

Amended

PASSION  
FOR THE  
BEST

# Daiwa Securities Group

# 3Q FY2017 Earnings Announcement

February 7, 2018

Daiwa Securities Group Inc.

This presentation may contain forward-looking statements about the Daiwa Securities Group. You can identify these statements by the fact that they do not relate strictly to historic or current facts. These statements discuss future expectations, identify strategies, contain projections of results of operations or of financial condition or state other "forward-looking" information. These statements are based on currently available information and represent the beliefs of the management of the Daiwa Securities Group. These statements are subject to numerous risks and uncertainties that could cause the Daiwa Securities Group's actual results, performance, achievements or financial condition to differ materially from those described or implied in the forward-looking statements. The Daiwa Securities Group undertakes no obligation to publicly update any forward-looking statements after the date of this presentation. These potential risks and uncertainties include, but are not limited to: competition within the financial services industries in Japan and overseas, our ability to adjust our business focus and to maintain profitable strategic alliances, volatile and sudden movements in the international securities markets, foreign exchange and global economic situations affecting the Daiwa Securities Group.

# Table of Contents

---

<b>Highlights</b>	3-4
<b>Financial Summary</b>	5-7
<b>B/S &amp; Financial Management Summary</b>	8-9
<b>P/L Summary</b>	10
<b>Breakdown of SG&amp;A</b>	11-12
<b>Overseas Operation</b>	13
<b>Segment Information</b>	14-21
<b>Reference</b>	22-35

# Highlights (1Q-3Q/FY2017)

## Net operating revenues and Ordinary income increased YoY.

Consolidated earnings results	FY2017 1Q-3Q	% Change vs 1Q-3Q/FY2016	FY2017 3Q	% Change vs 2Q/FY2017
Net operating revenues	Y374.4 bil	+6.6%	Y134.9 bil	+3.1%
Ordinary income	Y112.1 bil	+10.8%	Y43.2 bil	-1.4%
Profit attributable to owners of parent	Y73.9 bil	-9.4%	Y22.6 bil	-28.9%

- Brokerage commission and distribution commission increased reflecting strong domestic and overseas stock market. Also underwriting commission grew by managing large PO/IPO deals.
- Profit attributable to owners of parent decreased as provision for loss on litigation (Y9.5 bil) was posted in 3Q FY2017.

### 【Retail Division】

- Trading value of foreign equities doubled YoY by capturing the strong U.S. stock market trend.
- Contract AUM for wrap account service reached a record high (Y1,944.5 bil) by expanding product line up and reflecting rising market.
- Stock investment trusts sales kept a high level, as funds investing mainly in IoT or robot related stocks saw strong sales.

### 【Wholesale Division】

- Acted as a global coordinator for several large deals including JAPAN POST HOLDINGS 2nd PO and global IPO of SG Holdings Co., Ltd..
- Retained 1st place on primary and secondary equity offerings, IPO, and municipal bonds league table.
- In addition to managing a number of M&A deals including cross-border, Sagent and Signal Hill, which have become consolidated company, contributed to increase in revenues.

# Summary (3Q/FY2017)

## 3Q FY2017 Net operating revenues: Y134.9 bil (+3.1% QoQ)

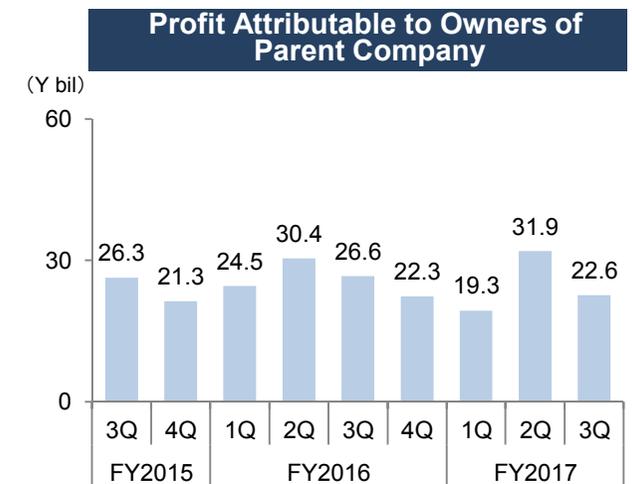
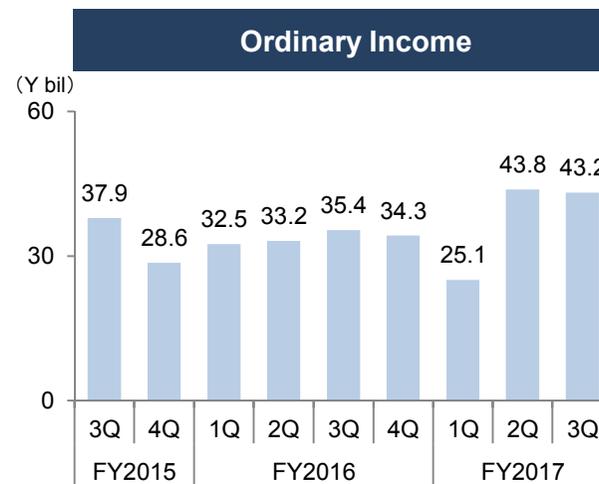
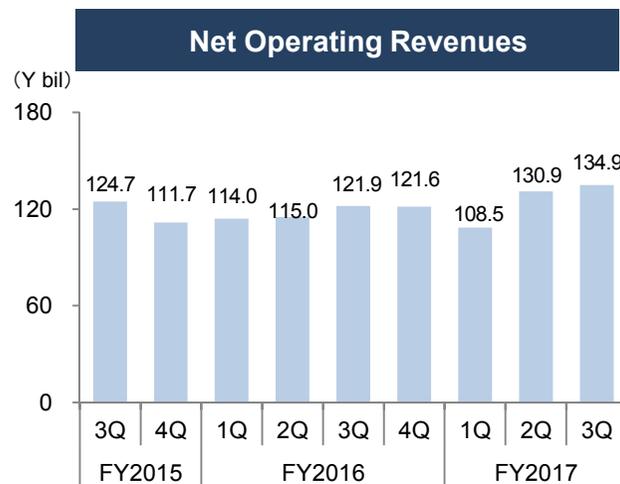
- Revenue in Retail Division expanded due to increase in equity trading volume and stock investment trust sales reflecting strong domestic and overseas equity market.
- For Wholesale Division, Global Investment Banking maintained strong performance and equity revenues in Global Markets grew from increased client flow.

## 3Q FY2017 Ordinary income: Y43.2 bil (-1.4% QoQ)

- SG&A rose to Y94.7 bil (+4.2% QoQ) as bonus linked to earnings increased.
- It remained at a high level, even though ordinary income slightly dropped from the 2nd quarter in which there was a capital gain by an exit of the investment in Investment Division.

## 3Q FY2017 Profit attributable to owners of parent company: Y22.6 bil (-28.9% QoQ)

- Profit attributable to owners of parent decreased as provision for loss on litigation (Y9.5 bil) was posted in 3Q FY2017.
- Annualized ROE: 7.1%, BPS: Y780.71



## Financial Summary

(Y mil)	FY2016		FY2017			% Change vs 2Q/FY17	% Change vs 3Q/FY16	FY2016 1Q-3Q	FY2017 1Q-3Q	% Change vs 1Q-3QFY16	FY2016
	3Q	4Q	1Q	2Q	3Q						
<b>Operating revenues</b>	153,198	166,322	159,652	176,611	<b>190,875</b>	<b>8.1%</b>	<b>24.6%</b>	450,175	<b>527,140</b>	<b>17.1%</b>	616,497
<b>Net operating revenues</b>	121,985	121,618	108,543	130,923	<b>134,997</b>	<b>3.1%</b>	<b>10.7%</b>	351,131	<b>374,464</b>	<b>6.6%</b>	472,750
<b>SG&amp;A</b>	90,376	91,508	87,121	90,924	<b>94,725</b>	<b>4.2%</b>	<b>4.8%</b>	262,179	<b>272,771</b>	<b>4.0%</b>	353,687
<b>Ordinary income</b>	35,434	34,394	25,153	43,829	<b>43,216</b>	<b>-1.4%</b>	<b>22.0%</b>	101,229	<b>112,199</b>	<b>10.8%</b>	135,623
<b>Profit (loss) attributable to owners of parent</b>	26,693	22,358	19,395	31,905	<b>22,697</b>	<b>-28.9%</b>	<b>-15.0%</b>	81,708	<b>73,998</b>	<b>-9.4%</b>	104,067
<b>Total assets</b>	20,523,661	19,827,296	19,815,830	20,381,308	<b>21,925,865</b>			20,523,661	<b>21,925,865</b>		19,827,296
<b>Net assets</b>	1,347,052	1,343,433	1,340,130	1,385,594	<b>1,375,632</b>			1,347,052	<b>1,375,632</b>		1,343,433
<b>Shareholders' equity*</b>	1,254,655	1,250,890	1,248,272	1,288,915	<b>1,278,643</b>			1,254,655	<b>1,278,643</b>		1,250,890
<b>EPS (Y)</b>	15.76	13.26	11.63	19.12	<b>13.73</b>			48.26	<b>44.49</b>		61.53
<b>BPS (Y)</b>	740.60	745.80	748.15	772.32	<b>780.71</b>			740.60	<b>780.71</b>		745.80
<b>ROE (Annualized)</b>	8.7%	7.1%	6.2%	10.1%	<b>7.1%</b>			8.8%	<b>7.8%</b>		8.4%

\* Shareholders' equity = Owners' equity + Accumulated other comprehensive income

## Segment Summary

(Y mil)

Net operating revenues	FY2016		FY2017			% Change vs 2Q/FY17	% Change vs 3Q/FY16	FY2016 1Q-3Q	FY2017 1Q-3Q	% Change vs 1Q-3Q/FY16	FY2016
	3Q	4Q	1Q	2Q	3Q						
<b>Retail</b>	49,663	49,654	48,833	51,269	<b>59,570</b>	<b>16.2%</b>	<b>20.0%</b>	138,397	<b>159,673</b>	<b>15.4%</b>	188,051
<b>Wholesale</b>	46,427	47,113	35,280	43,051	<b>45,726</b>	<b>6.2%</b>	<b>-1.5%</b>	135,761	<b>124,057</b>	<b>-8.6%</b>	182,875
<i>Global Markets</i>	36,819	33,645	27,356	30,090	<b>32,633</b>	<b>8.5%</b>	<b>-11.4%</b>	109,214	<b>90,080</b>	<b>-17.5%</b>	142,859
<i>Global Investment Banking</i>	9,608	13,468	7,923	12,960	<b>13,092</b>	<b>1.0%</b>	<b>36.3%</b>	26,547	<b>33,976</b>	<b>28.0%</b>	40,015
<b>Asset Management</b>	11,586	11,798	12,011	12,141	<b>12,650</b>	<b>4.2%</b>	<b>9.2%</b>	34,639	<b>36,802</b>	<b>6.2%</b>	46,438
<b>Investments</b>	2,570	2,484	1,801	13,914	<b>6,326</b>	<b>-54.5%</b>	<b>146.2%</b>	13,252	<b>22,042</b>	<b>66.3%</b>	15,736
<b>Other/Adjustments</b>	11,737	10,567	10,618	10,547	<b>10,722</b>	-	-	29,080	<b>31,887</b>	-	39,647
<b>Consolidated total</b>	121,985	121,618	108,543	130,923	<b>134,997</b>	<b>3.1%</b>	<b>10.7%</b>	351,131	<b>374,464</b>	<b>6.6%</b>	472,750

Ordinary income	FY2016		FY2017			% Change vs 2Q/FY17	% Change vs 3Q/FY16	FY2016 1Q-3Q	FY2017 1Q-3Q	% Change vs 1Q-3Q/FY16	FY2016
	3Q	4Q	1Q	2Q	3Q						
<b>Retail</b>	9,512	8,700	10,391	10,626	<b>18,002</b>	<b>69.4%</b>	<b>89.2%</b>	20,675	<b>39,019</b>	<b>88.7%</b>	29,375
<b>Wholesale</b>	16,906	16,429	6,438	12,892	<b>12,789</b>	<b>-0.8%</b>	<b>-24.4%</b>	49,008	<b>32,120</b>	<b>-34.5%</b>	65,437
<i>Global Markets</i>	14,164	10,759	5,364	7,877	<b>9,817</b>	<b>24.6%</b>	<b>-30.7%</b>	42,836	<b>23,059</b>	<b>-46.2%</b>	53,595
<i>Global Investment Banking</i>	2,492	5,607	748	4,805	<b>2,794</b>	<b>-41.8%</b>	<b>12.1%</b>	5,761	<b>8,349</b>	<b>44.9%</b>	11,369
<b>Asset Management</b>	6,522	6,627	7,200	7,137	<b>7,489</b>	<b>4.9%</b>	<b>14.8%</b>	19,944	<b>21,827</b>	<b>9.4%</b>	26,572
<b>Investments</b>	1,891	1,553	1,417	13,175	<b>5,529</b>	<b>-58.0%</b>	<b>192.4%</b>	11,488	<b>20,121</b>	<b>75.1%</b>	13,041
<b>Other/Adjustments</b>	601	1,084	-294	-2	<b>-594</b>	-	-	112	<b>-890</b>	-	1,196
<b>Consolidated total</b>	35,434	34,394	25,153	43,829	<b>43,216</b>	<b>-1.4%</b>	<b>22.0%</b>	101,229	<b>112,199</b>	<b>10.8%</b>	135,623

※Figures calculated based on managerial accounting of each Group companies. Equity in earnings of affiliates is included in each respective segment.

