

**Daiwa Securities Group Inc.**  
**3Q FY2019 Earnings Announcement**

**January 31, 2020**

**Daiwa Securities Group Inc.**

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# Highlights (1Q-3Q/FY2019, YoY)

## Both Net operating revenues and Ordinary income decreased YoY.

Consolidated earnings results	FY2019 1Q-3Q	% Changes vs 1Q-3Q/FY2018	FY2019 3Q	% Changes vs 2Q/FY2019
Net operating revenues	¥315.6 bn	-5.4%	¥112.1 bn	+16.5%
Ordinary income	¥50.0 bn	-23.6%	¥22.2 bn	+125.5%
Profit attributable to owners of parent	¥49.0 bn	-2.6%	¥15.7 bn	-9.3%

### 【Retail Division】

- As the global economic uncertainty continues, Japanese trading value for individual investors was down by 17% from the same period of the previous fiscal year.
- Contract AUM of wrap account service hit a record high (¥2.31 trillion\*). \*Includes Wholesale Division
- Foreign currency deposits of Daiwa Next Bank surpassed ¥500.0 billion\*. \*Includes Wholesale Division

### 【Wholesale Division】

- In Global Markets, revenues and ordinary income increased due to strong revenues from FICC both in Japan and overseas. In particular, overseas operations retained profit for 15 consecutive quarters due to robust revenues from FICC in U.S..
- Debt underwriting deals and cross-border M&A deals contributed to an increase in net operating revenues and ordinary income of Global Investment Banking.

# Summary (3Q/FY2019, QoQ)

※The following shows the percentage change from the previous quarter.

## 3Q FY2019 Net operating revenues: ¥112.1 bn (+16.5%)

- Revenues in Retail Division increased. In addition to an increase in Japanese equity transaction, contract amount of wrap account service and sales of foreign bonds rose due to strong performance in the stock market toward the end of the year.
- Revenues in Wholesale Division increased. In Global Markets, both equity and FICC revenues increased. In Global Investment Banking, revenues rose due to an increase in equity underwriting and M&A.

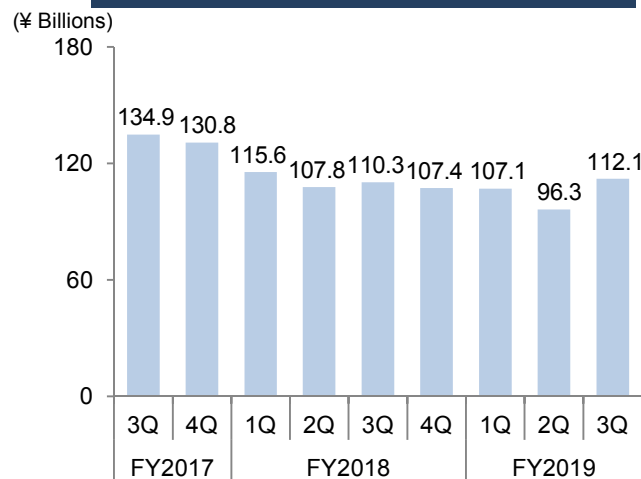
## 3Q FY2019 Ordinary income: ¥22.2 bn (+125.5%)

- SG&A increased to ¥93.2 billion (+3.8%) as earnings-linked bonuses rose.

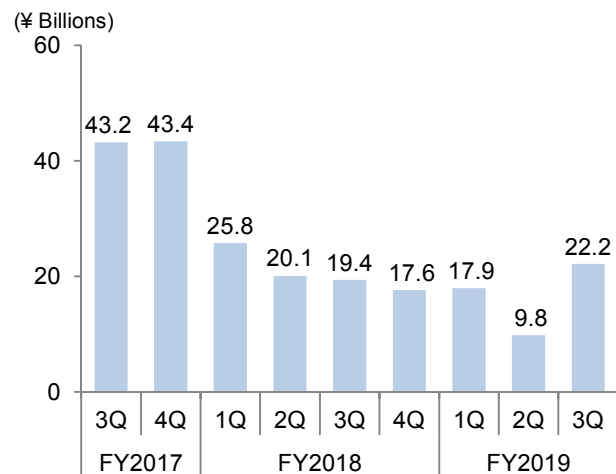
## 3Q FY2019 Profit attributable to owners of parent: ¥15.7 bn (-9.3%)

- Annualized ROE: 5.1% BPS: ¥816.44

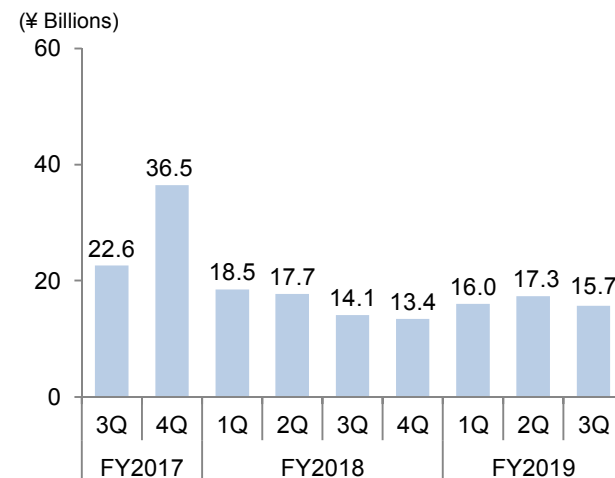
Net Operating Revenues



Ordinary Income



Profit Attributable to Owners of Parent



## Financial Summary

(¥ Millions)	FY2018		FY2019			% Change vs 2Q/FY19	% Change vs 3Q/FY18	FY2018	FY2019	% Change vs 1Q-3Q/FY18	FY2018
	3Q	4Q	1Q	2Q	3Q			1Q-3Q	1Q-3Q		
<b>Operating revenues</b>	188,753	184,086	181,341	159,666	<b>170,672</b>	<b>6.9%</b>	<b>-9.6%</b>	536,499	<b>511,680</b>	<b>-4.6%</b>	720,586
<b>Net operating revenues</b>	110,302	107,493	107,123	96,323	<b>112,191</b>	<b>16.5%</b>	<b>1.7%</b>	333,746	<b>315,638</b>	<b>-5.4%</b>	441,240
<b>SG&amp;A</b>	94,117	94,019	94,708	89,836	<b>93,209</b>	<b>3.8%</b>	<b>-1.0%</b>	279,894	<b>277,754</b>	<b>-0.8%</b>	373,914
<b>Ordinary income</b>	19,479	17,664	17,922	9,861	<b>22,239</b>	<b>125.5%</b>	<b>14.2%</b>	65,495	<b>50,023</b>	<b>-23.6%</b>	83,159
<b>Profit (loss) attributable to owners of parent</b>	14,117	13,409	16,066	17,316	<b>15,707</b>	<b>-9.3%</b>	<b>11.3%</b>	50,404	<b>49,091</b>	<b>-2.6%</b>	63,813
<b>Total assets</b>	21,429,204	21,126,706	22,896,425	22,809,247	<b>24,409,452</b>			21,429,204	<b>24,409,452</b>		21,126,706
<b>Net assets</b>	1,247,475	1,256,430	1,245,624	1,285,618	<b>1,287,164</b>			1,247,475	<b>1,287,164</b>		1,256,430
<b>Shareholders' equity*</b>	1,235,676	1,244,477	1,233,835	1,239,187	<b>1,239,995</b>			1,235,676	<b>1,239,995</b>		1,244,477
<b>EPS (¥)</b>	8.89	8.56	10.26	11.09	<b>10.31</b>			31.36	<b>31.66</b>		39.95
<b>BPS (¥)</b>	782.06	794.54	787.65	798.65	<b>816.44</b>			782.06	<b>816.44</b>		794.54
<b>ROE (Annualized)</b>	4.5%	4.3%	5.2%	5.6%	<b>5.1%</b>			5.4%	<b>5.3%</b>		5.1%

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

## Segment Summary

(¥ Millions)

