

# 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 13, 2015

Scheduled date of dividend payment: December 1, 2015

Supplemental information for quarterly financial results: yes

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



October 28, 2015

## Financial Summary (Consolidated)

For the six month period ended September 30, 2015 &lt;Under Japanese GAAP&gt;

(Figures less than one million yen are rounded down)

### 1. Consolidated financial results (April 1, 2015 to September 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	349,515	14.8 %	278,242	10.1 %	91,386	20.9 %	98,569	17.4 %
FY 2014	304,357	(8.3)%	252,654	(10.5)%	75,600	(26.2)%	83,944	(22.4)%

(Note) Comprehensive income:

FY 2015: 43,852 million yen : (54.0)% ; FY 2014: 95,342 million yen : (22.7)%

	Profit attributable to owners of parent		Net income per share		Diluted net income per share	
FY 2015	69,183	(3.2) %	40.41	Yen	40.03	Yen
FY 2014	71,465	(23.0)%	41.94	Yen	41.57	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, 2015	23,183,711	1,346,356	5.4 %	732.15 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 Sep. 30, 2015: 1,258,269 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)	-	17.00			
FY 2015 (expected)			To be determined		

(Note) Changes in expected dividends as of September 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 Sep. 30, 2015: 1,749,378,772 ; As of Mar. 31, 2015: 1,749,378,772  
 ( ii ) Number of treasury shares:  
     As of Sep. 30, 2015: 30,804,983 ; As of Mar. 31, 2015: 41,531,718  
 ( iii ) Average number of shares issued and outstanding in each fiscal year:  
     As of Sep. 30, 2015: 1,712,224,164 ; As of Sep. 30, 2014: 1,703,998,838  
 (Note) The Company has ended “ESOP Trust Utilizing Employee Shareholding Association” in July.  
 ESOP-owned stocks are excluded from average number of shares (4,655,166 stocks).

**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 fiscal year in which they occurred. As to the business combinations conducted on or after April 1, 2015, the Group has changed the method to re-allocate the adjusted acquisition costs after defining provisional accounting treatment onto the quarterly 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 six months ended September 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 the first quarter ended June 30, 2015, 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

	As of	
	March 31, 2015	September 30, 2015
<b>Assets</b>		
<b>Current assets:</b>		
Cash and deposits	¥ 2,985,779	¥ 3,248,097
Cash segregated as deposits	349,094	328,219
Notes and accounts receivable – trade	18,286	16,875
Securities	2,629,847	2,202,747
Trading products:	8,304,368	8,217,987
Trading securities and other	5,192,464	5,315,704
Derivatives	3,111,904	2,902,283
Operational investment securities	156,157	146,751
Allowance for investment loss	(36,633)	(36,539)
Operating loans	287,010	375,748
Work in process	1,226	1,498
Margin transaction assets:	240,971	250,162
Loans on margin transactions	221,524	239,017
Cash collateral pledged for securities borrowing on margin transactions	19,447	11,144
Loans secured by securities:	6,728,201	7,405,031
Cash collateral pledged for securities borrowed	6,727,866	7,404,674
Loans on Gensaki transactions	334	356
Advances paid	29,640	43,753
Short-term loans receivable	538	418
Accrued income	36,578	31,629
Deferred tax assets	11,944	9,354
Other	447,985	384,500
Allowance for doubtful accounts	(323)	(400)
<b>Total current assets</b>	<b>22,190,674</b>	<b>22,625,836</b>
<b>Non-current assets:</b>		
Property, plant and equipment	458,534	122,826
Intangible assets:	77,082	76,383
Goodwill	4,820	4,370
Other	72,262	72,013
Investments and other assets:	275,294	358,663
Investment securities	241,642	326,316
Long-term loans receivable	4,971	4,961
Guarantee deposits	16,903	17,627
Deferred tax assets	1,899	1,777
Other	11,256	8,723
Allowance for doubtful accounts	(1,378)	(743)
<b>Total non-current assets</b>	<b>810,911</b>	<b>557,874</b>
<b>Total assets</b>	<b>¥ 23,001,585</b>	<b>¥ 23,183,711</b>

Millions of yen

**Liabilities****Current liabilities:**

	As of	
	March 31, 2015	September 30, 2015
Notes and accounts payable – trade	¥ 5,468	¥ 4,491
Trading products:	6,014,287	5,825,065
Trading securities and other	3,374,209	3,431,531
Derivatives	2,640,078	2,393,534
Trade date accrual	288,309	193,646
Margin transaction liabilities:	55,051	41,845
Borrowings on margin transactions	9,326	5,856
Cash received for securities lending on margin transactions	45,725	35,988
Loans payable secured by securities:	7,553,191	7,993,010
Cash received on debt credit transaction of securities	7,550,001	7,993,010
Borrowings on Gensaki transaction	3,189	-
Deposits for banking business	2,745,681	2,965,194
Deposits received	249,183	303,492
Guarantee deposits received	503,974	537,061
Short-term loans payable	1,011,879	951,928
Commercial papers	388,380	406,950
Current portion of bonds	264,942	223,309
Income taxes payable	13,804	32,637
Deferred tax liabilities	25,931	3,770
Provision for bonuses	35,438	29,648
Other	198,359	159,582
<b>Total current liabilities</b>	<b>19,353,884</b>	<b>19,671,636</b>