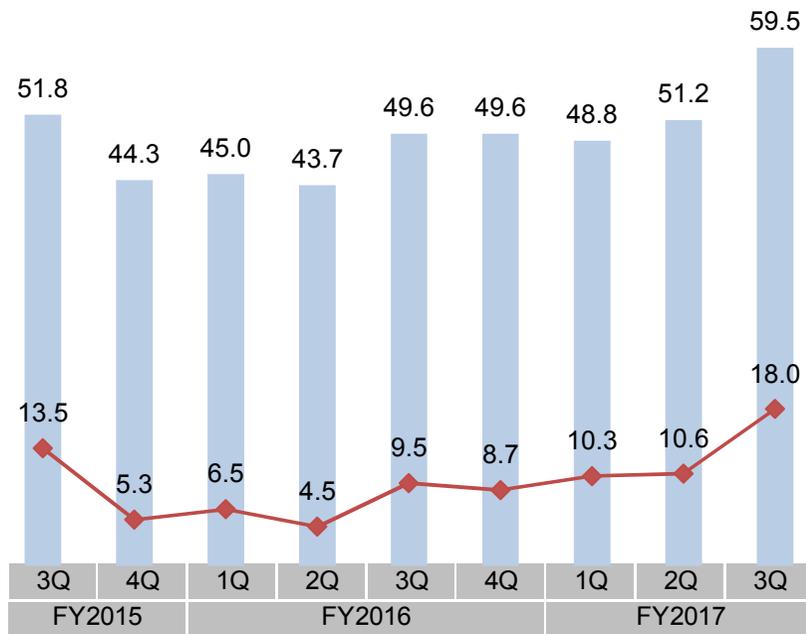
# Segment Summary



■ Net operating revenues    ◆ Ordinary income

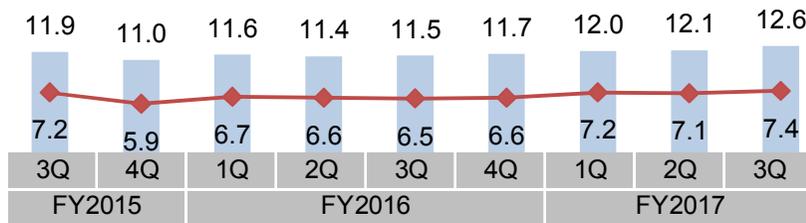
## Retail Division

(Y bil)



## Asset Management Division

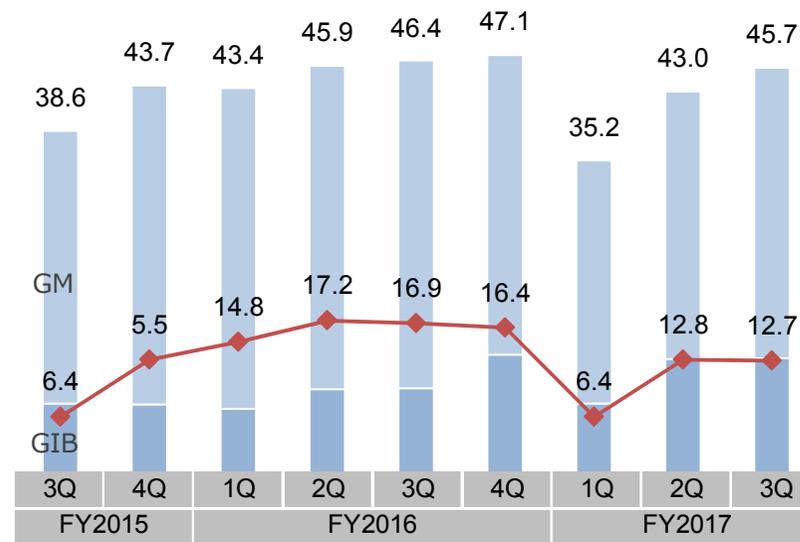
(Y bil)



## Wholesale Division

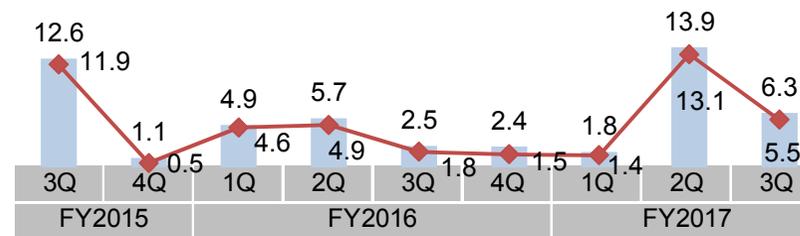
(Y bil)

■ Global Markets (Net operating revenues)  
■ Global Investment Banking (Net operating revenues)



## Investment Division

(Y bil)



# Consolidated B/S Summary

## Consolidated Balance Sheet (Dec. 31, 2017)

( Y bil)

Current assets			Current liabilities		
Cash and deposits	21,283	(2,024)	Trading products	17,847	(1,839)
Short-term investment securities	4,669	(840)	Trading securities and other	4,935	(276)
Trading products	1,030	(-712)	<i>Stocks, convertible bonds</i>	2,657	(396)
Trading securities and other	7,034	(488)	<i>Bonds</i>	298	(45)
<i>Stocks, Convertible bonds</i>	4,425	(572)	<i>Bonds</i>	2,292	(295)
<i>Bonds</i>	469	(108)	<i>CD/CP and others</i>	67	(56)
<i>Beneficiary certificates</i>	3,205	(641)	Derivatives	2,277	(-119)
<i>CD/CP and others</i>	256	(78)	Loans payable secured by securities	6,376	(357)
Derivatives	494	(-255)	Deposits for banking business	3,555	(569)
Operational investment securities	2,608	(-84)	Short-term loans payable	1,343	(424)
(after allowance for possible investment losses)	152	(38)	Current portion of bonds	290	(12)
Daiwa PI Partners + Daiwa Securities SMBC PI	144	(37)			
Daiwa Corporate Investment	8	(0)			
Loans secured by securities	6,578	(1,272)			
Non-current assets			Non-current liabilities		
Property, plant and equipment	642	(74)	Bonds payable	2,698	(226)
Intangible assets	123	(-1)	Long-term loans payable	1,267	(48)
Investments and other assets	103	(13)		1,335	(156)
Listed stocks	415	(62)	<b>Total liabilities</b>	<b>20,550</b>	<b>(2,066)</b>
Unlisted stocks	171	(25)	<b>Net assets</b>	<b>1,375</b>	<b>(32)</b>
Affiliated companies stocks, etc.	17	(0)	Owners' equity	1,187	(3)
Other	128	(0)	Accumulated other comprehensive income	91	(24)
	97	(37)	Non-controlling interests	88	(4)
<b>Total Assets</b>	<b>21,925</b>	<b>(2,098)</b>	<b>Total liabilities and net assets</b>	<b>21,925</b>	<b>(2,098)</b>

**Total assets:** Y21.92 tri

**Net assets:** Y1.37 tri

**Shareholders' equity\*\*:** Y1.27 tri

- 88.1% of total assets have high liquidity\*.

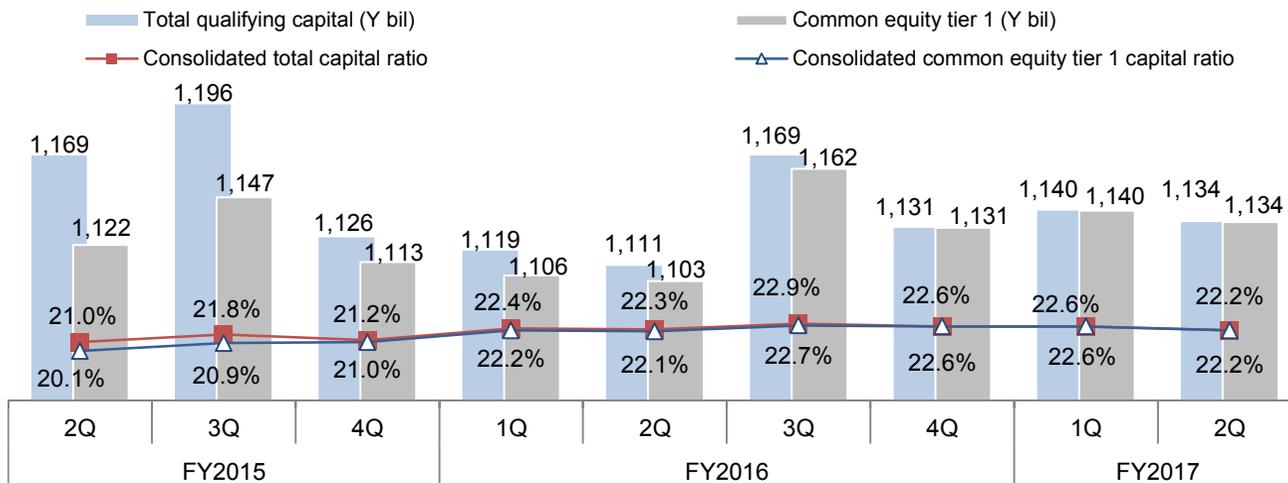
\* Cash and deposits + Short-term investment securities + Trading products + Loans secured by securities

- Shareholders' equity\*\* increased by Y27.7 bil from March 31, 2017.

\*\* Shareholders' equity = Owners' equity + Accumulated other comprehensive income

※Figures in parentheses indicate changes from March 31, 2017

## Consolidated Capital Adequacy Ratio



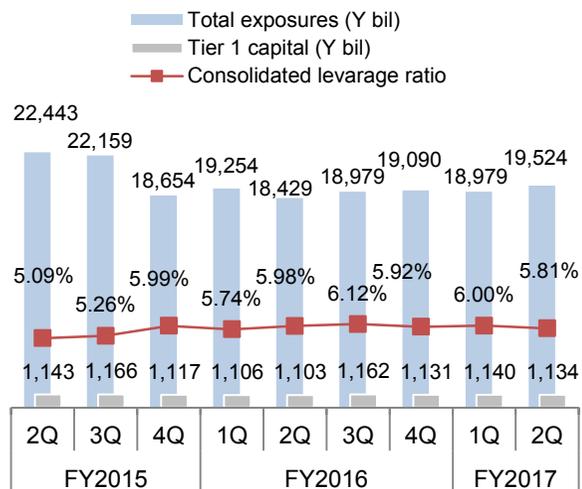
### 【Regulatory Capital (Basel III)】

(As at September 30, 2017)

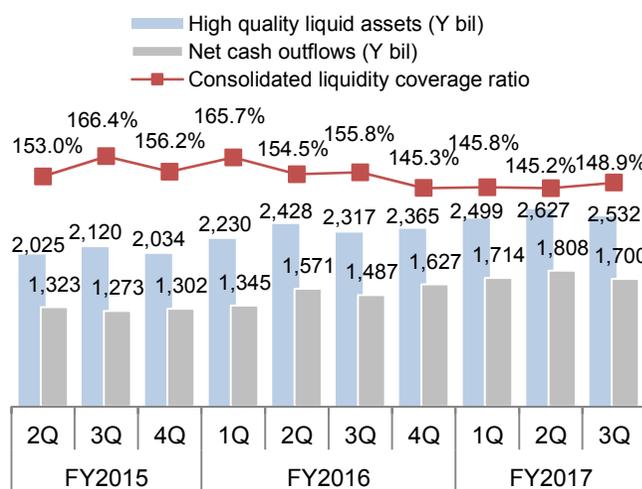
- Consolidated Total Capital Ratio : 22.2%
- Consolidated Tier1 Capital Ratio : 22.2%
- Consolidated Common Equity Tier 1 Capital Ratio : 22.2%
- Consolidated Leverage Ratio : 5.81%

※ Figures are as at the end of each quarter.

## Consolidated Leverage Ratio



## Consolidated Liquidity Coverage Ratio



### 【Regulatory Liquidity (Basel III)】

(Daily average Oct. — Dec. 2017)

- Consolidated Liquidity Coverage Ratio : 148.9%

※Before 3Q FY2016: end of month average

# Consolidated P/L Summary

(Y mil)	FY2016		FY2017			% Change vs 2Q/FY17	% Change vs 3Q/FY16	FY2016	FY2017	% Change vs 1Q-3Q/FY16	FY2016
	3Q	4Q	1Q	2Q	3Q			1Q-3Q	1Q-3Q		
<b>Operating revenues</b>	153,198	166,322	159,652	176,611	<b>190,875</b>	8.1%	24.6%	450,175	<b>527,140</b>	17.1%	616,497
<b>Commission received</b>	70,752	76,515	69,746	78,730	<b>85,531</b>	8.6%	20.9%	196,819	<b>234,008</b>	18.9%	273,335
<b>Net trading income</b>	34,025	28,330	24,068	23,079	<b>30,446</b>	31.9%	-10.5%	99,790	<b>77,594</b>	-22.2%	128,120
<b>Net gain/loss on private equity and other securities</b>	2,423	2,006	1,746	13,862	<b>6,217</b>	-55.2%	156.5%	12,839	<b>21,826</b>	70.0%	14,846
<b>Financial revenue</b>	34,808	39,618	43,835	48,096	<b>47,898</b>	-0.4%	37.6%	103,623	<b>139,831</b>	34.9%	143,241
<b>Other operating revenue</b>	11,188	19,850	20,255	12,841	<b>20,782</b>	61.8%	85.7%	37,102	<b>53,879</b>	45.2%	56,953
<b>Financial expenses</b>	20,777	30,612	39,566	34,480	<b>30,441</b>	-11.7%	46.5%	68,112	<b>104,488</b>	53.4%	98,725
<b>Other operating expenses</b>	10,434	14,090	11,542	11,207	<b>25,437</b>	127.0%	143.8%	30,931	<b>48,187</b>	55.8%	45,022
<b>Net operating revenues</b>	121,985	121,618	108,543	130,923	<b>134,997</b>	3.1%	10.7%	351,131	<b>374,464</b>	6.6%	472,750
<b>SG&amp;A</b>	90,376	91,508	87,121	90,924	<b>94,725</b>	4.2%	4.8%	262,179	<b>272,771</b>	4.0%	353,687
<b>Operating income/loss</b>	31,609	30,110	21,422	39,998	<b>40,271</b>	0.7%	27.4%	88,952	<b>101,692</b>	14.3%	119,062
<b>Non-operating income/loss</b>	3,825	4,284	3,730	3,831	<b>2,944</b>	-23.1%	-23.0%	12,277	<b>10,506</b>	-14.4%	16,561
<b>Ordinary income/loss</b>	35,434	34,394	25,153	43,829	<b>43,216</b>	-1.4%	22.0%	101,229	<b>112,199</b>	10.8%	135,623
<b>Extraordinary income/loss</b>	2,572	-737	2,363	2,131	<b>-9,203</b>	-	-	4,118	<b>-4,708</b>	-	3,381
<b>Income/loss before income taxes</b>	38,007	33,657	27,516	45,961	<b>34,012</b>	-26.0%	-10.5%	105,347	<b>107,491</b>	2.0%	139,004
<b>Total income taxes</b>	11,291	11,156	8,106	9,392	<b>11,277</b>	20.1%	-0.1%	23,569	<b>28,776</b>	22.1%	34,726
<b>Profit (loss) attributable to owners of parent</b>	26,693	22,358	19,395	31,905	<b>22,697</b>	-28.9%	-15.0%	81,708	<b>73,998</b>	-9.4%	104,067

- Commission received increased (+8.6% QoQ).
- Brokerage commission\* rose to Y21.7 bil (+30.4% QoQ) as stock trading volume increased.
- Even though equity underwriting was solid, it decreased QoQ resulting in a decline in underwriting commission\* to Y9.8 bil (-24.0% QoQ).
- Distribution commission\* rose to Y13.2 bil (+22.6% QoQ) led by increase in stock investment trusts sales.
  - \* Breakdown of total commission received (See p.23)
- Net trading income\*\* increased to Y30.4 bil (+31.9% QoQ) as equity trading expanded and FICC trading recovered.
  - \*\* Managerial accounting basis (See p.17)
- Net gain on private equity secured Y6.2 bil (-55.2% QoQ).
- Extraordinary loss of Y9.5 bil was posted as provision for loss on litigation in 3Q FY2017.