Net operating revenues	FY2018		FY2019			% Change vs 2Q/FY19	% Change vs 3Q/FY18	FY2018 1Q-3Q	FY2019 1Q-3Q	% Change vs 1Q-3Q/FY18	FY2018
	3Q	4Q	1Q	2Q	3Q						
<b>Retail</b>	46,388	41,552	43,095	40,763	<b>41,322</b>	<b>1.4%</b>	<b>-10.9%</b>	144,313	<b>125,182</b>	<b>-13.3%</b>	185,865
<b>Wholesale</b>	37,092	42,618	39,420	39,852	<b>48,689</b>	<b>22.2%</b>	<b>31.3%</b>	116,284	<b>127,962</b>	<b>10.0%</b>	158,903
<i>Global Markets</i>	19,564	28,410	27,310	27,860	<b>35,021</b>	<b>25.7%</b>	<b>79.0%</b>	78,821	<b>90,192</b>	<b>14.4%</b>	107,232
<i>Global Investment Banking</i>	17,527	14,207	12,109	11,992	<b>13,667</b>	<b>14.0%</b>	<b>-22.0%</b>	37,462	<b>37,769</b>	<b>0.8%</b>	51,670
<b>Asset Management</b>	12,125	11,746	11,352	11,627	<b>12,664</b>	<b>8.9%</b>	<b>4.4%</b>	36,486	<b>35,645</b>	<b>-2.3%</b>	48,232
<b>Investments</b>	1,511	-320	1,683	-5,550	<b>2,151</b>	-	<b>42.3%</b>	2,086	<b>-1,715</b>	-	1,766
<b>Other/Adjustments</b>	13,184	11,896	11,571	9,630	<b>7,362</b>	-	-	34,577	<b>28,564</b>	-	46,473
<b>Consolidated total</b>	110,302	107,493	107,123	96,323	<b>112,191</b>	<b>16.5%</b>	<b>1.7%</b>	333,746	<b>315,638</b>	<b>-5.4%</b>	441,240

Ordinary income	FY2018		FY2019			% Change vs 2Q/FY19	% Change vs 3Q/FY18	FY2018 1Q-3Q	FY2019 1Q-3Q	% Change vs 1Q-3Q/FY18	FY2018
	3Q	4Q	1Q	2Q	3Q						
<b>Retail</b>	6,119	1,937	2,680	1,133	<b>1,039</b>	<b>-8.3%</b>	<b>-83.0%</b>	22,737	<b>4,853</b>	<b>-78.7%</b>	24,674
<b>Wholesale</b>	3,466	7,492	5,572	8,382	<b>14,834</b>	<b>77.0%</b>	<b>328.0%</b>	17,907	<b>28,789</b>	<b>60.8%</b>	25,400
<i>Global Markets</i>	-3,151	5,695	4,541	5,512	<b>11,319</b>	<b>105.3%</b>	-	11,484	<b>21,373</b>	<b>86.1%</b>	17,179
<i>Global Investment Banking</i>	6,302	1,654	924	2,802	<b>3,324</b>	<b>18.6%</b>	<b>-47.3%</b>	5,633	<b>7,051</b>	<b>25.2%</b>	7,287
<b>Asset Management</b>	6,969	6,509	6,209	6,560	<b>7,038</b>	<b>7.3%</b>	<b>1.0%</b>	21,850	<b>19,808</b>	<b>-9.3%</b>	28,359
<b>Investments</b>	633	-1,109	924	-6,588	<b>1,581</b>	-	<b>149.7%</b>	15	<b>-4,081</b>	-	-1,093
<b>Other/Adjustments</b>	2,290	2,834	2,535	373	<b>-2,254</b>	-	-	2,983	<b>654</b>	-	5,817
<b>Consolidated total</b>	19,479	17,664	17,922	9,861	<b>22,239</b>	<b>125.5%</b>	<b>14.2%</b>	65,495	<b>50,023</b>	<b>-23.6%</b>	83,159

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

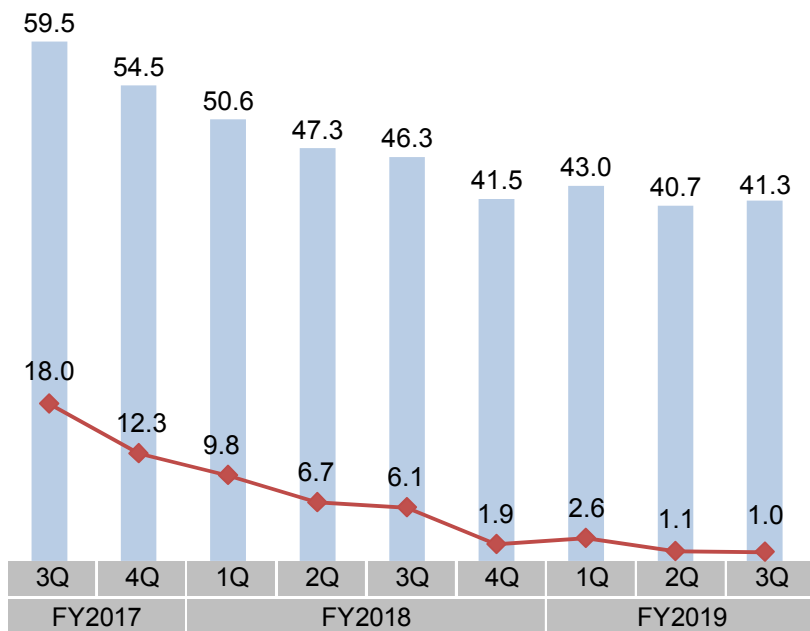
# Segment Summary



Net operating revenues    Ordinary income

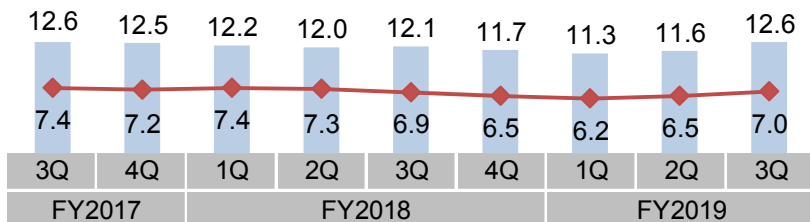
## Retail Division

(¥ Billions)



## Asset Management Division

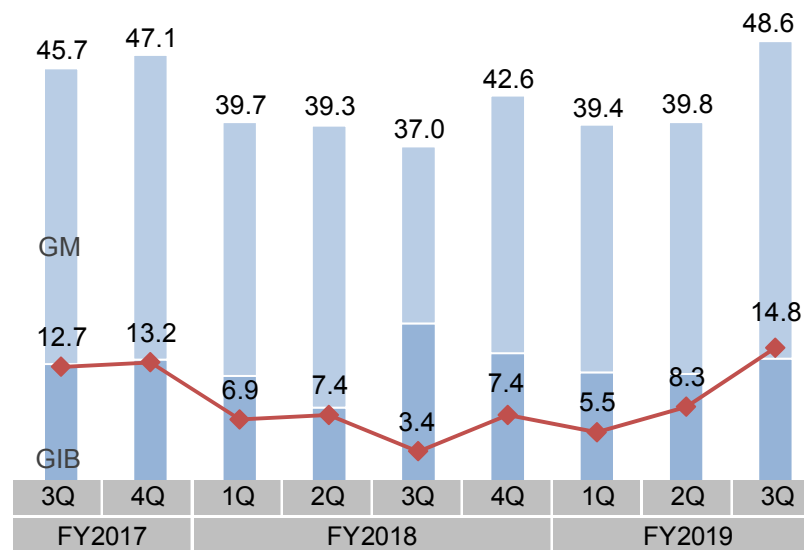
(¥ Billions)



## Wholesale Division

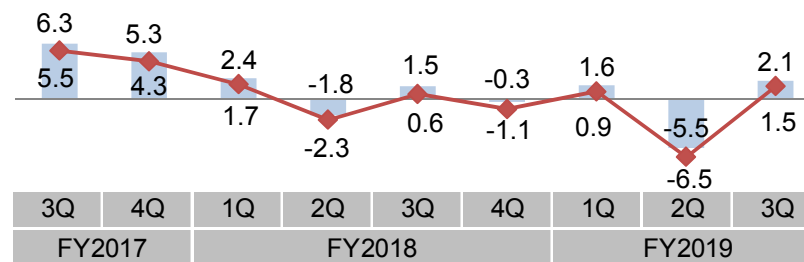
(¥ Billions)

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



## Investment Division

(¥ Billions)



# Consolidated B/S Summary

## Consolidated Balance Sheet (December 31, 2019)

(¥ Billions)

Current assets	23,454	(3,048)
Cash and deposits	4,307	(154)
Short-term investment securities	899	(86)
Trading products	7,347	(631)
Trading securities and other	4,516	(731)
<i>Stocks, Convertible bonds</i>	169	(-43)
<i>Bonds</i>	3,206	(459)
<i>Beneficiary certificates</i>	112	(23)
<i>Other</i>	1,028	(291)
Derivatives transactions	2,830	(-100)
Operational investment securities (after allowance for possible investment losses)	161	(51)
Loans secured by securities	8,013	(2,040)
Non-current assets	955	(234)
Property, plant and equipment	301	(133)
Intangible assets	121	(5)
Investments and other assets	531	(94)
Listed stocks	136	(10)
Unlisted stocks	28	(3)
Affiliated company stocks, etc.	184	(20)
Other	182	(60)
Total Assets	24,409	(3,282)

Current liabilities	20,498	(3,416)
Trading products	4,894	(147)
Trading securities and other	2,254	(214)
<i>Stocks, Convertible bonds</i>	203	(4)
<i>Bonds</i>	2,013	(247)
<i>Other</i>	38	(-37)
Derivatives transactions	2,639	(-67)
Loans payable secured by securities	8,436	(2,488)
Deposits for banking business	4,260	(627)
Short-term loans payable	748	(-593)
Current portion of bonds	316	(125)
Long-term liabilities	2,619	(-164)
Bonds payable	1,198	(-163)
Long-term loans payable	1,335	(0)
Total liabilities	23,122	(3,252)
Net assets	1,287	(30)
Owners' equity	1,190	(-5)
Accumulated other comprehensive income	49	(1)
Non-controlling interests	38	(35)
Total liabilities and net assets	24,409	(3,282)

**Total assets: ¥24.40 tn**

**Net assets: ¥1.28 tn**

**Shareholders' equity\*\*:**  
**¥1.23 tn**

- 84.3% of total assets have high liquidity\*.

