

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: February 8, 2017

Scheduled date of dividend payment: -

Supplemental information for quarterly financial results: yes

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



January 30, 2017

Financial Summary (Consolidated)

For the nine month period ended December 31, 2016 <Under Japanese GAAP>

(Figures less than one million yen are rounded down)

1. Consolidated financial results (April 1, 2016 to December 31, 2016)

(1) Consolidated operating results

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

	Operating revenue		Net operating revenue		Operating income		Ordinary income	
FY 2016	450,175	(10.5)%	351,131	(12.9)%	88,952	(29.9)%	101,229	(25.9)%
FY 2015	503,132	4.0 %	403,042	2.6 %	126,854	1.9 %	136,519	1.1 %

(Note) Comprehensive income:

FY 2016: 76,025 million yen : (6.1)% ; FY 2015: 80,984 million yen : (53.1)%

	Profit attributable to owners of parent		Net income per share		Diluted net income per share	
FY 2016	81,708	(14.5)%	48.26	Yen	47.97	Yen
FY 2015	95,537	(13.1)%	55.73	Yen	55.24	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, 2016	20,523,661	1,347,052	6.1	%	740.60	Yen
As of Mar. 31, 2016	20,420,818	1,313,005	6.0	%	720.86	Yen

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

As of Dec. 31, 2016: 1,254,655 million yen ; As of Mar. 31, 2016: 1,219,831 million yen

2. Cash dividends

	Dividends per share (yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
FY 2015	-	17.00	-	12.00	29.00
FY 2016 (actual)	-	13.00	-		
FY 2016 (expected)				To be determined	

(Note) Changes in expected dividends as of December 31, 2016: None

3. Earnings forecasts for the fiscal year ending March 31, 2017 (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: Takashi Hibino, 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 Dec. 31, 2016 : 1,749,378,772 ; As of Mar. 31, 2016 : 1,749,378,772
 - (ii) Number of treasury shares:
As of Dec. 31, 2016 : 55,287,524 ; As of Mar. 31, 2016 : 57,189,466
 - (iii) Average number of shares issued and outstanding in each fiscal year:
As of Dec. 31, 2016: 1,693,094,441 ; As of Dec. 31, 2015 : 1,714,414,038

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. Consolidated financial statements

(1) Consolidated balance sheets

Assets	Millions of yen			
	As of			
	March 31, 2016		December 31, 2016	
Current assets:				
Cash and deposits	¥	3,334,784	¥	3,665,549
Cash segregated as deposits		323,761		325,629
Notes and accounts receivable - trade		17,090		15,775
Securities		2,091,090		1,880,300
Trading products:		7,501,242		6,860,985
Trading securities and other		4,017,267		3,747,322
Derivatives		3,483,975		3,113,663
Operational investment securities		127,210		125,972
Allowance for investment loss		(11,053)		(11,043)
Operating loans		432,785		680,483
Work in process		503		1,109
Margin transaction assets:		203,376		183,380
Loans on margin transactions		183,654		151,124
Cash collateral pledged for securities borrowing on margin transactions		19,722		32,255
Loans secured by securities:		5,250,135		5,570,919
Cash collateral pledged for securities borrowed		5,184,274		5,455,434
Loans on Gensaki transactions		65,861		115,484
Advances paid		20,670		25,503
Short-term loans receivable		288		1,482
Accrued income		33,574		31,770
Deferred tax assets		9,401		4,578
Other		517,421		583,386
Allowance for doubtful accounts		(722)		(502)
Total current assets		19,851,563		19,945,280
Non-current assets:				
Property, plant and equipment		124,562		125,131
Intangible assets:		84,879		88,528
Goodwill		7,972		6,840
Other		76,907		81,687
Investments and other assets:		359,812		364,721
Investment securities		324,456		330,735
Long-term loans receivable		4,954		4,944
Guarantee deposits		17,523		17,380
Deferred tax assets		5,679		4,985
Other		7,942		7,410
Allowance for doubtful accounts		(743)		(735)
Total non-current assets		569,255		578,381
Total assets	¥	20,420,818	¥	20,523,661