## Breakdown of SG&amp;A

(Y mil)	FY2016		FY2017			% Change vs 2Q/FY17	% Change vs 3Q/FY16	FY2016	FY2017	% Change vs 1Q-3Q/FY16	FY2016
	3Q	4Q	1Q	2Q	3Q			1Q-3Q	1Q-3Q		
<b>SG&amp;A</b>	90,376	91,508	87,121	90,924	<b>94,725</b>	<b>4.2%</b>	<b>4.8%</b>	262,179	<b>272,771</b>	<b>4.0%</b>	353,687
<b>Trading related expenses</b>	17,505	18,884	16,638	18,658	<b>18,488</b>	<b>-0.9%</b>	<b>5.6%</b>	50,870	<b>53,785</b>	<b>5.7%</b>	69,754
<b>Personnel expenses</b>	44,838	44,395	43,215	44,645	<b>48,387</b>	<b>8.4%</b>	<b>7.9%</b>	131,434	<b>136,249</b>	<b>3.7%</b>	175,830
<b>Real estate expenses</b>	8,833	9,150	8,818	8,847	<b>9,080</b>	<b>2.6%</b>	<b>2.8%</b>	26,116	<b>26,746</b>	<b>2.4%</b>	35,267
<b>Office cost</b>	7,843	6,963	6,450	6,494	<b>6,728</b>	<b>3.6%</b>	<b>-14.2%</b>	20,083	<b>19,673</b>	<b>-2.0%</b>	27,047
<b>Depreciation</b>	5,848	5,955	6,117	6,009	<b>6,119</b>	<b>1.8%</b>	<b>4.6%</b>	17,450	<b>18,246</b>	<b>4.6%</b>	23,406
<b>Taxes and dues</b>	2,555	2,948	2,754	2,736	<b>2,635</b>	<b>-3.7%</b>	<b>3.1%</b>	7,582	<b>8,125</b>	<b>7.2%</b>	10,530
<b>Other</b>	2,952	3,210	3,126	3,533	<b>3,284</b>	<b>-7.0%</b>	<b>11.3%</b>	8,641	<b>9,945</b>	<b>15.1%</b>	11,852

- Trading related expenses dropped (-0.9% QoQ) due to a decrease in advertising expenses for promotions.

- Personnel expenses rose (+8.4% QoQ) as bonus linked to earnings increased and personnel expenses for two M&A advisory firms were newly recognized due to consolidation from 3Q FY2017.

- Real estate expenses, office cost and depreciation increased (+2.6%, +3.6%, +1.8% QoQ) due to an increase mainly in system related expenses.

# Consolidated Cost Structure



(Y bil)	FY2015			FY2016					FY2017		
	3Q	4Q	1Q-4Q	1Q	2Q	3Q	4Q	1Q-4Q	1Q	2Q	3Q
<b>Total SG&amp;A</b>	89.3	88.3	<b>364.5</b>	86.0	85.7	90.3	91.5	<b>353.6</b>	87.1	90.9	<b>94.7</b>
<b>Variable costs</b>	35.8	35.9	<b>150.5</b>	34.1	35.1	36.6	38.0	<b>143.9</b>	33.6	37.5	<b>39.8</b>
<b>Trading related expenses</b>	17.8	17.3	<b>72.3</b>	16.3	16.9	17.5	18.8	<b>69.7</b>	16.6	18.6	<b>18.4</b>
<i>Advertising expenses</i>	2.0	2.4	<b>8.1</b>	1.9	2.4	3.0	3.7	<b>11.1</b>	2.1	3.4	<b>3.1</b>
<b>Bonus and others</b>	12.7	12.3	<b>55.5</b>	12.2	13.0	13.6	13.3	<b>52.3</b>	11.2	12.7	<b>15.5</b>
<b>Overtime, part-time</b>	2.3	2.1	<b>9.1</b>	2.3	2.2	2.3	2.2	<b>9.1</b>	2.3	2.3	<b>2.4</b>
<b>Fixed costs</b>	53.5	52.3	<b>213.9</b>	51.8	50.5	53.7	53.4	<b>209.6</b>	53.4	53.3	<b>54.8</b>
<b>Personnel expenses</b>	29.2	28.9	<b>117.3</b>	28.4	27.8	28.7	28.5	<b>113.6</b>	29.3	29.3	<b>30.2</b>
<b>Real estate expenses</b>	9.2	9.1	<b>37.3</b>	8.7	8.5	8.8	9.1	<b>35.2</b>	8.8	8.8	<b>9.0</b>
<b>Depreciation</b>	6.0	5.9	<b>23.8</b>	5.8	5.7	5.8	5.9	<b>23.4</b>	6.1	6.0	<b>6.1</b>
<b>Office expenses</b>	6.6	6.3	<b>25.4</b>	5.8	5.7	7.5	6.6	<b>25.7</b>	6.1	6.1	<b>6.4</b>
<b>Taxes and dues</b>	2.0	1.7	<b>8.8</b>	2.5	2.4	2.5	2.9	<b>10.5</b>	2.7	2.7	<b>2.6</b>

# Overseas Operation

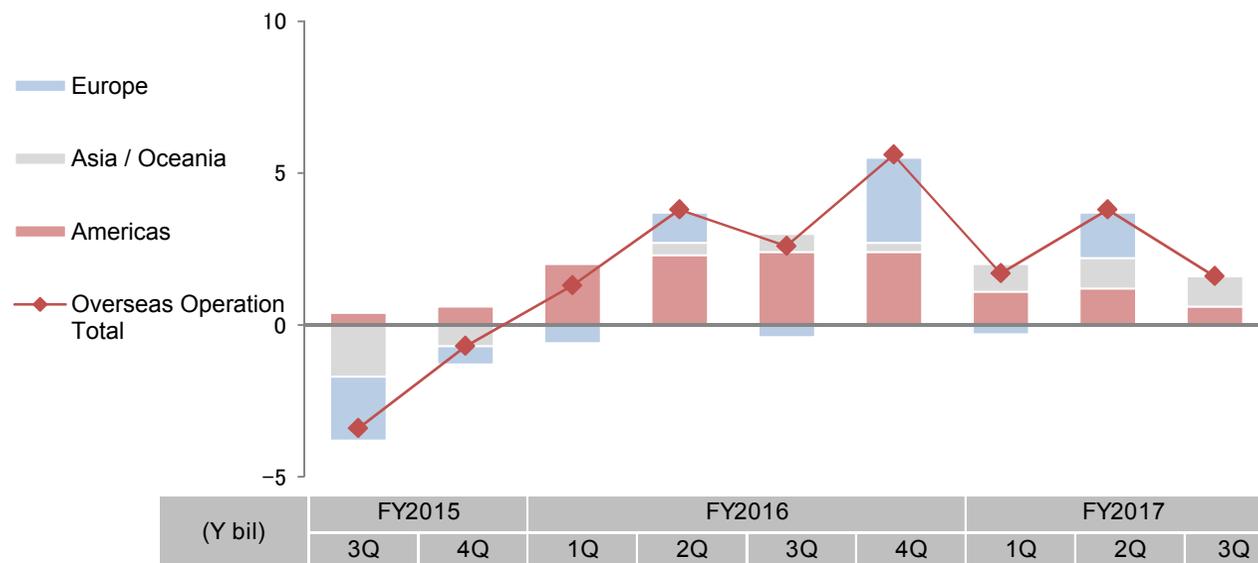


(Y mil)	FY2016		FY2017			% Change vs 2Q/FY17	% Change vs 3Q/FY16	FY2016	FY2017	% Change vs 1Q-3Q/FY16	FY2016
	3Q	4Q	1Q	2Q	3Q			1Q-3Q	1Q-3Q		
<b>Overseas OperationTotal</b>	2,606	5,691	1,700	3,810	<b>1,718</b>	<b>-54.9%</b>	<b>-34.1%</b>	7,801	<b>7,229</b>	<b>-7.3%</b>	13,493
<b>Europe</b>	-486	2,844	-338	1,577	<b>-16</b>	-	-	-85	<b>1,222</b>	-	2,759
<b>Asia / Oceania</b>	677	378	909	1,024	<b>1,047</b>	<b>2.3%</b>	<b>54.5%</b>	1,101	<b>2,981</b>	<b>170.6%</b>	1,480
<b>Americas</b>	2,414	2,468	1,129	1,208	<b>687</b>	<b>-43.1%</b>	<b>-71.5%</b>	6,785	<b>3,025</b>	<b>-55.4%</b>	9,254

Overseas operation stayed in the black for 7 consecutive quarters.

- In Europe, equity performed strong, while investment banking business including DCA (Daiwa Corporate Advisory) and fixed income trading slowed down.
- In Asia / Oceania, ordinary income in wealth management business and equity increased.
- In Americas, equity trading was solid due to an expansion of U.S. equity trading volume, however ordinary income declined by amortization of goodwill for two M&A advisory firms.

## Ordinary Income

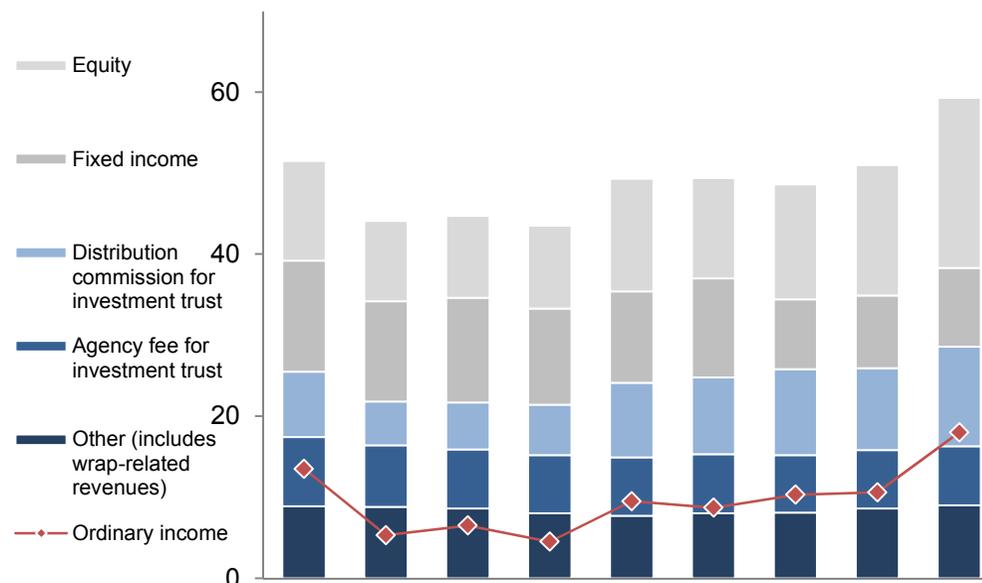


# Retail Division

(Y mil)	FY2017 3Q	% Change vs 2Q/FY17	FY2017 1Q-3Q	% Change vs 1Q-3Q/FY16
<b>Net operating revenues</b>	<b>59,570</b>	<b>16.2%</b>	<b>159,673</b>	<b>15.4%</b>
<b>Ordinary income</b>	<b>18,002</b>	<b>69.4%</b>	<b>39,019</b>	<b>88.7%</b>

- Equity revenue increased +29.9% QoQ due to an expansion of both domestic and foreign equity trading volume.
- Fixed income revenue rose +7.6% QoQ as sales amount of structured bonds expanded.
- Distribution commission for investment trust rose +22.4% QoQ due to an increase in stock investment trust sales. Agency fee for investment trust linked to asset under custody increased +1.0% QoQ owing to market rise.
- Other revenues increased +5.0% QoQ from the rise in investment advisory and account management fees, related to wrap business.

## Net Operating Revenues and Ordinary Income



(Y bil)	FY2015		FY2016				FY2017		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Equity	12.3	9.9	10.1	10.2	13.9	12.4	14.2	16.1	<b>21.0</b>
Fixed income	13.7	12.4	12.9	11.9	11.3	12.2	8.6	9.0	<b>9.7</b>
Distribution commission for investment trust	8.1	5.4	5.8	6.2	9.2	9.5	10.6	10.1	<b>12.3</b>
Agency fee for investment trust	8.5	7.6	7.3	7.2	7.2	7.3	7.1	7.2	<b>7.3</b>
Other (includes wrap-related revenues)	8.9	8.8	8.6	8.0	7.7	8.0	8.1	8.6	<b>9.0</b>
<b>Net operating revenues</b>	<b>51.8</b>	<b>44.3</b>	<b>45.0</b>	<b>43.7</b>	<b>49.6</b>	<b>49.6</b>	<b>48.8</b>	<b>51.2</b>	<b>59.5</b>
<b>Ordinary income</b>	<b>13.5</b>	<b>5.3</b>	<b>6.5</b>	<b>4.5</b>	<b>9.5</b>	<b>8.7</b>	<b>10.3</b>	<b>10.6</b>	<b>18.0</b>

# Retail Division Daiwa Securities

## 【Wrap Account Service】

- Contract AUM reached a record high of Y1,944.5 bil\* due to the stable increase of sales contract amount by expanding product line up since October 2016 and value appreciation by strong market.