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

- Shareholders' equity\*\* decreased by ¥4.4 billion from March 31, 2019.

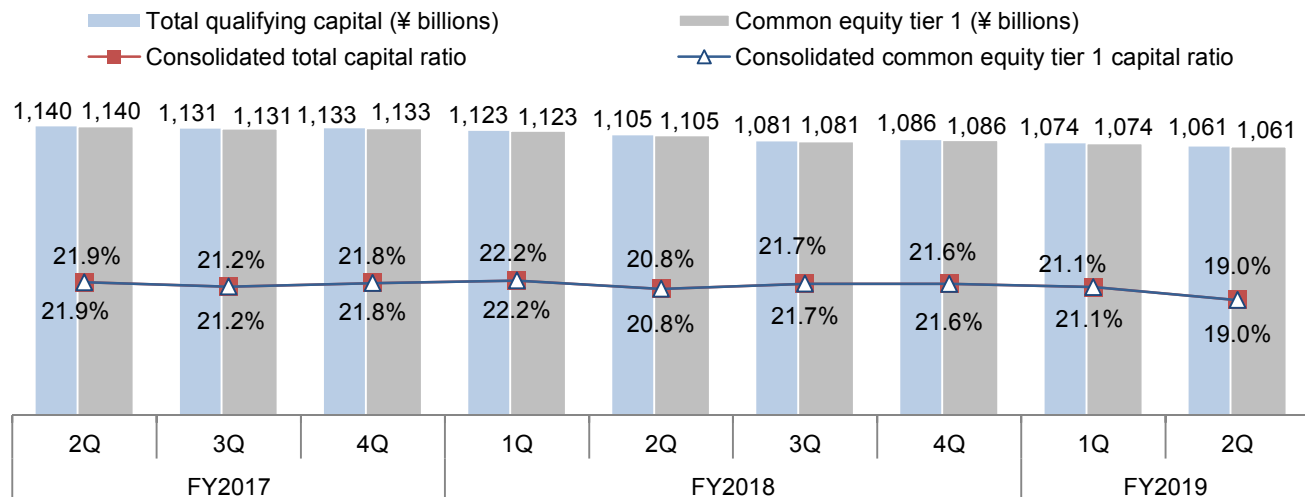
\*\* Shareholders' equity = Owners' equity + Accumulated other comprehensive income

※Figures in parentheses indicate changes from March 31, 2019





## Consolidated Capital Adequacy Ratio



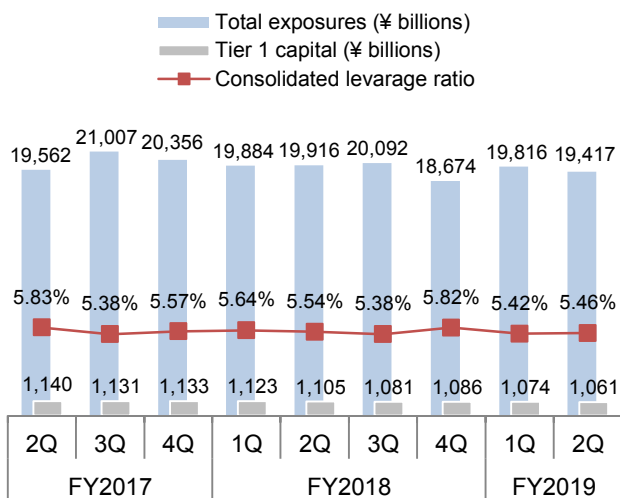
### 【Regulatory Capital (Basel III)】

(As at September 30, 2019)

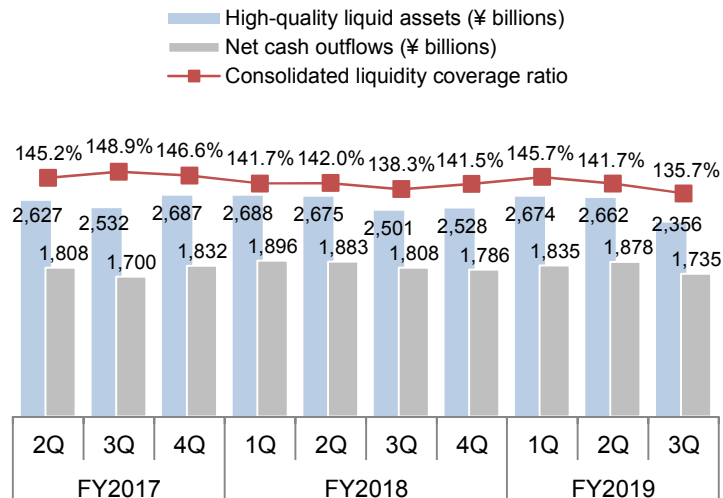
- Consolidated Total Capital Ratio : 19.0%
- Consolidated Tier 1 Capital Ratio : 19.0%
- Consolidated Common Equity Tier 1 Capital Ratio : 19.0%
- Consolidated Leverage Ratio : 5.46%

※ Figures are as at the end of each quarter.  
 ※ As announced in the Press Release dated December 26, 2019, consolidated capital adequacy ratio and consolidated leverage ratio before the end of June, 2019 are revised.

## Consolidated Leverage Ratio



## Consolidated Liquidity Coverage Ratio



### 【Regulatory Liquidity (Basel III)】

(Daily average Oct. – Dec. 2019)

- Consolidated Liquidity Coverage Ratio : 135.7%

## P/L Summary

(¥ Millions)	FY2018		FY2019			% Change vs 2Q/FY19	% Change vs 3Q/FY18	FY2018	FY2019	% Change vs 1Q-3Q/FY18	FY2018
	3Q	4Q	1Q	2Q	3Q			1Q-3Q	1Q-3Q		
<b>Operating revenues</b>	188,753	184,086	181,341	159,666	<b>170,672</b>	6.9%	-9.6%	536,499	<b>511,680</b>	-4.6%	720,586
<b>Commission received</b>	78,347	64,629	64,962	64,810	<b>68,448</b>	5.6%	-12.6%	218,397	<b>198,222</b>	-9.2%	283,027
<b>Net trading income</b>	12,526	26,023	27,992	22,620	<b>24,868</b>	9.9%	98.5%	66,194	<b>75,481</b>	14.0%	92,218
<b>Net gain (loss) on private equity</b>	970	-1,031	944	-6,241	<b>1,563</b>	-	61.1%	799	<b>-3,733</b>	-	-232
<b>Financial revenue</b>	83,589	77,303	72,893	67,076	<b>62,713</b>	-6.5%	-25.0%	213,701	<b>202,683</b>	-5.2%	291,005
<b>Other operating revenue</b>	13,319	17,161	14,548	11,400	<b>13,079</b>	14.7%	-1.8%	37,405	<b>39,027</b>	4.3%	54,567
<b>Financial expenses</b>	71,414	65,850	65,774	57,492	<b>49,216</b>	-14.4%	-31.1%	176,617	<b>172,484</b>	-2.3%	242,468
<b>Other operating expenses</b>	7,036	10,742	8,443	5,850	<b>9,264</b>	58.4%	31.7%	26,134	<b>23,557</b>	-9.9%	36,876
<b>Net operating revenues</b>	110,302	107,493	107,123	96,323	<b>112,191</b>	16.5%	1.7%	333,746	<b>315,638</b>	-5.4%	441,240
<b>SG&amp;A</b>	94,117	94,019	94,708	89,836	<b>93,209</b>	3.8%	-1.0%	279,894	<b>277,754</b>	-0.8%	373,914
<b>Operating income</b>	16,184	13,474	12,414	6,486	<b>18,982</b>	192.6%	17.3%	53,852	<b>37,883</b>	-29.7%	67,326
<b>Non-operating income</b>	3,294	4,189	5,508	3,375	<b>3,256</b>	-3.5%	-1.2%	11,642	<b>12,140</b>	4.3%	15,832
<b>Ordinary income/loss</b>	19,479	17,664	17,922	9,861	<b>22,239</b>	125.5%	14.2%	65,495	<b>50,023</b>	-23.6%	83,159
<b>Extraordinary income/loss</b>	2,753	3,517	1,919	11,600	<b>1,388</b>	-88.0%	-49.6%	8,406	<b>14,907</b>	77.3%	11,924
<b>Income before income taxes</b>	22,233	21,181	19,841	21,461	<b>23,627</b>	10.1%	6.3%	73,901	<b>64,931</b>	-12.1%	95,083
<b>Total income taxes</b>	8,121	7,732	3,742	4,157	<b>7,471</b>	79.7%	-8.0%	23,518	<b>15,372</b>	-34.6%	31,251
<b>Profit (loss) attributable to owners of parent</b>	14,117	13,409	16,066	17,316	<b>15,707</b>	-9.3%	11.3%	50,404	<b>49,091</b>	-2.6%	63,813

■ Commission received increased (+5.6%).