<i>Liabilities</i>	Millions of yen	
	As of	
	March 31, 2016	December 31, 2016
Current liabilities:		
Notes and accounts payable - trade	¥ 6,413	¥ 5,767
Trading products:	5,300,861	4,748,362
Trading securities and other	2,315,450	1,954,341
Derivatives	2,985,410	2,794,021
Trade date accrual	427,257	36,463
Margin transaction liabilities:	54,387	67,843
Borrowings on margin transactions	3,789	2,606
Cash received for securities lending on margin transactions	50,597	65,236
Loans payable secured by securities:	5,901,794	6,684,199
Cash received on debt credit transaction of securities	5,893,795	6,565,234
Borrowings on Gensaki transaction	7,999	118,964
Deposits for banking business	2,928,630	3,081,426
Deposits received	214,498	303,308
Guarantee deposits received	512,426	445,080
Short-term loans payable	820,019	1,049,468
Commercial papers	137,720	-
Current portion of bonds	232,594	279,911
Income taxes payable	40,498	4,239
Deferred tax liabilities	2,293	1,762
Provision for bonuses	30,058	19,718
Other	218,411	181,549
Total current liabilities	16,827,865	16,909,102
Non-current liabilities:		
Bonds payable	1,204,711	1,237,741
Long-term loans payable	1,004,988	960,302
Deferred tax liabilities	19,151	15,456
Net defined benefit liabilities	38,417	40,051
Provision for loss on litigation	2,174	1,789
Other	6,532	8,193
Total non-current liabilities	2,275,976	2,263,536
Reserves under special laws:		
Reserve for financial products transaction liabilities	3,970	3,970
Total reserves under special laws	3,970	3,970
Total liabilities	¥ 19,107,812	¥ 19,176,608

	Millions of yen	
	As of	
	March 31, 2016	December 31, 2016
Net assets		
Shareholders' equity:		
Capital stock	¥ 247,397	¥ 247,397
Capital surplus	231,889	231,709
Retained earnings	683,939	723,618
Treasury shares	(29,970)	(28,976)
Deposit for subscriptions to treasury shares	2	15
Total shareholders' equity	1,133,257	1,173,764
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	98,483	71,436
Deferred gains or losses on hedges	(32,992)	(3,753)
Foreign currency translation adjustment	21,082	13,208
Total accumulated other comprehensive income	86,574	80,890
Subscription rights to shares	8,958	8,213
Non-controlling interests	84,214	84,183
Total net assets	1,313,005	1,347,052
Total liabilities and net assets	¥ 20,420,818	¥ 20,523,661

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

	Millions of yen	
	Nine Months Ended	
	December 31, 2015	December 31, 2016
Operating revenue:		
Commission received:	¥ 225,717	¥ 196,819
Commission to consignees	55,374	44,275
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	24,623	21,802
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	28,903	23,378
Other fees received	116,815	107,362
Net trading income:	102,635	99,790
Net trading income from securities	19,181	15,051
Net trading income from bond, forex and other	83,454	84,738
Net gain on private equity and other securities	17,523	12,839
Financial revenue	106,753	103,623
Other operating revenue	50,502	37,102
Total operating revenue	503,132	450,175
Financial expenses	67,819	68,112
Other operating expenses	32,270	30,931
Net operating revenue	403,042	351,131
Selling, general and administrative expenses:		
Trading related expenses	54,981	50,870
Personnel expenses	139,600	131,434
Real estate expenses	28,209	26,116
Office cost	20,082	20,083
Depreciation	17,913	17,450
Taxes and dues	7,122	7,582
Provision of allowance for doubtful accounts	158	-
Other	8,120	8,641
Total selling, general and administrative expenses	276,187	262,179
Operating income	126,854	88,952
Non-operating income:		
Dividend income	2,710	2,923
Share of profit of entities accounted for using equity method	5,730	6,820
Foreign exchange gains	113	129
Other	2,288	3,006
Total non-operating income	10,842	12,879
Non-operating expenses:		
Interest expenses	386	21
Bond issuance cost	422	263
Other	368	318
Total non-operating expenses	1,177	602
Ordinary income	¥ 136,519	¥ 101,229