\*Includes a part of contract AUM of Wholesale Division

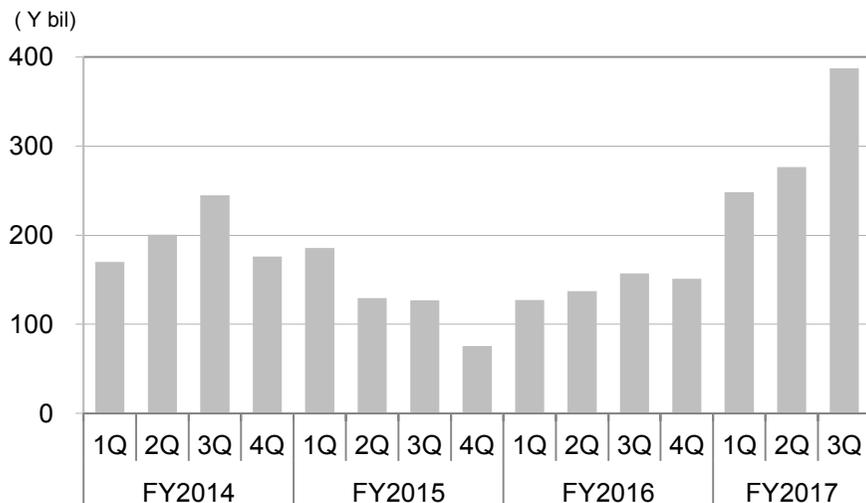
## 【Stock Investment Trusts】

- Funds investing mainly in U.S. mid cap growth stocks, Indian stocks, and IoT or robot related stocks saw strong sales.

## 【Foreign Equities】

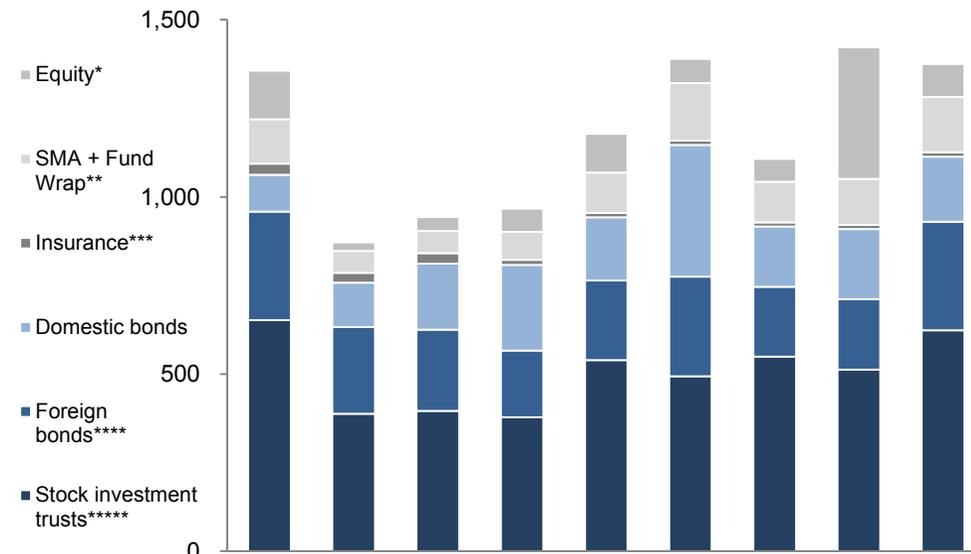
- Newly trading accounts and net purchase of foreign equities increased by capturing investor's continued appetite and proactively delivering market information for customers in the midst of major U.S. stock price index rise. Trading value in foreign equities reached a record high of Y387.2 bil.

### Foreign Equities Trading Value



※Includes foreign stocks listed in TSE

### Sales and Distribution Amount by Product



(Y bil)	FY2015		FY2016				FY2017		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Equity*	136.9	24.8	39.2	65.8	109.5	68.7	64.8	371.8	93.2
SMA + Fund Wrap**	125.9	61.5	62.9	78.1	113.6	161.5	114.2	130.0	155.6
Insurance***	30.8	27.9	29.6	14.6	12.4	12.7	11.4	11.4	12.3
Domestic bonds	103.8	125.2	186.2	241.8	178.6	372.3	170.9	197.8	183.9
Foreign bonds****	306.5	244.9	229.2	187.8	224.6	280.5	196.4	198.9	306.4
Stock investment trusts*****	653.3	388.4	396.8	379.3	540.2	494.9	550.3	513.7	624.1

\*Distribution amount from equity underwriting

\*\*Total contract amount of Daiwa fund wrap and Daiwa SMA

\*\*\*Insurance include pension insurance, life insurance and business insurance

\*\*\*\*Foreign bonds include yen-denominated foreign bonds

\*\*\*\*\*Stock investment trusts include switching transactions between funds

# Wholesale Division Global Markets

(Y mil)	FY2017 3Q	% Change vs 2Q/FY17	FY2017 1Q-3Q	% Change vs 1Q-3Q/FY16
<b>Net operating revenues</b>	<b>32,633</b>	<b>8.5%</b>	<b>90,080</b>	<b>-17.5%</b>
<b>Ordinary income</b>	<b>9,817</b>	<b>24.6%</b>	<b>23,059</b>	<b>-46.2%</b>

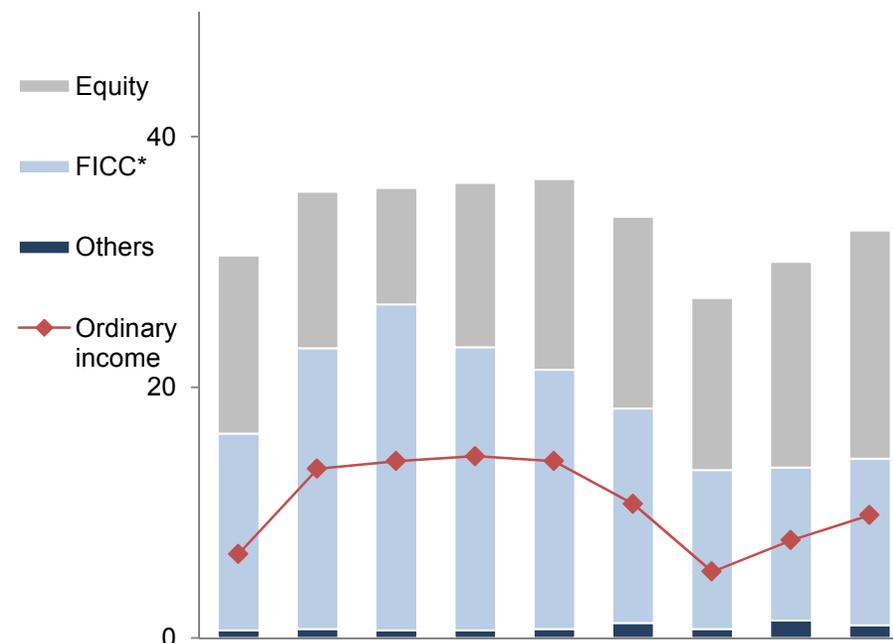
## 【Equity】

- Equity revenues rose +10.6% QoQ due to an increase in client flow of both domestic and foreign equities against the backdrop of strong global markets.

## 【FICC\*】

- Unfavorable market situation continued as a long-term interest rate shifts within the narrow range. FICC revenues rose +9.4% QoQ due to an increase in the sales of structured bonds. JGB also recovered QoQ, but client flow declined in credit products.

## Net Operating Revenues and Ordinary Income



(Y bil)	FY2015		FY2016				FY2017		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Equity	14.2	12.5	9.3	13.1	15.2	15.3	13.7	16.4	18.2
FICC*	15.7	22.4	26.0	22.6	20.7	17.1	12.7	12.2	13.3
Others	0.6	0.7	0.6	0.6	0.7	1.2	0.7	1.4	1.0
<b>Net operating revenues</b>	<b>30.6</b>	<b>35.8</b>	<b>36.0</b>	<b>36.3</b>	<b>36.8</b>	<b>33.6</b>	<b>27.3</b>	<b>30.0</b>	<b>32.6</b>
<b>Ordinary income</b>	<b>6.7</b>	<b>13.5</b>	<b>14.1</b>	<b>14.5</b>	<b>14.1</b>	<b>10.7</b>	<b>5.3</b>	<b>7.8</b>	<b>9.8</b>

\*FICC: Fixed Income, Currency and Commodities

**【Managerial accounting basis】**

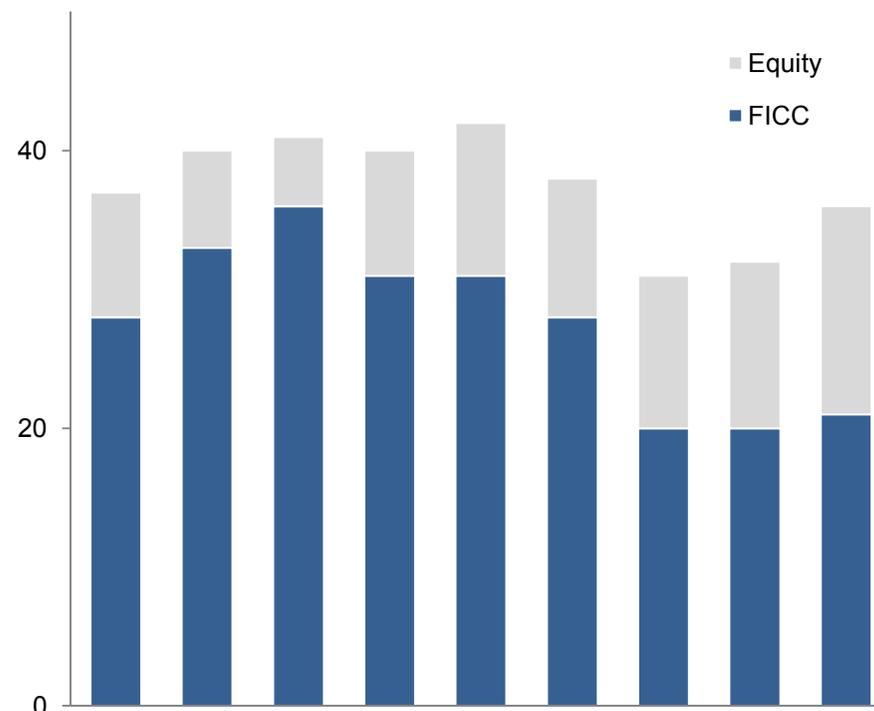
(Y bil)	FY2017 3Q	% Change vs 2Q/FY17	FY2017 1Q-3Q	% Change vs 1Q-3Q/FY16
Equity	15.0	25.0%	38.0	52.0%
FICC	21.0	5.0%	61.0	-37.8%
Total	36.0	12.5%	99.0	-19.5%

<Reference>

Financial accounting basis:  
Net gain/loss on trading + Net financial income

(Y mil)	FY2017 3Q	% Change vs 2Q/FY17	FY2017 1Q-3Q	% Change vs 1Q-3Q/FY16
Equity	11,400	88.7%	25,216	67.5%
Bond and forex	19,046	11.8%	52,377	-38.2%
Net financial income	17,457	28.2%	35,342	-0.5%
Total	47,903	30.5%	112,936	-16.5%

**Consolidated Trading Gain / Loss  
(Managerial Accounting Basis)**



(Y bil)	FY2015		FY2016				FY2017		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Equity	9	7	5	9	11	10	11	12	15
FICC	28	33	36	31	31	28	20	20	21
Total	37	40	41	40	42	38	31	32	36

# Wholesale Division Global Investment Banking



(Y mil)	FY2017 3Q	% Change vs 2Q/FY17	FY2017 1Q-3Q	% Change vs 1Q-3Q/FY16
<b>Net operating revenues</b>	<b>13,092</b>	<b>1.0%</b>	<b>33,976</b>	<b>28.0%</b>
<b>Ordinary income</b>	<b>2,794</b>	<b>-41.8%</b>	<b>8,349</b>	<b>44.9%</b>

## 【Equity】

- Acted as a global coordinator for SG Holdings Global IPO, the largest IPO deal in FY2017.

<Selected lead managed deals>

		<Offering size>
SG Holdings Co., Ltd.	Global IPO	Y127.6 bil
KATITAS Co., Ltd.	Global IPO	Y37.8 bil
OPTORUN Co., Ltd.	IPO	Y12.1 bil
Asahi Holdings, Inc.	PO	Y13.4 bil

## 【Debt】

- Lead managed a number of benchmark bond, and managed straight bond and subordinated bond as well.