• Brokerage commission\* was ¥13.9 billion (+10.3%) due to an increase in Japanese equity trading.

• Underwriting and secondary offering commissions\* rose to ¥9.4 billion (+13.5%) due to an increase in equity underwriting commission.

• Distribution commission\* decreased to ¥5.3 billion (-6.1%) as stock investment trust sales declined.

\* Breakdown of total commission received (See p.23)

■ Net trading income increased (+9.9%) as customer order flows of both equity and FICC rose.

## Breakdown of SG&amp;A

(¥ Millions)	FY2018		FY2019			% Change vs 2Q/FY19	% Change vs 3Q/FY18	FY2018	FY2019	% Change vs 1Q-3Q/FY18	FY2018
	3Q	4Q	1Q	2Q	3Q			1Q-3Q	1Q-3Q		
<b>SG&amp;A</b>	94,117	94,019	94,708	89,836	<b>93,209</b>	<b>3.8%</b>	<b>-1.0%</b>	279,894	<b>277,754</b>	<b>-0.8%</b>	373,914
<b>Trading related expenses</b>	18,510	17,509	17,806	16,761	<b>17,391</b>	<b>3.8%</b>	<b>-6.0%</b>	54,424	<b>51,959</b>	<b>-4.5%</b>	71,933
<b>Personnel expenses</b>	46,342	46,992	46,935	43,671	<b>46,527</b>	<b>6.5%</b>	<b>0.4%</b>	138,443	<b>137,134</b>	<b>-0.9%</b>	185,436
<b>Real estate expenses</b>	9,308	9,611	9,108	8,964	<b>9,155</b>	<b>2.1%</b>	<b>-1.6%</b>	27,783	<b>27,228</b>	<b>-2.0%</b>	37,394
<b>Office cost</b>	6,918	6,463	6,431	6,298	<b>6,653</b>	<b>5.6%</b>	<b>-3.8%</b>	20,055	<b>19,384</b>	<b>-3.3%</b>	26,518
<b>Depreciation</b>	6,489	6,329	7,748	7,664	<b>7,605</b>	<b>-0.8%</b>	<b>17.2%</b>	19,014	<b>23,017</b>	<b>21.1%</b>	25,343
<b>Taxes and dues</b>	2,612	2,725	2,560	2,629	<b>2,585</b>	<b>-1.7%</b>	<b>-1.0%</b>	8,014	<b>7,775</b>	<b>-3.0%</b>	10,740
<b>Other</b>	3,935	4,387	4,117	3,846	<b>3,289</b>	<b>-14.5%</b>	<b>-16.4%</b>	12,158	<b>11,254</b>	<b>-7.4%</b>	16,546

- SG&A increased (+3.8%).

- Trading related expenses increased (+3.8%) due to a rise in commission related to trading volume.

- Personnel expenses rose (+6.5%) due to an increase in earnings-linked bonuses.

- Office cost increased (+5.6%) due to a rise in non-system related office expenses.

A factor for an increase in depreciation in FY2019

From 1Q FY2019, the new standard is applied to overseas operations using IFRS. The lease expense which had been counted in office cost was switched into depreciation and financial expenses.

## Cost Structure

(¥ Billions)	FY2017			FY2018					FY2019		
	3Q	4Q	1Q-4Q	1Q	2Q	3Q	4Q	1Q-4Q	1Q	2Q	3Q
<b>Total SG&amp;A</b>	94.7	97.5	<b>370.2</b>	93.4	92.3	94.1	94.0	<b>373.9</b>	94.7	89.8	<b>93.2</b>
<b>Variable costs</b>	39.8	41.3	<b>152.3</b>	36.7	35.2	36.7	36.8	<b>145.5</b>	36.6	32.2	<b>35.2</b>
<b>Trading related expenses</b>	18.4	18.6	<b>72.4</b>	17.9	17.9	18.5	17.5	<b>71.9</b>	17.8	16.7	<b>17.3</b>
<i>Advertising and promotion expenses</i>	3.1	3.2	<b>12.0</b>	2.7	3.3	3.6	3.2	<b>12.9</b>	2.5	3.1	<b>3.0</b>
<b>Bonus and others</b>	15.5	15.7	<b>55.3</b>	12.3	10.6	11.7	12.5	<b>47.2</b>	12.3	9.2	<b>12.1</b>
<b>Overtime, part-time</b>	2.4	2.2	<b>9.3</b>	2.5	2.3	2.4	2.4	<b>9.7</b>	2.3	2.1	<b>2.2</b>
<b>Fixed costs</b>	54.8	56.1	<b>217.9</b>	56.7	57.0	57.3	57.2	<b>228.3</b>	58.0	57.6	<b>57.9</b>
<b>Personnel expenses</b>	30.2	31.3	<b>120.3</b>	31.9	32.0	31.9	31.9	<b>127.9</b>	32.0	32.1	<b>32.0</b>
<b>Real estate expenses</b>	9.0	9.1	<b>35.9</b>	9.2	9.2	9.3	9.6	<b>37.3</b>	9.1	8.9	<b>9.1</b>
<b>Depreciation</b>	6.1	6.0	<b>24.3</b>	6.2	6.2	6.4	6.3	<b>25.3</b>	7.7	7.6	<b>7.6</b>
<b>Office expenses</b>	6.4	6.5	<b>25.3</b>	6.2	6.2	6.6	6.1	<b>25.2</b>	6.1	6.0	<b>6.3</b>
<b>Taxes and dues</b>	2.6	2.6	<b>10.7</b>	2.6	2.7	2.6	2.7	<b>10.7</b>	2.5	2.6	<b>2.5</b>

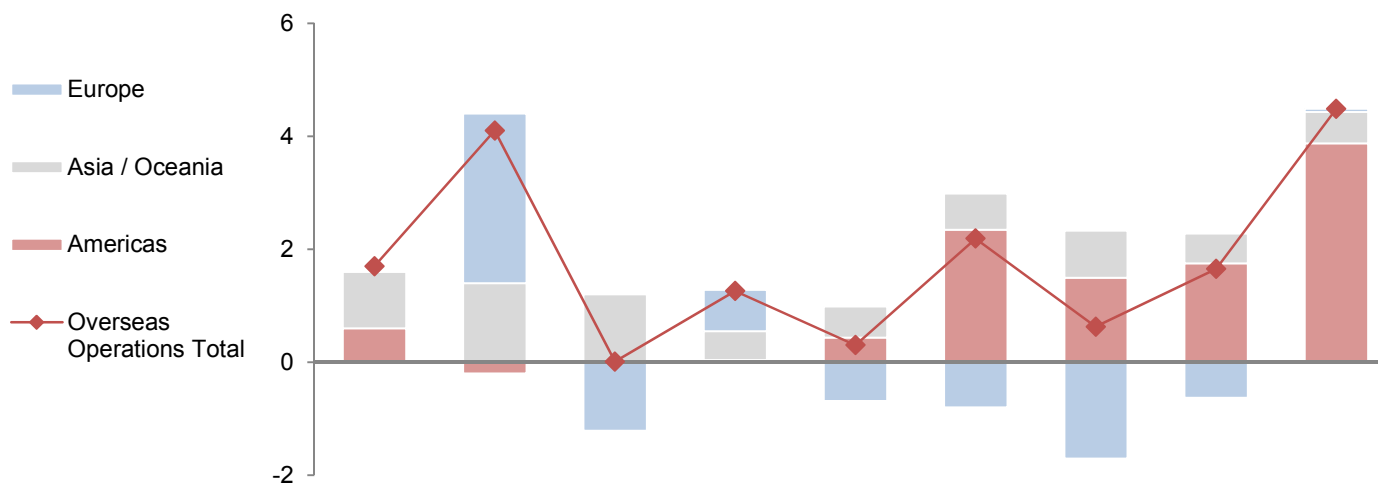
# Ordinary Income of Overseas Operations