	Millions of yen	
	Nine Months Ended	
	December 31, 2015	December 31, 2016
Extraordinary income:		
Gain on sales of investment securities	¥ 2,731	¥ 2,515
Gain on change in equity	3,092	768
Reversal of allowance for doubtful accounts	633	-
Gain on reversal of subscription rights to shares	-	1,228
Gain on reversal of business restructuring cost	-	689
Other	1,107	158
Total extraordinary income	7,565	5,361
Extraordinary losses:		
Impairment loss	340	-
Loss on valuation of investment securities	8	90
Provision of reserve for financial products transaction liabilities	2	-
Business restructuring cost	355	76
Loss on liquidation of subsidiaries	-	769
Expenses related to redemption of Money Management Fund and other	-	305
Total extraordinary losses	707	1,242
Income before income taxes	143,377	105,347
Income taxes – current	45,221	22,723
Income taxes - deferred	(3,512)	846
Total income taxes	41,709	23,569
Profit	101,668	81,777
Profit attributable to non-controlling interests	6,131	69
Profit attributable to owners of parent	¥ 95,537	¥ 81,708

Consolidated statements of comprehensive income

	Millions of yen	
	Nine Months Ended	
	December 31, 2015	December 31, 2016
Profit	¥ 101,668	¥ 81,777
Other comprehensive income:		
Valuation difference on available-for-sale securities	(24,060)	(26,957)
Deferred gains or losses on hedges	4,248	29,021
Foreign currency translation adjustment	(881)	(6,941)
Share of other comprehensive income of entities accounted for using equity method	9	(874)
Total other comprehensive income	(20,684)	(5,752)
Comprehensive income	¥ 80,984	¥ 76,025
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	¥ 75,079	¥ 76,025
Comprehensive income attributable to non-controlling interests	5,905	0

(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				
	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Operating revenue:					
Commission received:	¥ 69,215	¥ 62,701	¥ 61,693	¥ 64,373	¥ 70,752
Commission to consignees	15,922	14,950	13,888	13,197	17,189
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	6,031	3,930	5,366	8,274	8,161
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	8,237	5,839	6,320	7,037	10,020
Other fees received	39,023	37,980	36,119	35,863	35,379
Net trading income:	29,910	28,688	33,379	32,385	34,025
Net trading income from securities	6,645	4,249	2,063	5,315	7,672
Net trading income from bond, forex and other	23,265	24,439	31,315	27,070	26,352
Net gain on private equity and other securities	12,327	979	4,802	5,614	2,423
Financial revenue	33,587	42,697	35,726	33,088	34,808
Other operating revenue	8,575	15,511	16,257	9,656	11,188
Total operating revenue	153,616	150,579	151,859	145,117	153,198
Financial expenses	19,551	21,710	26,633	20,701	20,777
Other operating expenses	9,264	17,095	11,177	9,319	10,434
Net operating revenue	124,799	111,772	114,049	115,096	121,985
Selling, general and administrative expenses:					
Trading related expenses	17,805	17,357	16,385	16,979	17,505
Personnel expenses	44,626	43,691	43,240	43,356	44,838
Real estate expenses	9,235	9,151	8,744	8,538	8,833
Office cost	7,002	6,689	6,233	6,006	7,843
Depreciation	6,038	5,920	5,897	5,705	5,848
Taxes and dues	2,078	1,765	2,559	2,467	2,555
Provision of allowance for doubtful accounts	(43)	515	5	3	(8)
Other	2,588	3,238	2,963	2,716	2,961
Total selling, general and administrative expenses	89,331	88,329	86,029	85,772	90,376
Operating income	35,468	23,442	28,019	29,323	31,609
Non-operating income	2,636	5,314	4,613	4,305	3,961
Non-operating expenses	154	128	95	371	135
Ordinary income	37,950	28,628	32,537	33,256	35,434
Extraordinary income	3,787	1,897	1,228	1,607	2,524
Extraordinary losses	86	3,991	207	1,082	(47)
Income before income taxes	41,651	26,535	33,559	33,781	38,007
Income taxes - current	6,069	12,517	5,495	10,692	6,535
Income taxes - deferred	4,582	(7,290)	3,479	(7,389)	4,756
Total income taxes	10,651	5,226	8,974	3,303	11,291
Profit	31,000	21,308	24,584	30,478	26,715
Profit (loss) attributable to non-controlling interests	4,646	(2)	13	34	21
Profit attributable to owners of parent	¥ 26,354	¥ 21,311	¥ 24,571	¥ 30,443	¥ 26,693