**Non-current liabilities:**

Bonds payable	1,179,092	1,221,404
Long-term loans payable	946,408	870,940
Deferred tax liabilities	25,983	23,719
Net defined benefit liabilities	36,237	37,375
Provision for loss on litigation	1,877	1,897
Other	19,494	6,452
<b>Total non-current liabilities</b>	<b>2,209,094</b>	<b>2,161,790</b>

**Reserves under special laws:**

Reserve for financial products transaction liabilities	3,926	3,928
<b>Total reserves under special laws</b>	<b>3,926</b>	<b>3,928</b>

**Total liabilities**

<b>¥ 21,566,904</b>	<b>¥ 21,837,354</b>
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Millions of yen

**Net assets****Shareholders' equity:**

	As of	
	March 31, 2015	September 30, 2015
Capital stock	¥ 247,397	¥ 247,397
Capital surplus	231,283	231,809
Retained earnings	623,755	665,490
Treasury shares	(15,771)	(11,631)
Deposit for subscriptions to treasury shares	3	19
<b>Total shareholders' equity</b>	<b>1,086,668</b>	<b>1,133,085</b>

**Accumulated other comprehensive income:**

Valuation difference on available-for-sale securities	135,687	105,037
Deferred gains or losses on hedges	(26,815)	(23,061)
Foreign currency translation adjustment	43,116	43,207
<b>Total accumulated other comprehensive income</b>	<b>151,988</b>	<b>125,183</b>

**Subscription rights to shares**

8,205 8,247

**Non-controlling interests**

187,818 79,839

**Total net assets**

1,434,680 1,346,356

**Total liabilities and net assets**

¥ 23,001,585 ¥ 23,183,711

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

Consolidated statements of income

Millions of yen

	Six Months Ended	
	September 30, 2014	September 30, 2015
<b>Operating revenue:</b>		
Commission received:	¥ 139,641	¥ 156,502
Commission to consignees	30,668	39,452
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	21,386	18,591
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	20,732	20,666
Other fees received	66,853	77,792
Net trading income:	76,596	72,724
Net trading income from securities	9,520	12,535
Net trading income from bond, forex and other	67,075	60,188
Net gain on private equity and other securities	3,460	5,195
Financial revenue	56,367	73,166
Other operating revenue	28,292	41,927
<b>Total operating revenue</b>	<b>304,357</b>	<b>349,515</b>
<b>Financial expenses</b>	<b>31,912</b>	<b>48,267</b>
<b>Other operating expenses</b>	<b>19,790</b>	<b>23,005</b>
<b>Net operating revenue</b>	<b>252,654</b>	<b>278,242</b>
<b>Selling, general and administrative expenses:</b>		
Trading related expenses	36,440	37,175
Personnel expenses	87,775	94,974
Real estate expenses	18,382	18,974
Office cost	12,437	13,079
Depreciation	12,170	11,874
Taxes and dues	3,622	5,044
Provision of allowance for doubtful accounts	66	201
Other	6,158	5,531
<b>Total selling, general and administrative expenses</b>	<b>177,053</b>	<b>186,856</b>
<b>Operating income</b>	<b>75,600</b>	<b>91,386</b>
<b>Non-operating income:</b>		
Interest income	24	23
Dividend income	3,069	2,396
Amortization of negative goodwill	2,282	-
Share of profit of entities accounted for using equity method	896	3,762
Foreign exchange gains	540	151
Other	2,776	1,870
<b>Total non-operating income</b>	<b>9,590</b>	<b>8,205</b>
<b>Non-operating expenses:</b>		
Interest expenses	702	381
Bond issuance cost	196	390
Other	347	250
<b>Total non-operating expenses</b>	<b>1,247</b>	<b>1,022</b>
<b>Ordinary income</b>	<b>¥ 83,944</b>	<b>¥ 98,569</b>



Millions of yen

	Six Months Ended	
	September 30, 2014	September 30, 2015
<b>Extraordinary income:</b>		
Gain on sales of investment securities	¥ 407	¥ 51
Gain on change in equity	1,456	3,092
Gain on bad debts recovered	500	-
Reversal of allowance for doubtful accounts	-	633
<b>Total extraordinary income</b>	<b>2,363</b>	<b>3,777</b>
<b>Extraordinary losses:</b>		
Impairment loss	275	336
Loss on valuation of investment securities	312	-
Provision of reserve for financial products transaction liabilities	359	2
Business restructuring cost	255	282
Other	419	-
<b>Total extraordinary losses</b>	<b>1,622</b>	<b>621</b>
<b>Income before income taxes</b>	<b>84,684</b>	<b>101,725</b>
Income taxes – current	10,970	39,152
Income taxes – deferred	72	(8,095)
<b>Total income taxes</b>	<b>11,042</b>	<b>31,057</b>
<b>Profit</b>	<b>73,641</b>	<b>70,668</b>
<b>Profit attributable to non-controlling interests</b>	<b>2,176</b>	<b>1,484</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 71,465</b>	<b>¥ 69,183</b>