(¥ Millions)	FY2018		FY2019			% Change vs 2Q/FY19	% Change vs 3Q/FY18	FY2018 1Q-3Q	FY2019 1Q-3Q	% Change vs 1Q-3Q/FY18	FY2018
	3Q	4Q	1Q	2Q	3Q						
<b>Overseas Operations Total</b>	302	2,190	627	1,651	<b>4,486</b>	<b>171.7%</b>	<b>x14.8</b>	1,574	<b>6,765</b>	<b>329.7%</b>	3,765
<b>Europe</b>	-683	-796	-1,702	-627	<b>57</b>	-	-	-1,151	<b>-2,272</b>	-	-1,947
<b>Asia / Oceania</b>	550	641	831	526	<b>550</b>	<b>4.6%</b>	<b>-0.0%</b>	2,304	<b>1,907</b>	<b>-17.2%</b>	2,946
<b>Americas</b>	435	2,345	1,498	1,752	<b>3,878</b>	<b>121.3%</b>	<b>791.0%</b>	421	<b>7,130</b>	<b>x16.9</b>	2,766

**Overseas operations remained profit for 15 consecutive quarters.**

- Europe stayed in the black as revenues from equity underwriting and M&A business increased.
- In Asia / Oceania, ordinary income increased as equity underwriting related revenues rose.
- In Americas, main products of FICC (treasury, MBS, repo transaction) were strong. Quarterly income reached a record high since quarterly disclosures started in 2002.

## Ordinary Income



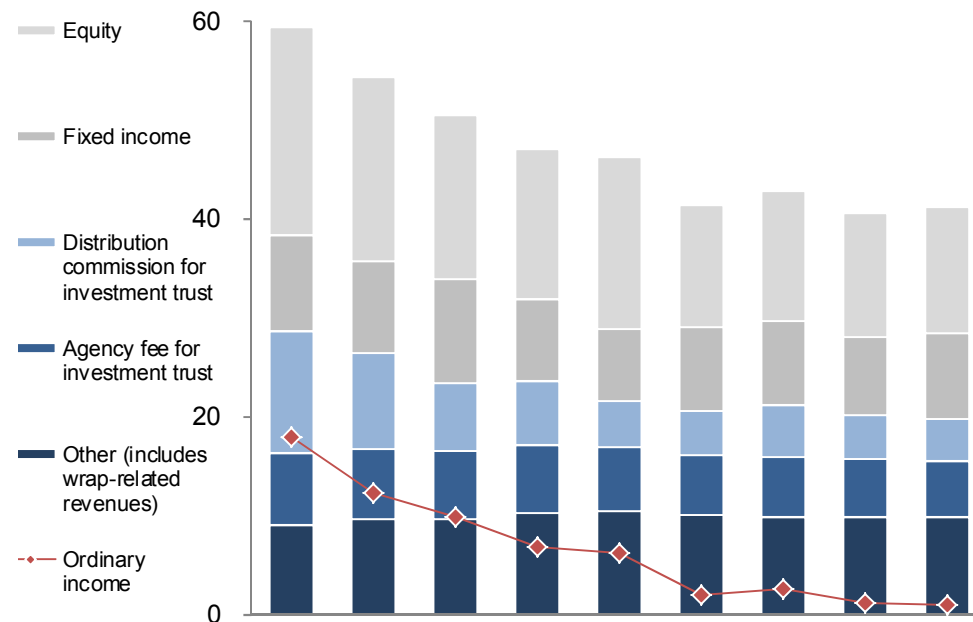
(¥ Billions)	FY2017		FY2018				FY2019		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q

# Retail Division

(¥ Millions)	FY2019 3Q	% Change vs 2Q/FY19	FY2019 1Q-3Q	% Change vs 1Q-3Q/FY18
Net operating revenues	41,322	1.4%	125,182	-13.3%
Ordinary income	1,039	-8.3%	4,853	-78.7%

- Equity revenues rose as both Japanese equity trading volume and sales commission from equity underwriting increased.
- Although sales of Japanese bonds decreased, fixed income revenues increased as foreign bond sales rose.
- Distribution commission for investment trust dropped due to a decrease in stock investment trust sales.

## Net Operating Revenues and Ordinary Income



(¥ Billions)	FY2017		FY2018				FY2019		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Equity	21.0	18.6	16.5	15.2	17.4	12.3	13.2	12.4	12.7
Fixed income	9.7	9.4	10.6	8.3	7.3	8.6	8.4	8.0	8.7
Distribution commission for investment trust	12.3	9.8	6.9	6.6	4.6	4.5	5.4	4.5	4.2
Agency fee for investment trust	7.3	7.0	6.8	6.8	6.4	5.9	5.9	5.7	5.7
Other (includes wrap-related revenues)	9.0	9.6	9.6	10.2	10.5	10.1	9.9	9.9	9.8
<b>Net operating revenues</b>	<b>59.5</b>	<b>54.5</b>	<b>50.6</b>	<b>47.3</b>	<b>46.3</b>	<b>41.5</b>	<b>43.0</b>	<b>40.7</b>	<b>41.3</b>
<b>Ordinary income</b>	<b>18.0</b>	<b>12.3</b>	<b>9.8</b>	<b>6.7</b>	<b>6.1</b>	<b>1.9</b>	<b>2.6</b>	<b>1.1</b>	<b>1.0</b>

# Retail Division Daiwa Securities

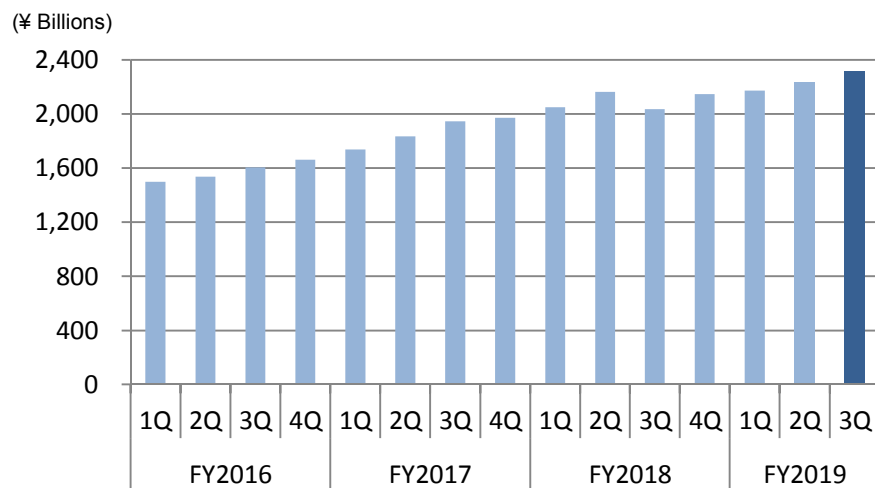
## 【Wrap Account Service】

- Contract AUM hit a record high of ¥2.31 trillion\* at the end of December thanks to an increase in contract amount and recovery of the market.

## 【Stock Investment Trusts】

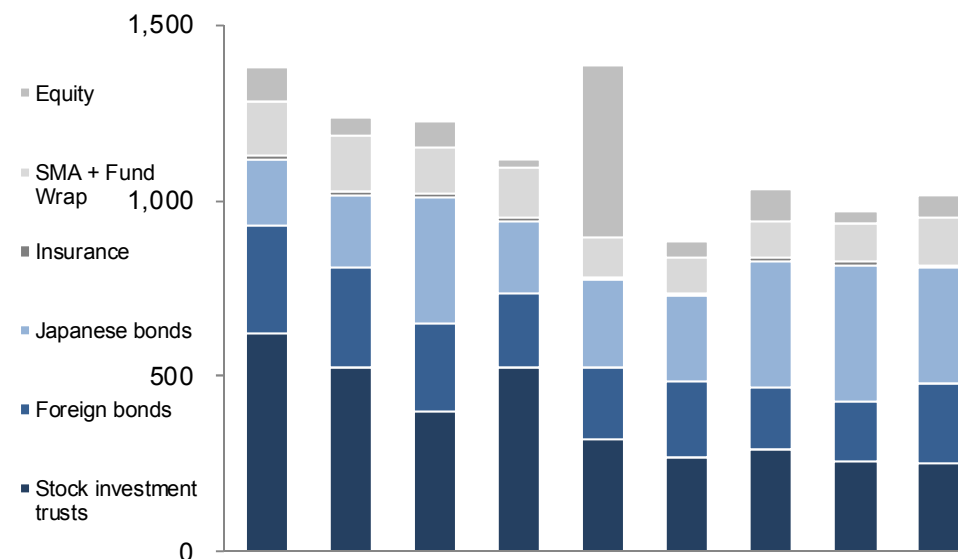
- Man AHL Smart Leverage Strategy Fund saw solid sales. Sales for 3Q: ¥56.8 billion

## Contract AUM of Wrap Account Service



\*Includes contracts AUM of Wholesale Division.

