

# 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 9, 2017

Scheduled date of dividend payment: -

Supplemental information for quarterly financial results: yes

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



July 27, 2017

## Financial Summary (Consolidated)

For the three months period ended June 30, 2017 <Under Japanese GAAP>

(Figures less than one million yen are rounded down)

### 1. Consolidated financial results (April 1, 2017 to June 30, 2017)

#### (1) Consolidated operating results

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

	Operating revenue		Net operating revenue		Operating income		Ordinary income	
FY 2017	159,652	5.1%	108,543	(4.8)%	21,422	(23.5)%	25,153	(22.7)%
FY 2016	151,859	(20.7)%	114,049	(26.3)%	28,019	(52.6)%	32,537	(48.4)%

(Note) Comprehensive income:

FY 2017: 24,504 million yen : - % ; FY 2016: (24,697) million yen : - %

	Profit attributable to owners of parent		Net income per share		Diluted net income per share	
FY 2017	19,395	(21.1)%	11.63	Yen	11.55	Yen
FY 2016	24,571	(45.2)%	14.52	Yen	14.43	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, 2017	19,815,830	1,340,130	6.3	%	748.15	Yen
As of Mar. 31, 2017	19,827,296	1,343,433	6.3	%	745.80	Yen

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

As of Jun. 30, 2017: 1,248,272 million yen ; As of Mar. 31, 2017: 1,250,890 million yen

### 2. Cash dividends

	Dividends per share (yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
FY 2016	-	13.00	-	13.00	26.00
FY 2017 (actual)	-				
FY 2017 (expected)		To be determined			

(Note) Changes in expected dividends as of June 30, 2017: None

### 3. Earnings forecasts for the fiscal year ending March 31, 2018 (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

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: 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 Jun. 30, 2017 : 1,699,378,772 ; As of Mar. 31, 2017 : 1,699,378,772
  - ( ii ) Number of treasury shares:  
As of Jun. 30, 2017 : 30,902,950 ; As of Mar. 31, 2017: 22,146,169
  - ( iii ) Average number of shares issued and outstanding in each fiscal year:  
As of Jun. 30, 2017: 1,668,395,905 ; As of Jun. 30, 2016 1,692,253,304

#### 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:

Not applicable.

(Accompanying materials)

## Contents

1. Consolidated financial statements .....	2
(1) Consolidated balance sheets .....	2
(2) Consolidated statements of income and Consolidated statements of comprehensive income .....	5
(3) Facts or circumstances casting doubt on going concern assumptions .....	8
(4) Changes in substantial amounts of fluctuation in shareholders' equity .....	8
(5) Quarterly transition of consolidated statements of income .....	9

(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, 2017		June 30, 2017	
<b>Current assets:</b>				
Cash and deposits	¥	3,828,674	¥	4,148,881
Cash segregated as deposits		336,338		319,731
Notes and accounts receivable - trade		16,649		15,970
Securities		1,742,127		1,654,188
Trading products:		6,546,229		6,528,126
Trading securities and other		3,853,260		3,818,337
Derivatives		2,692,968		2,709,789
Operational investment securities		125,040		162,675
Allowance for investment loss		(11,052)		(10,976)
Operating loans		655,709		667,442
Work in process		1,285		2,388
Margin transaction assets:		202,530		196,752
Loans on margin transactions		174,524		169,087
Cash collateral pledged for securities borrowing on margin transactions		28,006		27,664
Loans secured by securities:		5,305,518		5,002,031
Cash collateral pledged for securities borrowed		5,005,170		4,992,859
Loans on Gensaki transactions		300,347		9,172
Advances paid		26,345		23,583
Short-term loans receivable		606		368
Accrued income		35,380		34,050
Deferred tax assets		8,023		7,602
Other		440,034		484,862
Allowance for doubtful accounts		(502)		(505)
<b>Total current assets</b>		<b>19,258,940</b>		<b>19,237,173</b>
<b>Non-current assets:</b>				
Property, plant and equipment		124,980		125,090
Intangible assets:		90,596		91,655
Goodwill		6,103		5,900
Other		84,493		85,755
Investments and other assets:		352,779		361,909
Investment securities		318,751		327,815
Long-term loans receivable		4,939		4,935
Guarantee deposits		17,298		17,312
Deferred tax assets		4,796		4,716
Other		7,655		7,804
Allowance for doubtful accounts		(661)		(673)
<b>Total non-current assets</b>		<b>568,356</b>		<b>578,656</b>
<b>Total assets</b>	¥	<b>19,827,296</b>	¥	<b>19,815,830</b>