<Selected lead managed deals>

		<Offering size>
Development Bank of Japan Inc. (5 yrs)	Sustainability Bond	USD1.0 bil
TEPCO Power Grid, Incorporated (5/10 yrs)	SB	Total Y100.0 bil
JBIC (3/5/10yrs)	Benchmark Bond	Total USD4.5 bil
Mitsui Sumitomo Insurance Company, Limited (60 yrs)	Subordinated Bond	Total Y130.0 bil

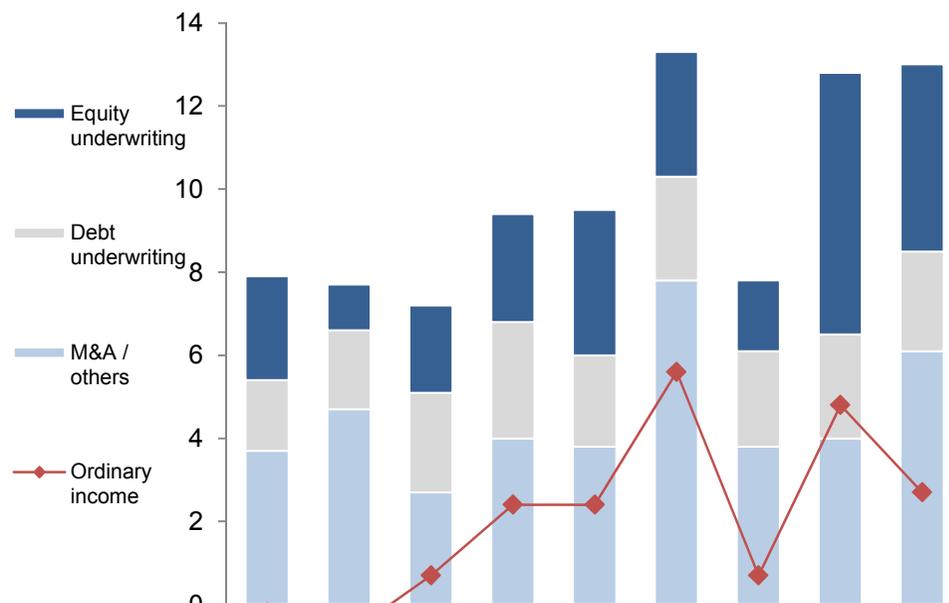
## 【M&A】

- Managed a number of deal including domestic, overseas and cross-border. Signal Hill, which have become consolidated company since 3Q FY2017, also contributed to revenues.

<Selected deals>

TOB by Bain Capital Private Equity, LP for ASATSU-DK INC.  
 Funding by Meiji Group to Chemo-Sero-Therapeutic Research Institute  
 Sale of CPA Global (UK) to Leonard Green & Partners, L.P. (US)  
 Sale of Infobase Holdings, Inc. (US) to Centre Lane Partners, LLC (US)

## Net Operating Revenues and Ordinary Income



(Y bil)	FY2015		FY2016				FY2017		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Equity underwriting	2.5	1.1	2.1	2.6	3.5	3.0	1.7	6.3	4.5
Debt underwriting	1.7	1.9	2.4	2.8	2.2	2.5	2.3	2.5	2.4
M&A / others	3.7	4.7	2.7	4.0	3.8	7.8	3.8	4.0	6.1
<b>Net operating revenues</b>	<b>7.9</b>	<b>7.8</b>	<b>7.3</b>	<b>9.5</b>	<b>9.6</b>	<b>13.4</b>	<b>7.9</b>	<b>12.9</b>	<b>13.0</b>
<b>Ordinary income</b>	<b>-0.2</b>	<b>-0.7</b>	<b>0.7</b>	<b>2.4</b>	<b>2.4</b>	<b>5.6</b>	<b>0.7</b>	<b>4.8</b>	<b>2.7</b>

# Asset Management Division

(Y mil)	FY2017 3Q	% Change vs 2Q/FY17	FY2017 1Q-3Q	% Change vs 1Q-3Q/FY16
Net operating revenues	12,650	4.2%	36,802	6.2%
Ordinary income	7,489	4.9%	21,827	9.4%

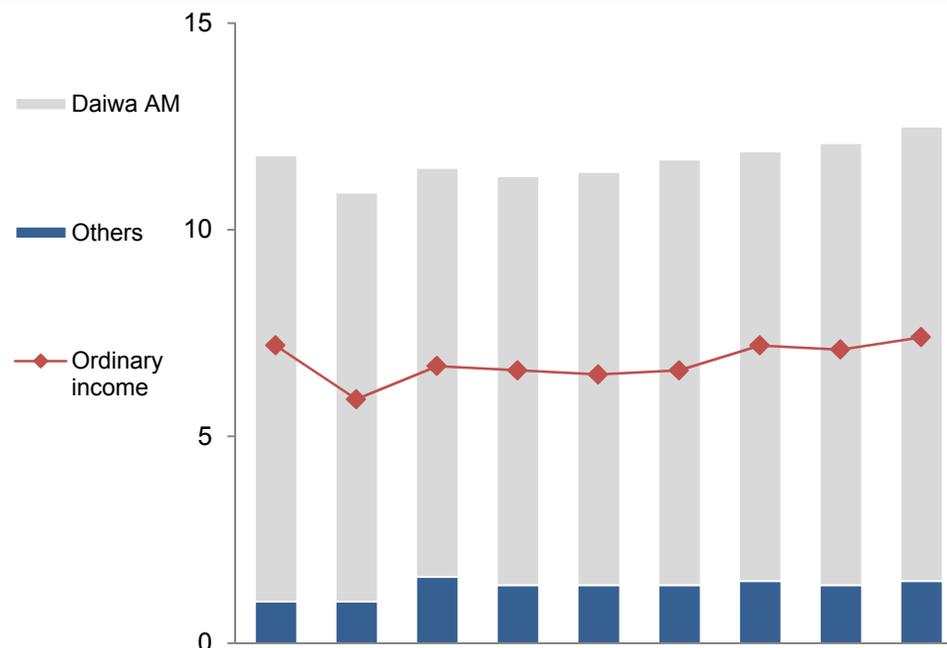
## 【Daiwa Asset Management】

- Revenue and income increased QoQ owing to expansion of AUM by market appreciation and net inflow of assets.

## 【Others】

- AUM of Daiwa Real Estate Asset Management, operator of REITs, slightly decreased by replacement of residential real estates, while its management fees increased.

## Net Operating Revenues and Ordinary Income



(Y bil)	FY2015		FY2016				FY2017		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Daiwa AM	10.8	9.9	9.9	9.9	10.0	10.3	10.4	10.7	11.0
Others	1.0	1.0	1.6	1.4	1.4	1.4	1.5	1.4	1.5
<b>Net operating revenues</b>	11.9	11.0	11.6	11.4	11.5	11.7	12.0	12.1	12.6
<b>Ordinary income</b>	7.2	5.9	6.7	6.6	6.5	6.6	7.2	7.1	7.4

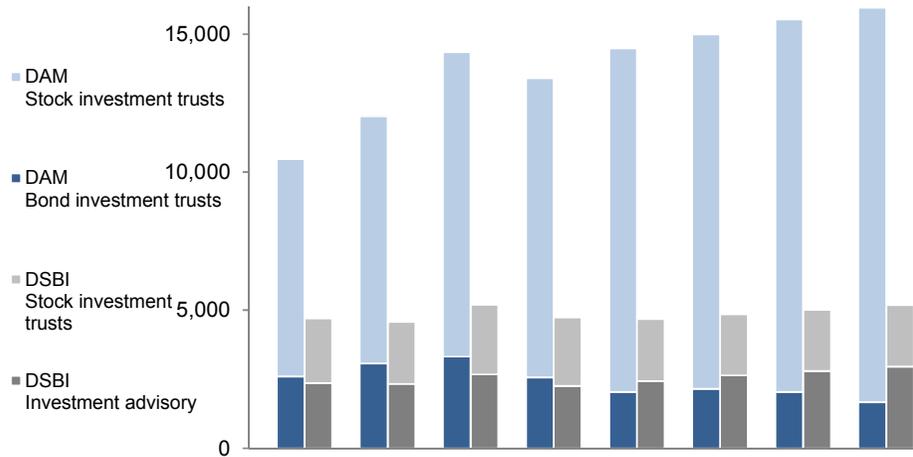
\* 'Others' includes Daiwa Fund Consulting, Daiwa Real Estate Asset Management and Mi-Casa Asset Management (since 1Q FY2016).

\* Equity in earnings of affiliates is included in non-operating revenues.

# Asset Management Division

# Assets Under Management

## Daiwa Asset Management and Daiwa SB Investments AUM



(Y bil)	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017		
						1Q	2Q	3Q

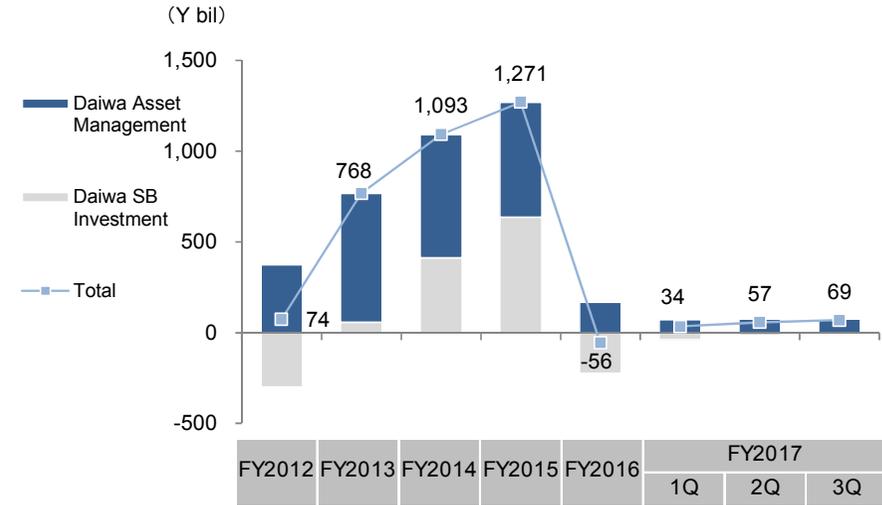
### Daiwa Asset Management (DAM)

Stock investment trusts	7,875	8,958	11,032	10,840	12,454	12,832	13,491	<b>14,298</b>
Bond investment trusts	2,600	3,064	3,314	2,563	2,036	2,151	2,035	<b>1,663</b>
<b>Total</b>	<b>10,476</b>	<b>12,023</b>	<b>14,346</b>	<b>13,403</b>	<b>14,491</b>	<b>14,983</b>	<b>15,526</b>	<b>15,962</b>
Stock investment trust share	14.4%	15.0%	14.8%	14.5%	14.7%	14.8%	14.8%	<b>14.4%</b>

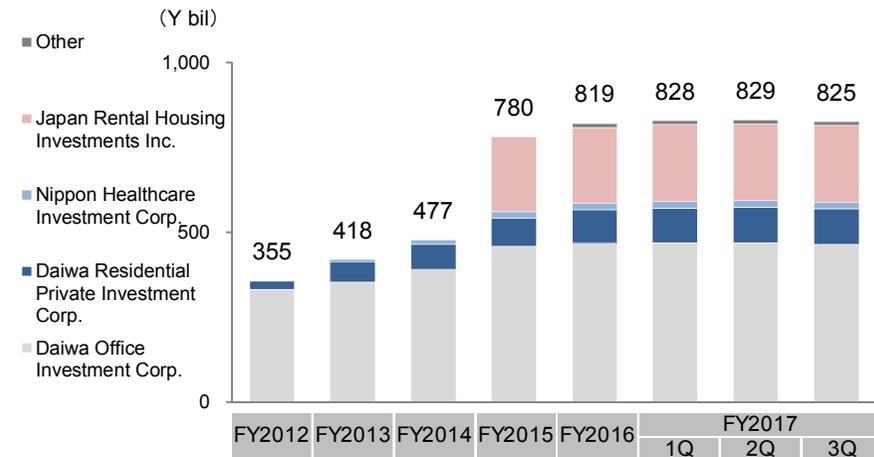
### Daiwa SB Investments (DSBI)

Stock investment trusts	2,345	2,249	2,526	2,481	2,237	2,208	2,213	<b>2,227</b>
Investment advisory	2,356	2,327	2,671	2,249	2,435	2,637	2,793	<b>2,955</b>
<b>Total</b>	<b>4,702</b>	<b>4,577</b>	<b>5,198</b>	<b>4,730</b>	<b>4,673</b>	<b>4,845</b>	<b>5,006</b>	<b>5,182</b>
Stock investment trust share	3.2%	2.8%	2.6%	2.7%	2.3%	2.2%	2.1%	<b>2.0%</b>

## Daiwa Asset Management and Daiwa SB Investments Net Asset Inflow (Stock Investment Trusts, excl. ETF)



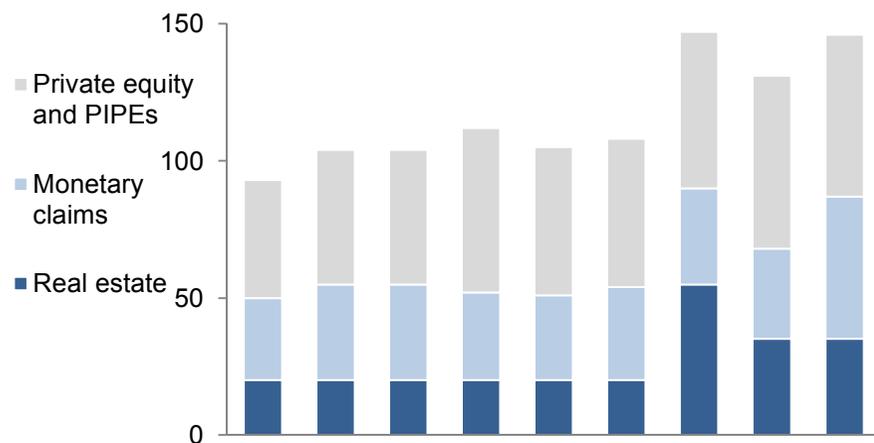
## Real Estate Asset Management Business AUM



# Investment Division

(Y mil)	FY2017 3Q	% Change vs 2Q/FY17	FY2017 1Q-3Q	% Change vs 1Q-3Q/FY16
<b>Net operating revenues</b>	<b>6,326</b>	<b>-54.5%</b>	<b>22,042</b>	<b>66.3%</b>
<b>Ordinary income</b>	<b>5,529</b>	<b>-58.0%</b>	<b>20,121</b>	<b>75.1%</b>