## Sales and Distribution Amount by Product



Sales and Distribution Amount (¥ Billions)	FY2017		FY2018				FY2019		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Equity*	93.2	53.6	77.1	23.9	486.9	46.7	88.0	35.4	65.7
SMA + Fund Wrap**	155.6	158.2	130.1	142.6	113.5	97.5	105.1	109.8	135.3
Insurance***	12.3	12.5	9.6	10.4	9.8	9.8	8.6	7.5	7.8
Japanese bonds	183.9	204.3	359.0	203.4	248.4	241.9	361.8	385.6	328.6
Foreign bonds****	306.4	281.1	250.2	212.5	203.4	218.9	172.7	171.2	228
Stock investment trusts*****	624.1	527.5	399.5	524.6	321.0	267.8	294.8	260.1	251.0

\*Distribution amount from equity underwriting

\*\*Total contract amount of fund wrap and 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

(¥ Millions)	FY2019 3Q	% Change vs 2Q/FY19	FY2019 1Q-3Q	% Change vs 1Q-3Q/FY18
Net operating revenues	35,021	25.7%	90,192	14.4%
Ordinary income	11,319	105.3%	21,373	86.1%

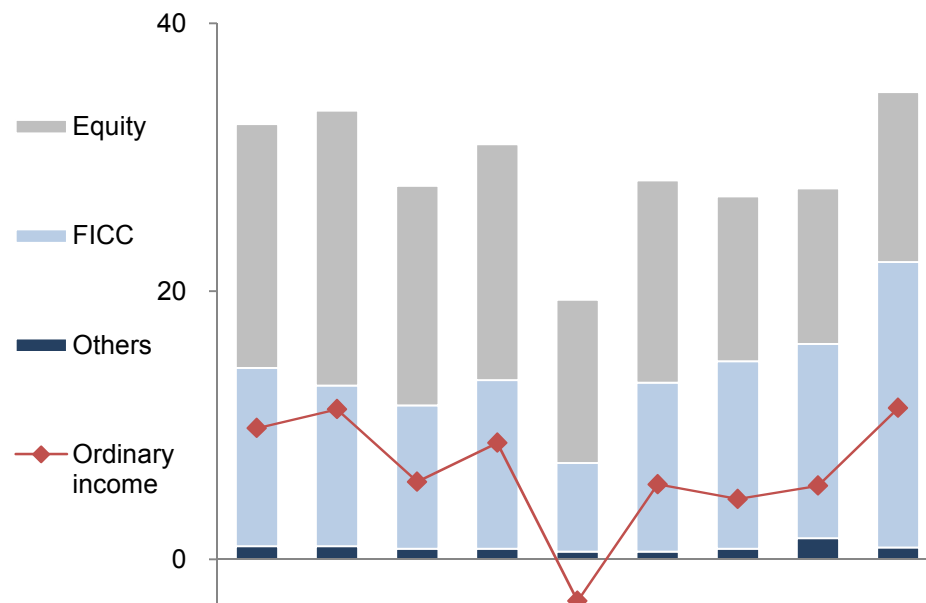
## 【Equity】

- Equity revenues rose due to an increase in customer order flows of Japanese equities.

## 【FICC\*】

- FICC revenues increased both in Japan and overseas.
- In Japan, not only structured bonds, but also investment of credit products for institutional investors remained firm. In overseas, customer order flows of main products increased in U.S..

## Net Operating Revenues and Ordinary Income



(¥ Billions)	FY2017		FY2018				FY2019		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Equity	18.2	20.5	16.4	17.6	12.2	15.1	12.3	11.6	12.7
FICC*	13.3	12.0	10.7	12.6	6.6	12.6	14.0	14.5	21.3
Others	1.0	1.0	0.8	0.8	0.6	0.6	0.8	1.6	0.9
<b>Net operating revenues</b>	<b>32.6</b>	<b>33.6</b>	<b>28.0</b>	<b>31.1</b>	<b>19.5</b>	<b>28.4</b>	<b>27.3</b>	<b>27.8</b>	<b>35.0</b>
<b>Ordinary income</b>	<b>9.8</b>	<b>11.2</b>	<b>5.8</b>	<b>8.7</b>	<b>-3.1</b>	<b>5.6</b>	<b>4.5</b>	<b>5.5</b>	<b>11.3</b>

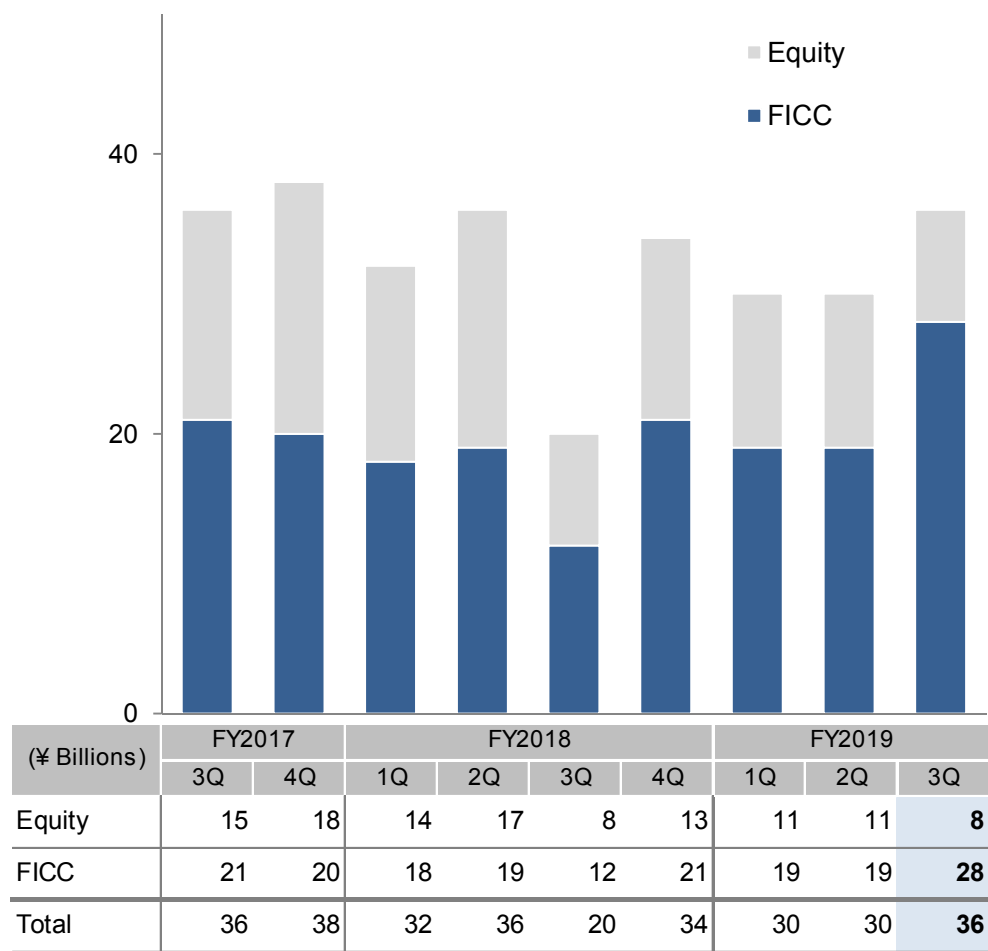
\*FICC: Fixed Income, Currency and Commodities



**【Managerial accounting basis】**

(¥ Billions)	FY2019 3Q	% Change vs 2Q/FY19	FY2019 1Q-3Q	% Change vs 1Q-3Q/FY18
Equity	8	-27.3%	30	-23.1%
FICC	28	47.4%	66	34.7%
Total	36	20.0%	96	9.1%

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



<Reference>

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

(¥ Billions)	FY2019 3Q	% Change vs 2Q/FY19	FY2019 1Q-3Q	% Change vs 1Q-3Q/FY18
Equity	8.9	4.8%	29.3	7.1%
Bond and forex	15.8	13.1%	46.1	18.9%
Net financial income	13.4	40.8%	30.1	-18.6%
Total	38.3	19.1%	105.6	2.3%

# Wholesale Division Global Investment Banking

(¥ Millions)	FY2019 3Q	% Change vs 2Q/FY19	FY2019 1Q-3Q	% Change vs 1Q-3Q/FY18
<b>Net operating revenues</b>	<b>13,667</b>	<b>14.0%</b>	<b>37,769</b>	<b>0.8%</b>
<b>Ordinary income</b>	<b>3,324</b>	<b>18.6%</b>	<b>7,051</b>	<b>25.2%</b>

## 【Equity】

### ■ IPO deals and global CB contributed to revenues.

<Selected lead managed deals>

SOSiLA Logistics REIT, Inc.  
freee K.K.  
MEDLEY Inc.  
NICHICON CORPORATION  
BASE Co., Ltd.