<i>Liabilities</i>	Millions of yen	
	As of	
	March 31, 2017	June 30, 2017
<b>Current liabilities:</b>		
Notes and accounts payable - trade	¥ 8,166	¥ 5,109
Trading products:	4,658,595	4,213,673
Trading securities and other	2,261,720	1,816,218
Derivatives	2,396,874	2,397,454
Trade date accrual	216,836	150,369
Margin transaction liabilities:	62,377	71,475
Borrowings on margin transactions	3,086	3,309
Cash received for securities lending on margin transactions	59,290	68,166
Loans payable secured by securities:	6,018,813	6,052,005
Cash received on debt credit transaction of securities	5,909,682	5,844,395
Borrowings on Gensaki transaction	109,130	207,610
Deposits for banking business	2,985,733	3,176,583
Deposits received	256,873	314,434
Guarantee deposits received	418,039	406,227
Short-term loans payable	918,954	1,019,371
Current portion of bonds	278,237	303,421
Income taxes payable	15,084	3,384
Deferred tax liabilities	1,790	1,489
Provision for bonuses	30,872	11,652
Other	137,494	143,436
<b>Total current liabilities</b>	<b>16,007,868</b>	<b>15,872,634</b>
<b>Non-current liabilities:</b>		
Bonds payable	1,219,344	1,296,626
Long-term loans payable	1,179,264	1,222,212
Deferred tax liabilities	10,234	16,821
Net defined benefit liabilities	39,791	40,421
Provision for loss on litigation	15,903	15,867
Other	7,527	7,186
<b>Total non-current liabilities</b>	<b>2,472,065</b>	<b>2,599,135</b>
<b>Reserves under special laws:</b>		
Reserve for financial products transaction liabilities	3,929	3,929
<b>Total reserves under special laws</b>	<b>3,929</b>	<b>3,929</b>
<b>Total liabilities</b>	<b>¥ 18,483,863</b>	<b>¥ 18,475,700</b>

	Millions of yen	
	As of	
	March 31, 2017	June 30, 2017
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Capital stock	¥ 247,397	¥ 247,397
Capital surplus	230,712	230,682
Retained earnings	718,238	716,320
Treasury shares	(12,719)	(18,509)
Deposit for subscriptions to treasury shares	7	4
<b>Total shareholders' equity</b>	<b>1,183,636</b>	<b>1,175,894</b>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	59,922	63,327
Deferred gains or losses on hedges	435	(247)
Foreign currency translation adjustment	6,896	9,297
<b>Total accumulated other comprehensive income</b>	<b>67,254</b>	<b>72,377</b>
<b>Subscription rights to shares</b>	<b>8,729</b>	<b>8,072</b>
<b>Non-controlling interests</b>	<b>83,813</b>	<b>83,785</b>
<b>Total net assets</b>	<b>1,343,433</b>	<b>1,340,130</b>
<b>Total liabilities and net assets</b>	<b>¥ 19,827,296</b>	<b>¥ 19,815,830</b>

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

	Millions of yen			
	Three Months Ended			
	June 30, 2016		June 30, 2017	
<b>Operating revenue:</b>				
Commission received:	¥	61,693	¥	69,746
Commission to consignees		13,888		16,214
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors		5,366		5,740
Fee for offering, secondary distribution and solicitation for selling and others for professional investors		6,320		11,143
Other fees received		36,119		36,648
Net trading income:		33,379		24,068
Net trading income from securities		2,063		7,775
Net trading income from bond, forex and other		31,315		16,293
Net gain on private equity and other securities		4,802		1,746
Financial revenue		35,726		43,835
Other operating revenue		16,257		20,255
<b>Total operating revenue</b>		<b>151,859</b>		<b>159,652</b>
<b>Financial expenses</b>		<b>26,633</b>		<b>39,566</b>
<b>Other operating expenses</b>		<b>11,177</b>		<b>11,542</b>
<b>Net operating revenue</b>		<b>114,049</b>		<b>108,543</b>
<b>Selling, general and administrative expenses:</b>				
Trading related expenses		16,385		16,638
Personnel expenses		43,240		43,215
Real estate expenses		8,744		8,818
Office cost		6,233		6,450
Depreciation		5,897		6,117
Taxes and dues		2,559		2,754
Provision of allowance for doubtful accounts		5		0
Other		2,963		3,126
<b>Total selling, general and administrative expenses</b>		<b>86,029</b>		<b>87,121</b>
<b>Operating income</b>		<b>28,019</b>		<b>21,422</b>
<b>Non-operating income:</b>				
Dividend income		1,238		1,073
Share of profit of entities accounted for using equity method		2,670		2,140
Foreign exchange gains		-		61
Other		703		1,178
<b>Total non-operating income</b>		<b>4,613</b>		<b>4,454</b>
<b>Non-operating expenses:</b>				
Interest expenses		5		8
Bond issuance cost		21		635
Other		68		79
<b>Total non-operating expenses</b>		<b>95</b>		<b>723</b>
<b>Ordinary income</b>	¥	<b>32,537</b>	¥	<b>25,153</b>

	Millions of yen	
	Three Months Ended	
	June 30, 2016	June 30, 2017
<b>Extraordinary income:</b>		
Gain on sales of non-current assets	¥ -	¥ 814
Gain on sales of investment securities	-	813
Gain on reversal of subscription rights to shares	1,228	894
<b>Total extraordinary income</b>	<b>1,228</b>	<b>2,522</b>
<b>Extraordinary losses:</b>		
Loss on sales and retirement of non-current assets	-	118
Business restructuring cost	44	39
Expenses related to redemption of Money Management Fund and other	162	-
<b>Total extraordinary losses</b>	<b>207</b>	<b>158</b>
<b>Income before income taxes</b>	<b>33,559</b>	<b>27,516</b>
Income taxes – current	5,495	1,682
Income taxes - deferred	3,479	6,424
<b>Total income taxes</b>	<b>8,974</b>	<b>8,106</b>
<b>Profit</b>	<b>24,584</b>	<b>19,410</b>
<b>Profit attributable to non-controlling interests</b>	<b>13</b>	<b>14</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 24,571</b>	<b>¥ 19,395</b>