## Principal Investment Values



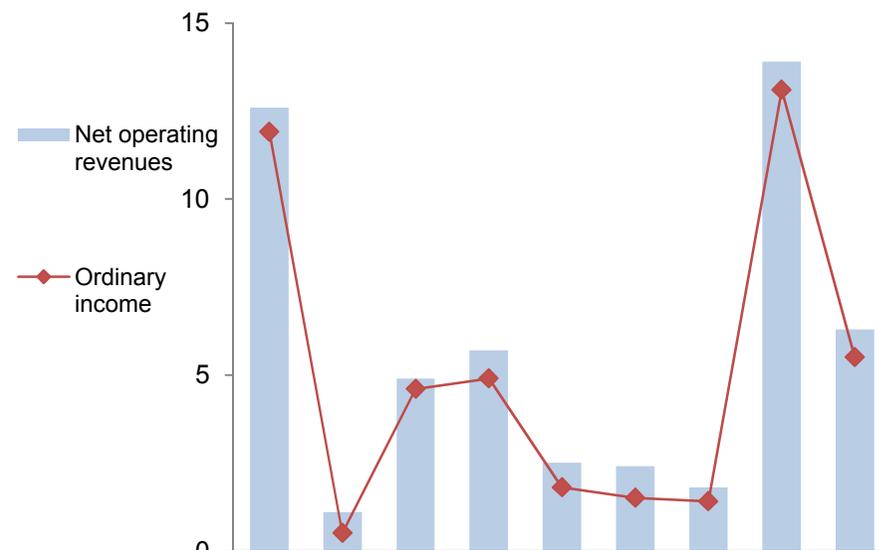
(Y bil)	FY2015		FY2016				FY2017		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Private equity and PIPEs	43	49	49	60	54	54	57	63	<b>59</b>
Monetary claims	30	35	35	32	31	34	35	33	<b>52</b>
Real estate	20	20	20	20	20	20	55	35	<b>35</b>
<b>Total</b>	<b>94</b>	<b>104</b>	<b>104</b>	<b>112</b>	<b>105</b>	<b>108</b>	<b>147</b>	<b>132</b>	<b>147</b>

※ Principal investment values are the sum of Daiwa PI Partners and Daiwa Securities SMB CPI

※ PIPEs: Private Investment in Public Equities

※ All figures are as at the end of each quarter

## Net Operating Revenues and Ordinary Income



(Y bil)	FY2015		FY2016				FY2017		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Net operating revenues	12.6	1.1	4.9	5.7	2.5	2.4	1.8	13.9	<b>6.3</b>
Ordinary income	11.9	0.5	4.6	4.9	1.8	1.5	1.4	13.1	<b>5.5</b>

# Reference

---

**Daiwa Securities Group Inc.**

# Breakdown of Commission

(Y mil)	FY2016		FY2017			% Change vs 2Q/FY17	% Change vs 3Q/FY16	FY2016	FY2017	% Change vs 1Q-3Q/FY16	FY2016
	3Q	4Q	1Q	2Q	3Q			1Q-3Q	1Q-3Q		
<b>Total commission</b>	70,752	76,515	69,746	78,730	<b>85,531</b>	<b>8.6%</b>	<b>20.9%</b>	196,819	<b>234,008</b>	<b>18.9%</b>	273,335
<b>Brokerage commission</b>	17,189	16,672	16,214	16,688	<b>21,753</b>	<b>30.4%</b>	<b>26.5%</b>	44,275	<b>54,655</b>	<b>23.4%</b>	60,947
<b>Underwriting commission</b>	8,161	7,926	5,740	13,010	<b>9,890</b>	<b>-24.0%</b>	<b>21.2%</b>	21,802	<b>28,642</b>	<b>31.4%</b>	29,729
<b>Distribution commission</b>	10,020	10,909	11,143	10,803	<b>13,247</b>	<b>22.6%</b>	<b>32.2%</b>	23,378	<b>35,194</b>	<b>50.5%</b>	34,287
<b>Other commission</b>	35,379	41,007	36,648	38,228	<b>40,640</b>	<b>6.3%</b>	<b>14.9%</b>	107,362	<b>115,517</b>	<b>7.6%</b>	148,370
<i>Investment advisory and account management fees</i>	5,221	5,358	5,569	5,925	<b>6,285</b>	<b>6.1%</b>	<b>20.4%</b>	15,669	<b>17,780</b>	<b>13.5%</b>	21,028
<i>Insurance sales commission</i>	740	942	724	745	<b>739</b>	<b>-0.9%</b>	<b>-0.1%</b>	3,420	<b>2,209</b>	<b>-35.4%</b>	4,363
<i>M&amp;A commission</i>	3,263	7,051	3,131	3,596	<b>5,676</b>	<b>57.8%</b>	<b>74.0%</b>	9,135	<b>12,404</b>	<b>35.8%</b>	16,186
<i>Management fee</i>	19,981	20,299	20,349	20,840	<b>21,388</b>	<b>2.6%</b>	<b>7.0%</b>	59,931	<b>62,578</b>	<b>4.4%</b>	80,231
<i>Other</i>	6,172	7,354	6,872	7,121	<b>6,550</b>	<b>-8.0%</b>	<b>6.1%</b>	19,205	<b>20,544</b>	<b>7.0%</b>	26,560

## Balance Sheet

## Daiwa Securities Balance Sheet (Dec. 31, 2017)

(Y bil)

<b>Current assets</b>	<b>11,239</b>	<b>(1,061)</b>
Trading products	4,761	(106)
Trading securities and other	2,153	(189)
Derivatives	2,607	(-83)
Margin transaction assets	214	(16)
Loans on margin transactions	183	(13)
Cash collateral pledged for securities borrowing on margin transactions	31	(3)
Loans secured by securities	3,680	(507)
Short-term guarantee deposits	305	(-24)
Short-term loans receivable	306	(65)
<b>Non-current assets</b>	<b>113</b>	<b>(5)</b>
Property, plant and equipment	3	(0)
Intangible assets	62	(4)

<b>Total assets</b>	<b>11,352</b>	<b>(1,066)</b>
---------------------	---------------	----------------

<b>Current liabilities</b>	<b>9,125</b>	<b>(897)</b>
Trading products	3,525	(-3)
Trading securities and other	1,249	(113)
Derivatives	2,276	(-117)
Margin transaction liabilities	85	(24)
Loans payables secured by securities	2,797	(123)
Short-term loans payable	1,522	(355)
Current portion of bonds	173	(51)
<b>Non-current liabilities</b>	<b>1,436</b>	<b>(221)</b>
Bonds payable	566	(-28)
Long-term loans payable	833	(248)
<b>Total liabilities</b>	<b>10,565</b>	<b>(1,119)</b>
<b>Net assets</b>	<b>786</b>	<b>(-52)</b>
Shareholders' equity	778	(-53)
Capital stock	100	-

<b>Total liabilities and net assets</b>	<b>11,352</b>	<b>(1,066)</b>
---	---------------	----------------

※Figures in parentheses show changes from March 31, 2017

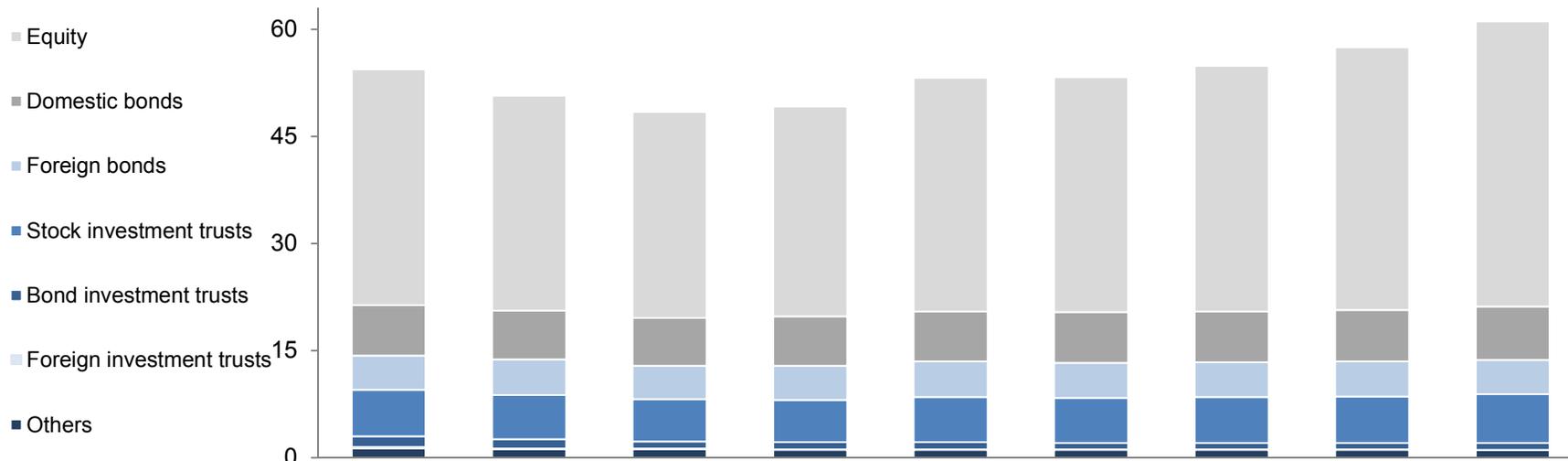
## Financial Summary I

(Y mil)	FY2016		FY2017			% Change vs 2Q/FY17	% Change vs 3Q/FY16	FY2016	FY2017	% Change vs 1Q-3Q/FY16	FY2016
	3Q	4Q	1Q	2Q	3Q			1Q-3Q	1Q-3Q		
<b>Operating revenues</b>	88,975	84,742	81,949	86,224	<b>99,158</b>	<b>15.0%</b>	<b>11.4%</b>	250,168	<b>267,333</b>	<b>6.9%</b>	334,911
<b>Commission received</b>	48,339	50,354	47,399	52,877	<b>58,694</b>	<b>11.0%</b>	<b>21.4%</b>	130,881	<b>158,971</b>	<b>21.5%</b>	181,235
<b>Brokerage commission</b>	12,852	12,388	12,149	12,364	<b>17,010</b>	<b>37.6%</b>	<b>32.3%</b>	32,264	<b>41,523</b>	<b>28.7%</b>	44,652
<i>Stock and others</i>	12,281	12,071	11,797	12,109	<b>16,661</b>	<b>37.6%</b>	<b>35.7%</b>	30,583	<b>40,567</b>	<b>32.6%</b>	42,654
<b>Underwriting commission</b>	7,645	6,613	5,163	10,157	<b>8,315</b>	<b>-18.1%</b>	<b>8.8%</b>	20,922	<b>23,636</b>	<b>13.0%</b>	27,535
<i>Equity</i>	4,565	3,496	1,920	7,210	<b>5,386</b>	<b>-25.3%</b>	<b>18.0%</b>	10,174	<b>14,517</b>	<b>42.7%</b>	13,670
<i>Bond and others</i>	3,080	3,117	3,242	2,947	<b>2,928</b>	<b>-0.6%</b>	<b>-4.9%</b>	10,748	<b>9,118</b>	<b>-15.2%</b>	13,865
<b>Distribution commission</b>	9,729	10,788	11,019	10,704	<b>13,118</b>	<b>22.6%</b>	<b>34.8%</b>	22,689	<b>34,842</b>	<b>53.6%</b>	33,477
<i>Investment trust</i>	8,991	9,415	10,498	9,992	<b>12,463</b>	<b>24.7%</b>	<b>38.6%</b>	20,684	<b>32,954</b>	<b>59.3%</b>	30,099
<b>Other commissions</b>	18,111	20,564	19,068	19,650	<b>20,250</b>	<b>3.1%</b>	<b>11.8%</b>	55,005	<b>58,969</b>	<b>7.2%</b>	75,569
<i>Agency fee and others</i>	7,813	8,003	7,847	8,006	<b>8,135</b>	<b>1.6%</b>	<b>4.1%</b>	23,571	<b>23,989</b>	<b>1.8%</b>	31,574
<i>Investment advisory and account management fees</i>	5,221	5,358	5,569	5,925	<b>6,285</b>	<b>6.1%</b>	<b>20.4%</b>	15,669	<b>17,780</b>	<b>13.5%</b>	21,028
<i>Insurance sales commission</i>	740	942	724	745	<b>739</b>	<b>-0.9%</b>	<b>-0.1%</b>	3,420	<b>2,209</b>	<b>-35.4%</b>	4,363
<i>M&amp;A commission</i>	1,647	2,944	1,771	1,025	<b>1,736</b>	<b>69.3%</b>	<b>5.4%</b>	4,180	<b>4,532</b>	<b>8.4%</b>	7,124
<b>Net trading income/loss</b>	30,681	25,184	22,184	20,291	<b>27,834</b>	<b>37.2%</b>	<b>-9.3%</b>	91,089	<b>70,311</b>	<b>-22.8%</b>	116,273
<b>Equity</b>	8,484	6,795	7,563	6,069	<b>12,607</b>	<b>107.7%</b>	<b>48.6%</b>	14,920	<b>26,240</b>	<b>75.9%</b>	21,715
<b>Bond and forex</b>	22,197	18,389	14,621	14,222	<b>15,227</b>	<b>7.1%</b>	<b>-31.4%</b>	76,168	<b>44,070</b>	<b>-42.1%</b>	94,557
<b>Financial revenues</b>	9,954	9,203	12,364	13,055	<b>12,629</b>	<b>-3.3%</b>	<b>26.9%</b>	28,198	<b>38,050</b>	<b>34.9%</b>	37,402
<b>Financial expenses</b>	5,993	5,076	8,929	7,057	<b>9,239</b>	<b>30.9%</b>	<b>54.2%</b>	15,732	<b>25,225</b>	<b>60.3%</b>	20,808
<b>Net operating revenues</b>	82,982	79,666	73,020	79,167	<b>89,919</b>	<b>13.6%</b>	<b>8.4%</b>	234,436	<b>242,107</b>	<b>3.3%</b>	314,102