REIT PO  
Global IPO  
IPO  
Euro yen CB  
IPO

<Offering size>

¥52.7 bn  
¥37.1 bn  
¥20.6 bn  
¥12.0 bn  
¥10.8 bn

## 【Debt】

### ■ Lead managed a number of straight bonds, subordinated bonds and benchmark bonds.

<Selected lead managed deals>

Tokio Marine & Nichido Fire Insurance Co., Ltd. (60yrs)  
Sony Corporation (5/7/10yrs)  
Nippon Life Insurance Co. Sub. Loan (30yrs)  
Asian Development Bank (5yrs)  
Land Nordrhein-Westfalen (10/20yrs)  
East Nippon Expressway Company Limited (5/7/10yrs)

Subordinated Bond  
Straight Bond  
Subordinated Bond  
Benchmark Bond  
Sustainability Bond  
Social Bond

<Offering size>

¥200.0 bn  
¥100.0 bn  
¥80.0 bn  
USD 3.0 bn  
EUR 2.5 bn  
¥70.0 bn

## 【M&A】

### ■ Revenues increased by managing several domestic and overseas deals.

<Selected deals>

Making TOSHIBA CORPORATION a wholly owned subsidiary of TOSHIBA PLANT SYSTEMS & SERVICES CORPORATION

Share transfer of ACT-ONE Yamaichi CO., LTD. by CAS Capital, Inc.

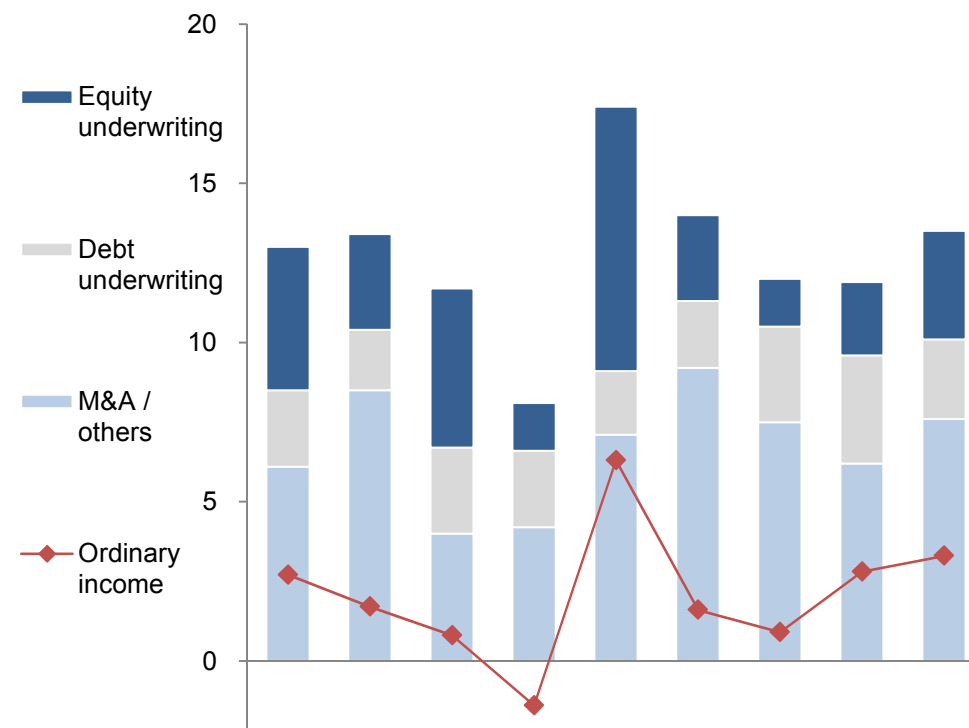
Acquisition of ABLIC by MinebeaMitsumi Inc.

Advice regarding EUR 1.6 bn finance to Ermewa Group (France)

Acquisition of Nth Degree (US) by MSouth Equity Partners (US)

Sale of Advend Systems (Singapore) to Etika Holdings (Malaysia, subsidiary of Asahi Group Holdings, Ltd.) by Dymon Asia Private Equity (Singapore)

## Net Operating Revenues and Ordinary Income



(¥ Billions)	FY2017		FY2018				FY2019		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Equity underwriting	4.5	3.0	5.0	1.5	8.3	2.7	1.5	2.3	3.4
Debt underwriting	2.4	1.9	2.7	2.4	2.0	2.1	3.0	3.4	2.5
M&A / others	6.1	8.5	4.0	4.2	7.1	9.2	7.5	6.2	7.6
<b>Net operating revenues</b>	<b>13.0</b>	<b>13.5</b>	<b>11.7</b>	<b>8.2</b>	<b>17.5</b>	<b>14.2</b>	<b>12.1</b>	<b>11.9</b>	<b>13.6</b>
<b>Ordinary income</b>	<b>2.7</b>	<b>1.7</b>	<b>0.8</b>	<b>-1.4</b>	<b>6.3</b>	<b>1.6</b>	<b>0.9</b>	<b>2.8</b>	<b>3.3</b>

# Asset Management Division

(¥ Millions)	FY2019 3Q	% Change vs 2Q/FY19	FY2019 1Q-3Q	% Change vs 1Q-3Q/FY18
Net operating revenues	12,664	8.9%	35,645	-2.3%
Ordinary income	7,038	7.3%	19,808	-9.3%

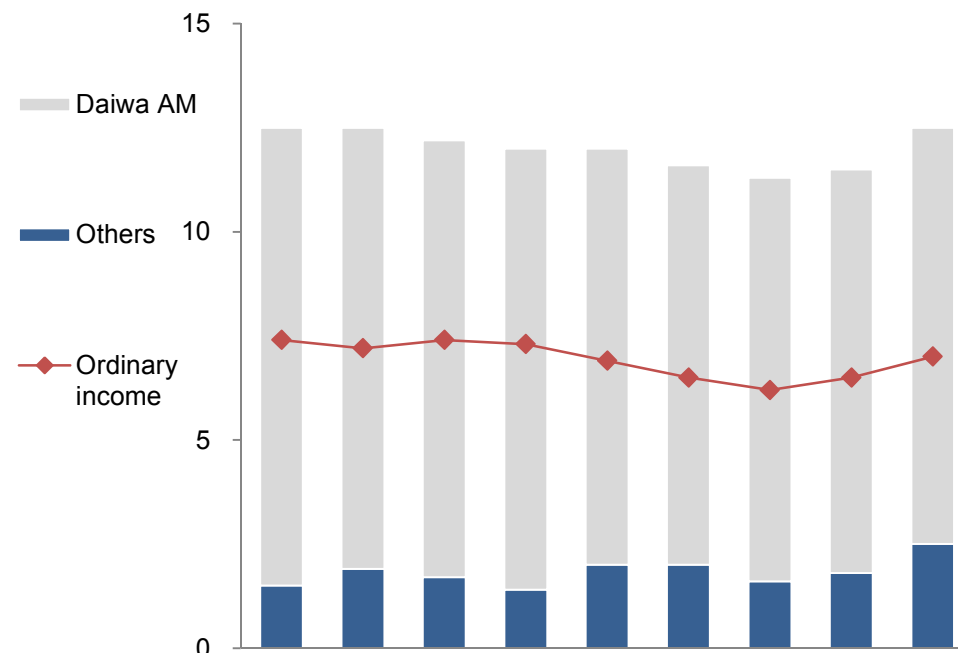
## 【Daiwa Asset Management】

- Revenues rose as average AUM of stock investment trusts increased.

## 【Others】

- Revenues increased due to the consolidation of Samty Residential Investment.

