	46,061	47,935	49,358
Real estate expenses	9,212	9,169	9,076	9,550	9,287
Office cost	6,332	6,104	6,485	6,521	6,501
Depreciation	6,030	6,140	6,141	5,772	5,953
Taxes and dues	1,883	1,738	1,808	1,556	2,895
Provision of allowance for doubtful accounts	-	66	9	33	26
Other	3,215	2,943	3,063	3,073	2,681
Total selling, general and administrative expenses	88,164	88,889	91,408	92,918	95,574
Operating income	34,326	41,274	48,840	46,398	59,088
Non-operating income	5,985	3,604	2,735	4,068	4,706
Non-operating expenses	607	639	519	889	681
Ordinary income	39,705	44,239	51,056	49,578	63,113
Extraordinary income	500	1,863	519	2,514	3,143
Extraordinary losses	476	1,146	4,186	2,250	330
Income before income taxes	39,728	44,956	47,389	49,842	65,926
Income taxes - current	2,914	8,055	7,137	3,608	26,246
Income taxes - deferred	1,372	(1,299)	326	5,328	(6,610)
Total income taxes	4,286	6,756	7,463	8,937	19,636
Profit	35,441	38,200	39,925	40,904	46,290
Profit attributable to non-controlling interests	1,061	1,114	1,422	2,382	1,453
Profit attributable to owners of parent	¥ 34,380	¥ 37,085	¥ 38,502	¥ 38,522	¥ 44,836