## Financial Summary II

(Y mil)	FY2016		FY2017			% Change vs 2Q/FY17	% Change vs 3Q/FY16	FY2016 1Q-3Q	FY2017 1Q-3Q	% Change vs 1Q-3Q/FY16	FY2016
	3Q	4Q	1Q	2Q	3Q						
<b>SG&amp;A</b>	58,662	59,923	56,564	60,128	<b>61,181</b>	<b>1.8%</b>	<b>4.3%</b>	171,764	<b>177,874</b>	<b>3.6%</b>	231,688
<b>Trading related expenses</b>	10,212	10,507	8,836	10,713	<b>10,321</b>	<b>-3.7%</b>	<b>1.1%</b>	28,948	<b>29,871</b>	<b>3.2%</b>	39,456
<b>Personnel expenses</b>	25,190	25,246	24,109	25,413	<b>26,667</b>	<b>4.9%</b>	<b>5.9%</b>	74,473	<b>76,189</b>	<b>2.3%</b>	99,719
<b>Real estate expenses</b>	5,987	6,272	6,073	6,178	<b>6,240</b>	<b>1.0%</b>	<b>4.2%</b>	17,776	<b>18,491</b>	<b>4.0%</b>	24,048
<b>Office cost</b>	11,256	11,455	11,447	11,572	<b>11,723</b>	<b>1.3%</b>	<b>4.2%</b>	32,677	<b>34,743</b>	<b>6.3%</b>	44,133
<b>Depreciation</b>	3,883	4,050	4,085	4,039	<b>4,079</b>	<b>1.0%</b>	<b>5.0%</b>	11,615	<b>12,204</b>	<b>5.1%</b>	15,666
<b>Taxes and dues</b>	1,154	1,245	1,095	1,245	<b>1,168</b>	<b>-6.2%</b>	<b>1.3%</b>	3,426	<b>3,509</b>	<b>2.4%</b>	4,671
<b>Other</b>	977	1,145	917	966	<b>980</b>	<b>1.4%</b>	<b>0.3%</b>	2,846	<b>2,864</b>	<b>0.6%</b>	3,991
<b>Ordinary income</b>	25,561	20,728	16,883	19,031	<b>28,679</b>	<b>50.7%</b>	<b>12.2%</b>	64,505	<b>64,594</b>	<b>0.1%</b>	85,234
<b>Net income</b>	17,374	13,711	11,618	13,418	<b>21,712</b>	<b>61.8%</b>	<b>25.0%</b>	44,749	<b>46,749</b>	<b>4.5%</b>	58,461
<b>ROE (Annualized)</b>	8.5%	6.6%	5.8%	7.1%	<b>11.2%</b>			7.4%	<b>7.7%</b>		7.2%
<b>Capital adequacy ratio</b>	398.7%	405.2%	340.0%	343.9%	<b>336.2%</b>			398.7%	<b>336.2%</b>		405.2%

# Assets under Custody



(Y tri)	FY2015		FY2016				FY2017		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Equity	33.0	30.1	28.8	29.4	32.7	32.9	34.4	36.8	39.9
Domestic bonds	7.1	6.8	6.7	6.9	7.0	7.1	7.1	7.2	7.5
Foreign bonds	4.8	5.0	4.7	4.8	5.0	4.9	4.9	4.9	4.8
Stock investment trusts	6.5	6.2	5.9	5.9	6.3	6.3	6.4	6.5	6.8
Bond investment trusts	1.5	1.3	1.0	1.0	1.0	0.9	0.9	0.9	1.0
Foreign investment trusts	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Others	1.3	1.2	1.2	1.1	1.1	1.1	1.1	1.1	1.1
<b>Total</b>	<b>54.5</b>	<b>51.0</b>	<b>48.7</b>	<b>49.5</b>	<b>53.5</b>	<b>53.6</b>	<b>55.2</b>	<b>57.9</b>	<b>61.5</b>
Daiwa Next Bank deposit balance	3.3	3.1	3.0	3.0	3.2	3.1	3.3	3.4	3.7

※All figures are as at the end of each quarter.

※ ETFs are recorded in 'Equity'.

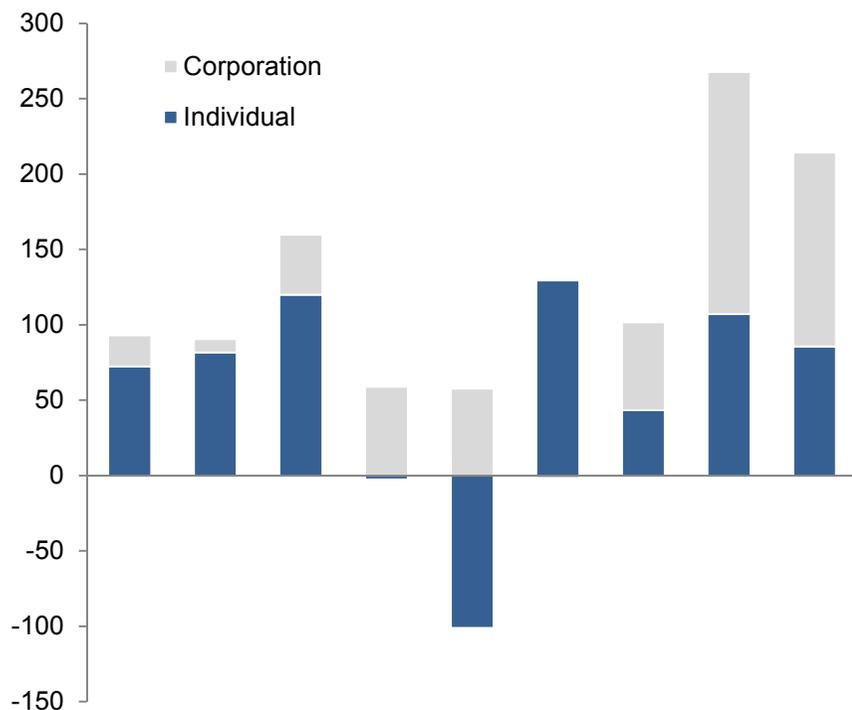
# Number of Accounts and Equity Trading

	FY2015		FY2016				FY2017		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Accounts with balance (thousands)	2,961	2,973	2,973	2,976	2,963	2,974	2,965	2,969	<b>2,965</b>
Accounts holding equity (thousands)	1,367	1,381	1,402	1,408	1,396	1,396	1,388	1,399	<b>1,386</b>
Online trading accounts (thousands)	3,020	3,040	3,060	3,080	3,103	3,127	3,140	3,164	<b>3,187</b>
Newly opened accounts (thousands)	50	31	34	31	39	39	35	40	<b>40</b>
NISA accounts* (thousands)	741	749	756	763	769	779	785	792	<b>796</b>
Wrap account service (end of quarter)									
Contract assets under management (Y bil)	1,575	1,540	1,498	1,537	1,604	1,661	1,738	1,834	<b>1,944</b>
Number of customers (thousands)	116.5	118.4	120.0	122.3	121.5	125.2	127.7	130.9	<b>131.4</b>
Contracts and trading value for individual investors at Daiwa Securities (Japanese Equity)									
Total number of contracts (thousands)	2,912	3,103	2,757	2,374	3,000	2,806	2,783	2,730	<b>3,476</b>
Online out of total (thousands)	2,571	2,775	2,442	2,103	2,593	2,459	2,432	2,384	<b>3,003</b>
Total trading value (Y bil)	2,850	2,561	2,341	2,144	2,873	2,635	2,692	2,666	<b>3,737</b>
Online out of total (Y bil)	2,241	2,063	1,826	1,692	2,177	2,024	2,039	2,026	<b>2,743</b>
Foreign equity trading value (Retail)									
Trading value (Y bil)	126	75	127	137	157	151	248	276	<b>387</b>

\* The accumulated number of opened accounts

# Net Inflow of Assets

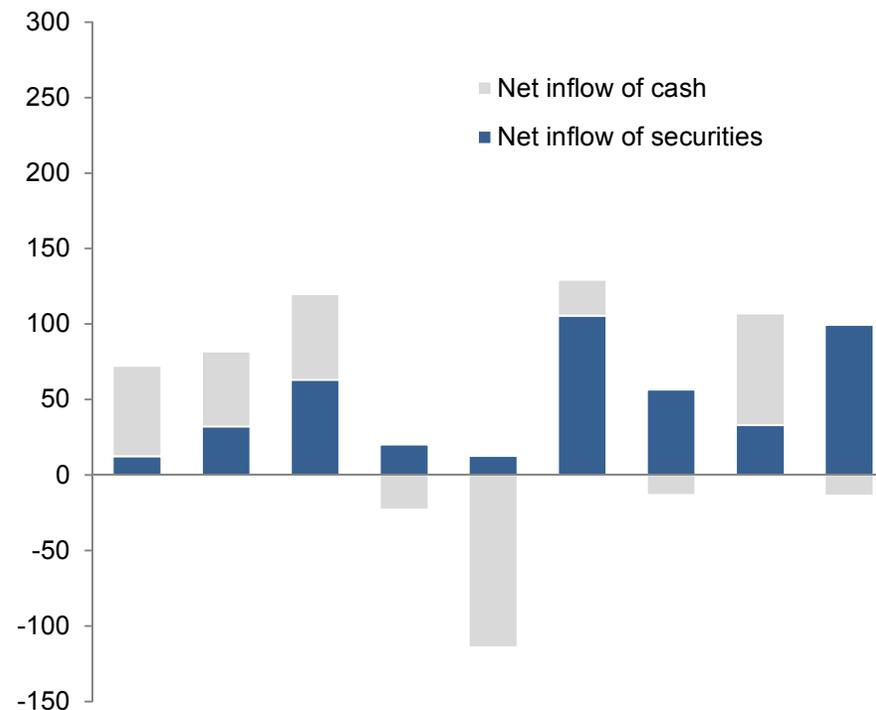
Retail Division (Daiwa Securities) Net Inflow of Assets



(Y bil)	FY2015		FY2016				FY2017		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Corporation	20.6	8.8	39.9	58.8	57.6	-2.2	58.2	160.7	<b>128.6</b>
Individual	72.4	81.7	119.9	-2.6	-101.2	129.3	43.3	107.0	<b>85.7</b>
Total	93.1	90.6	159.9	56.2	-43.6	127.1	101.6	267.8	<b>214.4</b>

※ Net inflow of assets = net inflow of cash and securities

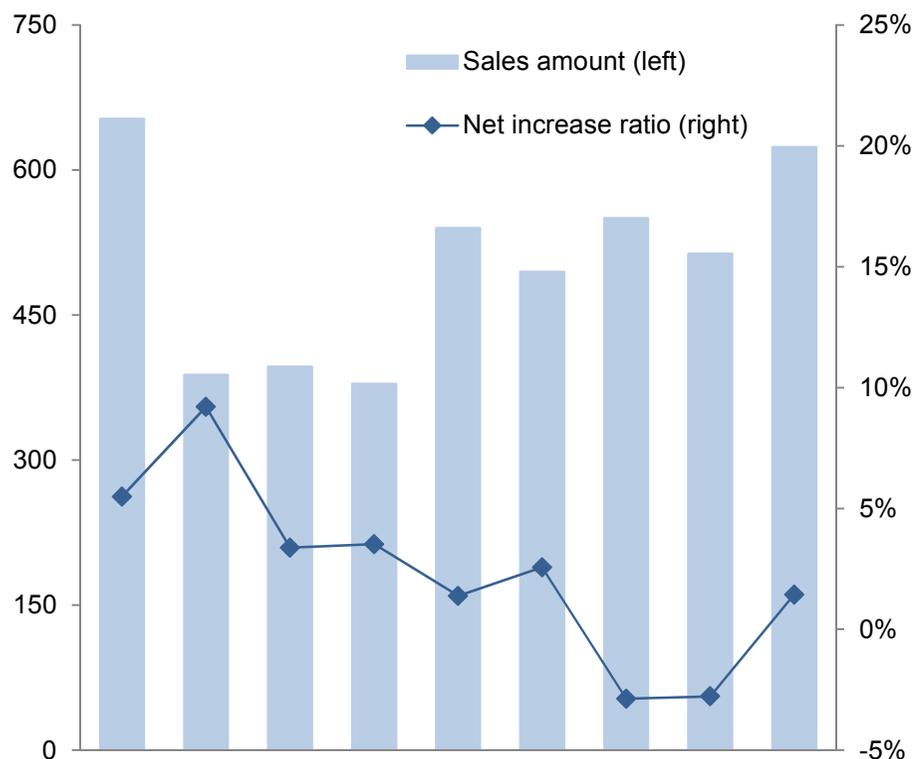
Retail Division (Daiwa Securities) Net Inflow of Assets (Individuals)



(Y bil)	FY2015		FY2016				FY2017		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Net inflow of cash	59.9	49.6	56.9	-22.9	-114.0	23.8	-13.2	74.0	<b>-13.6</b>
Net inflow of securities	12.4	32.1	63.0	20.3	12.7	105.5	56.6	33.0	<b>99.4</b>
Total	72.4	81.7	119.9	-2.6	-101.2	129.3	43.3	107.0	<b>85.7</b>

# Stock Investment Trusts & Wrap Accounts

Retail Division (Daiwa Securities) Sales of Stock Investment Trusts

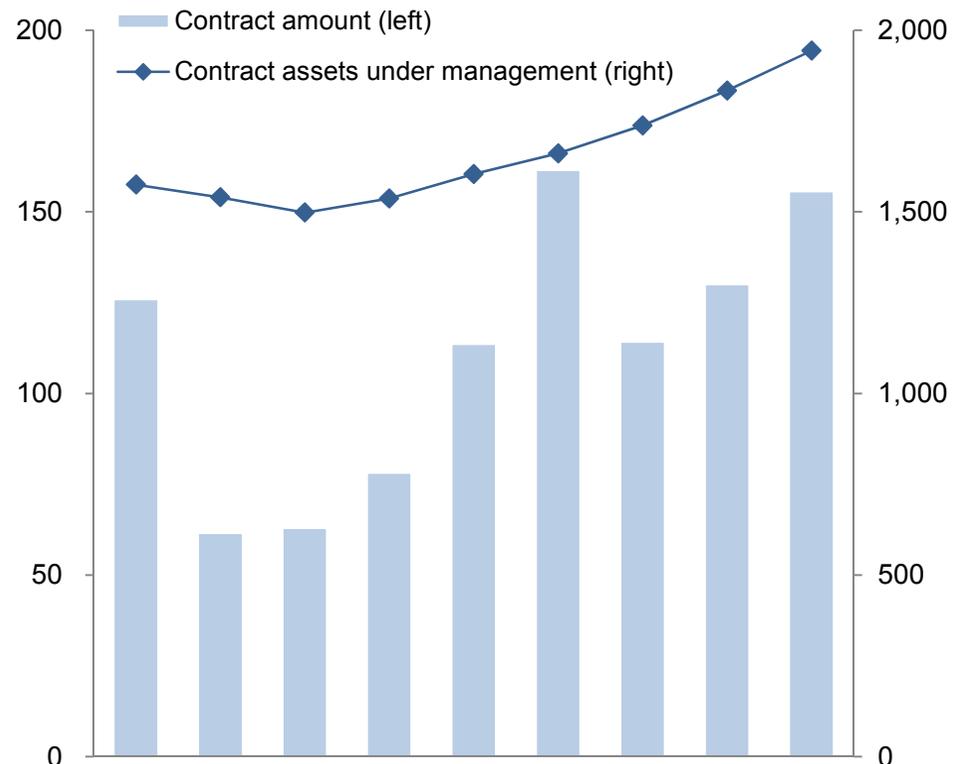


(Y bil)	FY2015		FY2016				FY2017		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Sales amount	653.3	388.4	396.8	379.3	540.2	494.9	550.3	513.7	<b>624.1</b>

※Net increase ratio (%) =  $\frac{\text{purchase} - (\text{sell-off} + \text{redemption})}{\text{purchase}} \times 100$

※Includes switching transaction between funds.