Consolidated statements of comprehensive income

Millions of yen

	Six Months Ended	
	September 30, 2014	September 30, 2015
<b>Profit</b>	<b>¥ 73,641</b>	<b>¥ 70,668</b>
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	22,181	(30,707)
Deferred gains or losses on hedges	(14,097)	3,874
Foreign currency translation adjustment	14,131	16
Share of other comprehensive income of entities accounted for using equity method	(515)	0
<b>Total other comprehensive income</b>	<b>21,700</b>	<b>(26,816)</b>
<b>Comprehensive income</b>	<b>¥ 95,342</b>	<b>¥ 43,852</b>
<b>Comprehensive income attributable to:</b>		
Comprehensive income attributable to owners of parent	¥ 93,156	¥ 42,378
Comprehensive income attributable to non-controlling interests	2,185	1,473

**(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				
	September 30, 2014	December 31, 2014	March 31, 2015	June 30, 2015	September 30, 2015
<b>Operating revenue:</b>					
Commission received:	¥ 70,954	¥ 76,029	¥ 75,445	¥ 80,041	¥ 76,460
Commission to consignees	16,585	20,010	19,271	21,035	18,417
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	10,214	9,678	6,487	9,031	9,560
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	10,162	10,293	10,025	11,226	9,439
Other fees received	33,991	36,046	39,660	38,748	39,043
Net trading income:	39,016	38,806	41,817	49,043	23,681
Net trading income from securities	3,804	10,597	4,676	10,606	1,929
Net trading income from bond, forex and other	35,212	28,209	37,140	38,437	21,751
Net gain on private equity and other securities	1,543	3,384	570	3,704	1,490
Financial revenue	29,789	34,612	34,954	37,830	35,335
Other operating revenue	14,351	26,750	22,667	20,768	21,158
<b>Total operating revenue</b>	<b>155,656</b>	<b>179,583</b>	<b>175,454</b>	<b>191,389</b>	<b>158,126</b>
<b>Financial expenses</b>	<b>15,381</b>	<b>27,660</b>	<b>20,497</b>	<b>23,978</b>	<b>24,288</b>
<b>Other operating expenses</b>	<b>10,110</b>	<b>11,674</b>	<b>15,640</b>	<b>12,746</b>	<b>10,258</b>
<b>Net operating revenue</b>	<b>130,163</b>	<b>140,248</b>	<b>139,316</b>	<b>154,663</b>	<b>123,579</b>
<b>Selling, general and administrative expenses:</b>					
Trading related expenses	18,569	18,762	18,473	18,871	18,304
Personnel expenses	44,157	46,061	47,935	49,358	45,616
Real estate expenses	9,169	9,076	9,550	9,287	9,686
Office cost	6,104	6,485	6,521	6,501	6,578
Depreciation	6,140	6,141	5,772	5,953	5,921
Taxes and dues	1,738	1,808	1,556	2,895	2,148
Provision of allowance for doubtful accounts	66	9	33	26	174
Other	2,943	3,063	3,073	2,681	2,850
<b>Total selling, general and administrative expenses</b>	<b>88,889</b>	<b>91,408</b>	<b>92,918</b>	<b>95,574</b>	<b>91,281</b>
<b>Operating income</b>	<b>41,274</b>	<b>48,840</b>	<b>46,398</b>	<b>59,088</b>	<b>32,297</b>
Non-operating income	3,604	2,735	4,068	4,706	3,499
Non-operating expenses	639	519	889	681	340
<b>Ordinary income</b>	<b>44,239</b>	<b>51,056</b>	<b>49,578</b>	<b>63,113</b>	<b>35,456</b>
Extraordinary income	1,863	519	2,514	3,143	633
Extraordinary losses	1,146	4,186	2,250	330	290
<b>Income before income taxes</b>	<b>44,956</b>	<b>47,389</b>	<b>49,842</b>	<b>65,926</b>	<b>35,799</b>
Income taxes - current	8,055	7,137	3,608	26,246	12,905
Income taxes - deferred	(1,299)	326	5,328	(6,610)	(1,484)
<b>Total income taxes</b>	<b>6,756</b>	<b>7,463</b>	<b>8,937</b>	<b>19,636</b>	<b>11,421</b>
<b>Profit</b>	<b>38,200</b>	<b>39,925</b>	<b>40,904</b>	<b>46,290</b>	<b>24,378</b>
<b>Profit attributable to non-controlling interests</b>	<b>1,114</b>	<b>1,422</b>	<b>2,382</b>	<b>1,453</b>	<b>31</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 37,085</b>	<b>¥ 38,502</b>	<b>¥ 38,522</b>	<b>¥ 44,836</b>	<b>¥ 24,347</b>