Consolidated statements of comprehensive income

	Millions of yen	
	Three Months Ended	
	June 30, 2016	June 30, 2017
<b>Profit</b>	¥ 24,584	¥ 19,410
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	(15,134)	2,590
Deferred gains or losses on hedges	(3,786)	(658)
Foreign currency translation adjustment	(29,940)	2,662
Share of other comprehensive income of entities accounted for using equity method	(419)	499
<b>Total other comprehensive income</b>	<b>(49,281)</b>	<b>5,093</b>
<b>Comprehensive income</b>	¥ <b>(24,697)</b>	¥ <b>24,504</b>
<b>Comprehensive income attributable to:</b>		
Comprehensive income attributable to owners of parent	¥ (24,531)	¥ 24,519
Comprehensive income attributable to non-controlling interests	(165)	(15)

(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, 2016	September 30 2016	December 31, 2016	March 31, 2017	June 30, 2017
<b>Operating revenue:</b>					
Commission received:	¥ 61,693	¥ 64,373	¥ 70,752	¥ 76,515	¥ 69,746
Commission to consignees	13,888	13,197	17,189	16,672	16,214
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	5,366	8,274	8,161	7,926	5,740
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	6,320	7,037	10,020	10,909	11,143
Other fees received	36,119	35,863	35,379	41,007	36,648
Net trading income:	33,379	32,385	34,025	28,330	24,068
Net trading income from securities	2,063	5,315	7,672	6,419	7,775
Net trading income from bond, forex and other	31,315	27,070	26,352	21,910	16,293
Net gain on private equity and other securities	4,802	5,614	2,423	2,006	1,746
Financial revenue	35,726	33,088	34,808	39,618	43,835
Other operating revenue	16,257	9,656	11,188	19,850	20,255
<b>Total operating revenue</b>	<b>151,859</b>	<b>145,117</b>	<b>153,198</b>	<b>166,322</b>	<b>159,652</b>
<b>Financial expenses</b>	<b>26,633</b>	<b>20,701</b>	<b>20,777</b>	<b>30,612</b>	<b>39,566</b>
<b>Other operating expenses</b>	<b>11,177</b>	<b>9,319</b>	<b>10,434</b>	<b>14,090</b>	<b>11,542</b>
<b>Net operating revenue</b>	<b>114,049</b>	<b>115,096</b>	<b>121,985</b>	<b>121,618</b>	<b>108,543</b>
<b>Selling, general and administrative expenses:</b>					
Trading related expenses	16,385	16,979	17,505	18,884	16,638
Personnel expenses	43,240	43,356	44,838	44,395	43,215
Real estate expenses	8,744	8,538	8,833	9,150	8,818
Office cost	6,233	6,006	7,843	6,963	6,450
Depreciation	5,897	5,705	5,848	5,955	6,117
Taxes and dues	2,559	2,467	2,555	2,948	2,754
Provision of allowance for doubtful accounts	5	3	(8)	-	0
Other	2,963	2,716	2,961	3,210	3,126
<b>Total selling, general and administrative expenses</b>	<b>86,029</b>	<b>85,772</b>	<b>90,376</b>	<b>91,508</b>	<b>87,121</b>
<b>Operating income</b>	<b>28,019</b>	<b>29,323</b>	<b>31,609</b>	<b>30,110</b>	<b>21,422</b>
Non-operating income	4,613	4,305	3,961	4,907	4,454
Non-operating expenses	95	371	135	622	723
<b>Ordinary income</b>	<b>32,537</b>	<b>33,256</b>	<b>35,434</b>	<b>34,394</b>	<b>25,153</b>
Extraordinary income	1,228	1,607	2,524	12,016	2,522
Extraordinary losses	207	1,082	(47)	12,753	158
<b>Income before income taxes</b>	<b>33,559</b>	<b>33,781</b>	<b>38,007</b>	<b>33,657</b>	<b>27,516</b>
Income taxes - current	5,495	10,692	6,535	17,254	1,682
Income taxes - deferred	3,479	(7,389)	4,756	(6,097)	6,424
<b>Total income taxes</b>	<b>8,974</b>	<b>3,303</b>	<b>11,291</b>	<b>11,156</b>	<b>8,106</b>
<b>Profit</b>	<b>24,584</b>	<b>30,478</b>	<b>26,715</b>	<b>22,500</b>	<b>19,410</b>
<b>Profit attributable to non-controlling interests</b>	<b>13</b>	<b>34</b>	<b>21</b>	<b>141</b>	<b>14</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 24,571</b>	<b>¥ 30,443</b>	<b>¥ 26,693</b>	<b>¥ 22,358</b>	<b>¥ 19,395</b>