Wrap Account Contract and Contract AUM



(Y bil)	FY2015		FY2016				FY2017		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Contract amount	125.9	61.5	62.9	78.1	113.6	161.5	114.2	130.0	<b>155.6</b>
Contract AUM	1,575	1,540	1,498	1,537	1,604	1,661	1,738	1,834	<b>1,944</b>

## League Table

	Primary and secondary equity offerings	IPO	Straight bonds (excl. family bonds)	Agency bonds	Municipal bonds	Samurai bonds (excl. family bonds)	M&A (Number of deals)
<b>3Q FY2017 League Table</b>							
1st	Daiwa	Daiwa	Nomura	Mitsubishi UFJMS	Daiwa	Mizuho	MHFG
	29.3%	27.0%	22.7%	25.9%	20.6%	29.2%	
2nd	Nomura	Nomura	Mizuho	Nomura	Nomura	Nomura	SMFG
	25.6%	26.7%	19.1%	20.6%	18.2%	23.0%	
3rd	Mitsubishi UFJMS	Mitsubishi UFJMS	Daiwa	Mizuho	SMBC Nikko	SMBC Nikko	Nomura
	10.5%	13.9%	18.6%	19.4%	17.3%	22.5%	
4th	Mizuho	Mizuho	Mitsubishi UFJMS	SMBC Nikko	Mizuho	Daiwa	KPMG
	8.0%	11.2%	18.1%	17.7%	15.8%	15.3%	
5th	Goldman Sachs	SMBC Nikko	SMBC Nikko	Daiwa	Mitsubishi UFJMS	Mitsubishi UFJMS	Kaede Group
	7.9%	10.0%	17.5%	14.7%	15.7%	8.9%	
							8th
							Daiwa

Source: Daiwa Securities Apr. 2017 – Dec. 2017

M&A: THOMSON REUTERS Apr. 2017 – Dec. 2017 “M&A advisory league table for any Japanese involvement announced (AD19)”

Note: Primary and secondary equity, IPO, Straight bonds, Agency bonds, Municipal bonds and Samurai bonds are based on settlement date  
 Joint lead manager allotment of Primary and secondary equity, IPO, Straight bonds, Municipal bonds and Agency bonds is based on underwritten amount

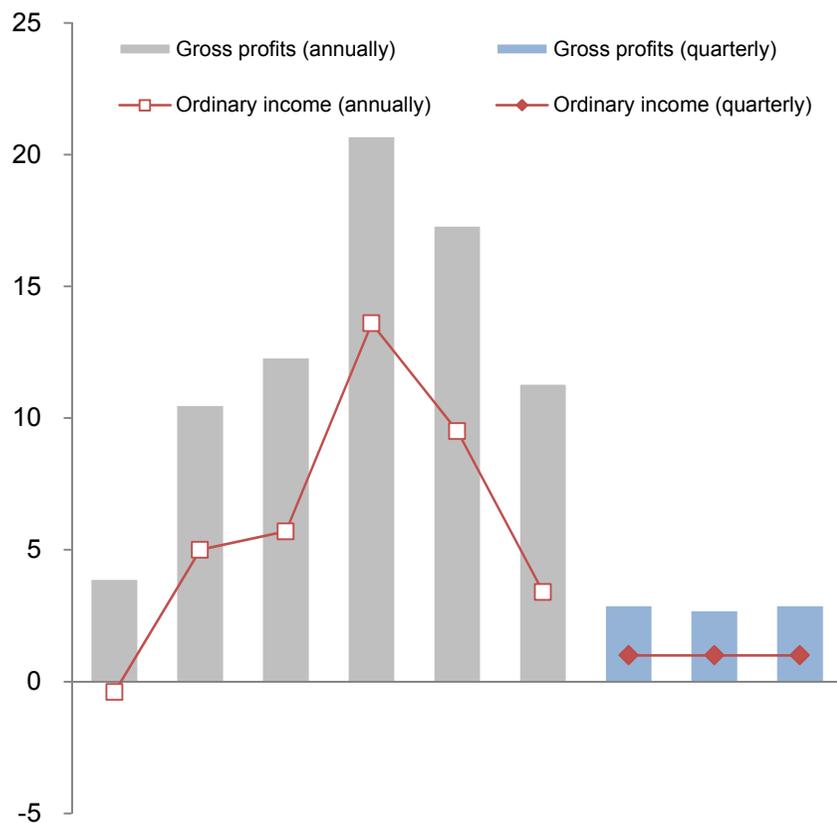
Joint bookrunner allotment of Samurai bonds is divided up evenly among the bookrunners

## Financial Summary

(Y mil)	FY2016		FY2017			% Change vs 2Q/FY17	% Change vs 3Q/FY16	FY2016 1Q-3Q	FY2017 1Q-3Q	% Change vs 1Q-3Q/FY16	FY2016
	3Q	4Q	1Q	2Q	3Q						
<b>Operating revenues</b>	20,051	20,360	20,411	20,949	<b>21,484</b>	<b>2.6%</b>	<b>7.1%</b>	60,114	<b>62,845</b>	<b>4.5%</b>	80,474
<b>Management fee</b>	19,874	20,167	20,225	20,770	<b>21,299</b>	<b>2.5%</b>	<b>7.2%</b>	59,579	<b>62,295</b>	<b>4.6%</b>	79,747
<i>Stock investment trust</i>	19,833	20,122	20,177	20,717	<b>21,246</b>	<b>2.6%</b>	<b>7.1%</b>	59,465	<b>62,141</b>	<b>4.5%</b>	79,588
<i>Bond investment trust</i>	40	45	48	52	<b>53</b>	<b>1.2%</b>	<b>31.9%</b>	113	<b>154</b>	<b>35.3%</b>	158
<b>Other operating revenues</b>	177	193	186	178	<b>184</b>	<b>3.5%</b>	<b>4.1%</b>	534	<b>549</b>	<b>2.8%</b>	727
<b>SG&amp;A</b>	15,974	16,068	15,953	16,254	<b>16,610</b>	<b>2.2%</b>	<b>4.0%</b>	47,852	<b>48,818</b>	<b>2.0%</b>	63,920
<b>Commission paid</b>	9,952	10,033	9,989	10,226	<b>10,390</b>	<b>1.6%</b>	<b>4.4%</b>	30,077	<b>30,607</b>	<b>1.8%</b>	40,110
<b>Other SG&amp;A</b>	6,022	6,035	5,963	6,027	<b>6,219</b>	<b>3.2%</b>	<b>3.3%</b>	17,774	<b>18,210</b>	<b>2.5%</b>	23,809
<b>Operating income</b>	4,076	4,292	4,458	4,694	<b>4,874</b>	<b>3.8%</b>	<b>19.6%</b>	12,261	<b>14,026</b>	<b>14.4%</b>	16,554
<b>Ordinary income</b>	4,248	4,396	4,607	4,757	<b>4,944</b>	<b>3.9%</b>	<b>16.4%</b>	12,538	<b>14,309</b>	<b>14.1%</b>	16,935
<b>Net income</b>	2,881	3,165	3,176	3,240	<b>3,396</b>	<b>4.8%</b>	<b>17.9%</b>	8,368	<b>9,813</b>	<b>17.3%</b>	11,533

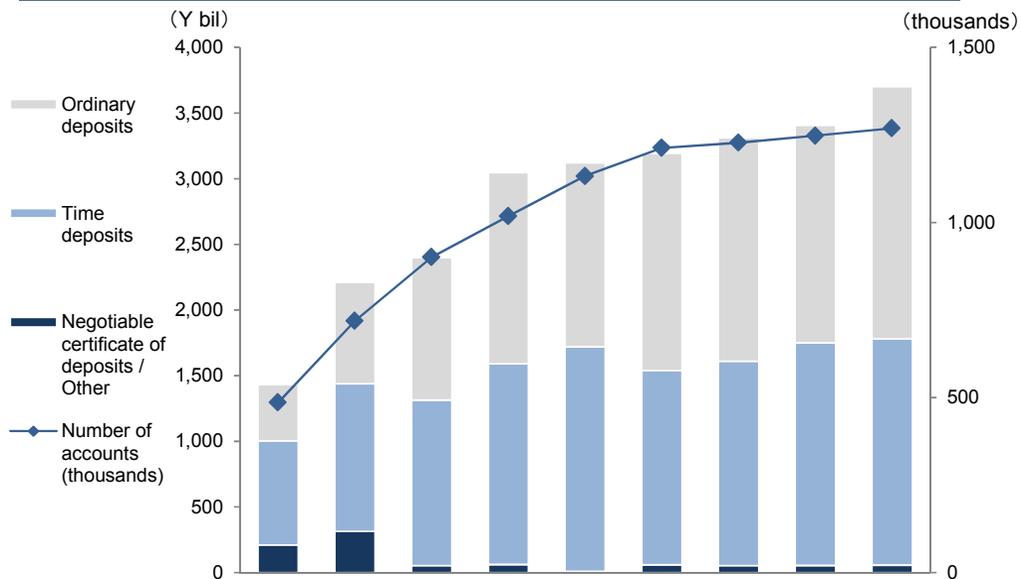
# Earnings and Deposit Balance

## Gross Profits / Ordinary Income



(Y bil)	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017		
							1Q	2Q	3Q
Gross profits	3.9	10.5	12.3	20.7	17.3	11.3	2.9	2.7	<b>2.9</b>
Ordinary income	-0.4	5.0	5.7	13.6	9.5	3.4	1.0	1.0	<b>1.0</b>

## Daiwa Next Bank Deposit Balance & Number of Accounts



(Y bil)	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017		
							1Q	2Q	3Q
Ordinary deposits	429	771	1,085	1,455	1,401	1,653	1,703	1,655	<b>1,917</b>
Time deposits	792	1,125	1,261	1,528	1,711	1,480	1,555	1,694	<b>1,725</b>
Negotiable certificate of deposits / Other	211	314	52	62	8	59	54	56	<b>57</b>
Deposit balance	1,432	2,210	2,399	3,047	3,121	3,193	3,313	3,406	<b>3,701</b>
Number of accounts (thousands)	486	719	901	1,018	1,133	1,213	1,228	1,248	<b>1,269</b>

※All figures are as at the end of the period.

### Range and Assumption of VaR

- Confidence level : 99% (one-side test)
- Holding period : 1 day
- Adjusted for price correlation between products

(Y bil)	FY2015		FY2016				FY2017		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
VaR (Quarter end)	1.25	1.55	1.01	1.00	1.25	1.96	1.29	1.16	<b>1.93</b>
High	1.71	3.14	2.26	2.53	2.97	3.16	3.41	4.19	<b>2.00</b>
Low	1.13	1.17	0.99	0.98	1.02	1.56	1.28	1.16	<b>1.06</b>
Average	1.47	1.67	1.53	1.40	2.02	2.17	2.59	2.29	<b>1.34</b>
By risk factors (Quarter end)									
Equity	0.39	0.28	0.27	0.44	0.40	0.54	0.34	0.43	<b>0.68</b>
Interest	1.13	1.64	1.00	1.00	1.15	1.89	1.40	1.15	<b>1.43</b>
Currency	0.59	0.33	0.19	0.17	0.26	0.29	0.20	0.15	<b>0.21</b>
Commodity	0.00	0.00	0.00	0.00	0.03	0.00	0.06	0.00	<b>0.00</b>

※Figures of VaR (Quarter end) and VaR by Interest from 3Q FY2016 to 1Q FY2017 are modified in 2Q FY2017 due to reviewing of scenarios about Interest risk.

# Number of Group Employees

	FY2015		FY2016				FY2017		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>Total</b>	15,179	15,028	15,637	15,559	15,410	15,093	16,256	16,207	<b>16,200</b>
Overseas	1,603	1,566	1,592	1,597	1,592	1,614	1,634	1,683	<b>1,760</b>

■ Number of employees as at the end of each quarter.

※ Total figures are the sum of consolidated group companies and Daiwa SB Investments.

※ Number of employees of DIR Information Systems has been included from 1Q FY2017 as it shifted to a consolidated company.

※ Overseas figures are the sum of consolidated group companies under Daiwa International Holdings and Daiwa Securities. The figure also includes overseas subsidiaries of Daiwa Asset Management which have become consolidated companies since 1Q FY2016. Number of employees of Sagent Advisors and Signal Hill are also included which have become consolidated companies since 2Q FY2017 and 3Q FY2017 respectively.

※ Figures include temporary staff.

## Contact

Daiwa Securities Group Inc.

Investor Relations

TEL: +81-3-5555-1300 FAX: +81-3-5555-0661

E-mail: [ir-section@daiwa.co.jp](mailto:ir-section@daiwa.co.jp)

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