## Net Operating Revenues and Ordinary Income



(¥ Billions)	FY2017		FY2018				FY2019		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Daiwa AM	11.0	10.6	10.5	10.6	10.0	9.6	9.7	9.7	10.0
Others	1.5	1.9	1.7	1.4	2.0	2.0	1.6	1.8	2.5
<b>Net operating revenues</b>	12.6	12.5	12.2	12.0	12.1	11.7	11.3	11.6	12.6
<b>Ordinary income</b>	7.4	7.2	7.4	7.3	6.9	6.5	6.2	6.5	7.0

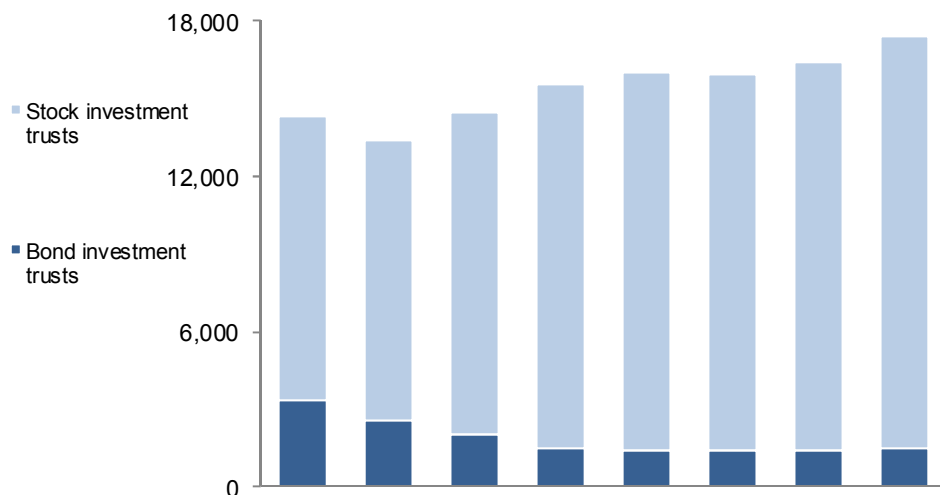
※ 'Others' includes Daiwa Real Estate Asset Management, Samty Residential Investment and Daiwa Fund Consulting.  
 ※ Equity in earnings of affiliates is included in non-operating revenues.

# Asset Management Division

## Assets Under Management and Net Increase



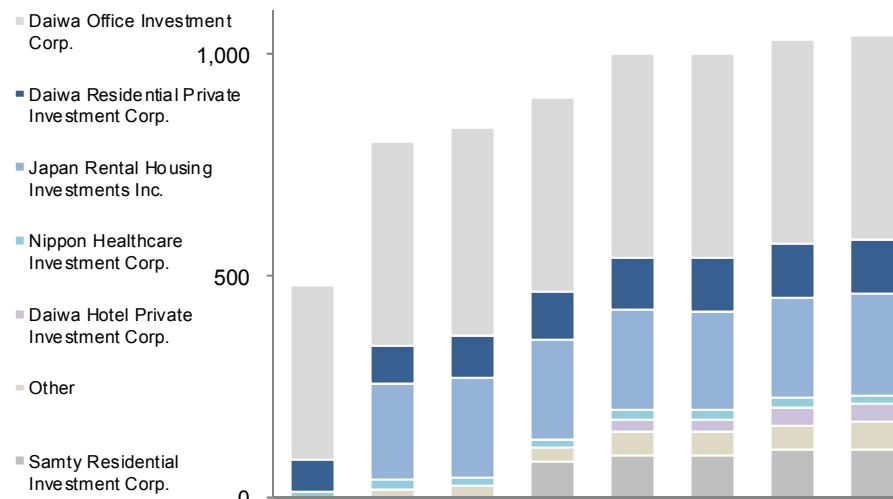
### Daiwa Asset Management AUM



(¥ Billions)	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019		
						1Q	2Q	3Q
Stock investment trusts	11,032	10,840	12,454	14,123	14,616	14,576	15,022	<b>15,868</b>
excl. ETF	8,482	7,888	7,805	7,717	7,245	7,070	7,108	<b>7,240</b>
(Net inflow)	(679)	(634)	(168)	(302)	(-339)	(-111)	(-59)	<b>(-99)</b>
ETF	2,550	2,951	4,648	6,406	7,371	7,506	7,914	<b>8,628</b>
(Net inflow)	(380)	(775)	(1,255)	(1,109)	(1,279)	(232)	(300)	<b>(51)</b>
Bond investment trusts	3,314	2,563	2,036	1,465	1,396	1,392	1,400	<b>1,514</b>
<b>Total</b>	<b>14,346</b>	<b>13,403</b>	<b>14,491</b>	<b>15,588</b>	<b>16,012</b>	<b>15,968</b>	<b>16,423</b>	<b>17,383</b>
Stock investment trust share	14.8%	14.5%	14.7%	14.3%	14.2%	14.1%	14.1%	<b>14.1%</b>

### Real Estate Asset Management Business AUM of Two Companies\*

\* Daiwa Real Estate Asset Management, Samty Asset Management

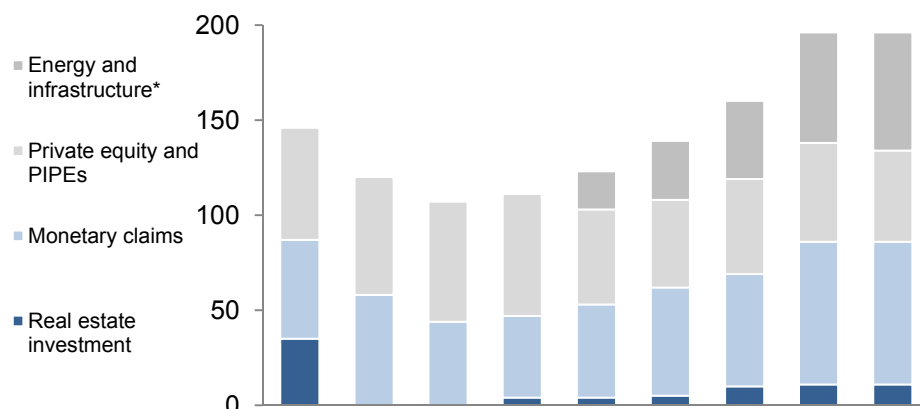


(¥ Billions)	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019		
						1Q	2Q	3Q
Daiwa Office Investment Corp.	391	459	469	439	460	460	461	<b>463</b>
Daiwa Residential Private Investment Corp.	72	82	96	107	118	121	121	<b>121</b>
Japan Rental Housing Investments Inc.		220	223	225	225	220	226	<b>227</b>
Nippon Healthcare Investment Corp.	13	18	19	19	19	19	19	<b>19</b>
Daiwa Hotel Private Investment Corp.					29	29	40	<b>40</b>
Other		19	25	30	53	53	53	<b>59</b>
<b>Total</b>	<b>477</b>	<b>800</b>	<b>834</b>	<b>822</b>	<b>907</b>	<b>906</b>	<b>923</b>	<b>933</b>
Samty Residential Investment Corp. (Sub sponsor)				81	93	93	109	<b>109</b>
<b>Total (Including sub sponsor)</b>	<b>477</b>	<b>800</b>	<b>834</b>	<b>903</b>	<b>1,000</b>	<b>999</b>	<b>1,033</b>	<b>1,043</b>

# Investment Division

(¥ Millions)	FY2019 3Q	% Change vs 2Q/FY19	FY2019 1Q-3Q	% Change vs 1Q-3Q/FY18
<b>Net operating revenues</b>	<b>2,151</b>	-	<b>-1,715</b>	-
<b>Ordinary income</b>	<b>1,581</b>	-	<b>-4,081</b>	-

## Principal Investment Value



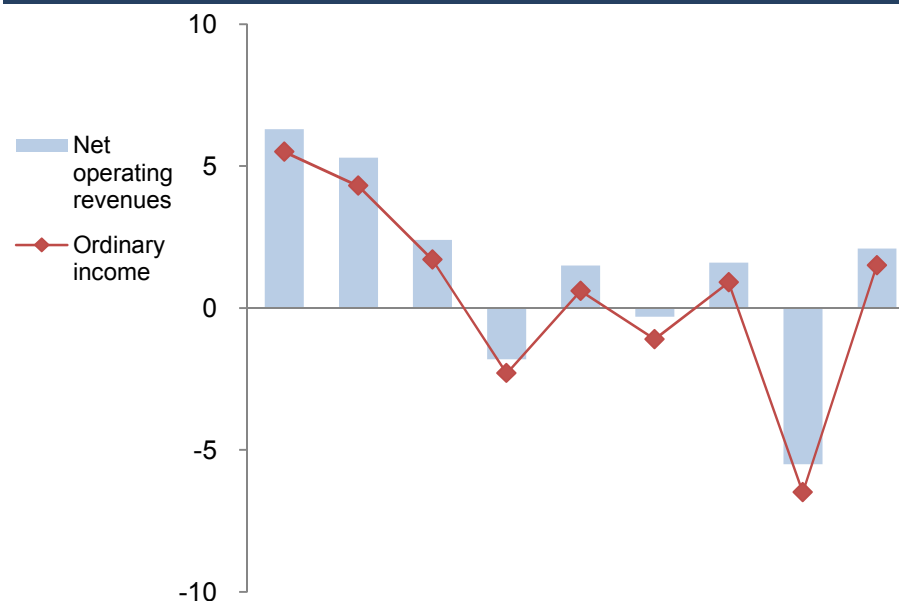
(¥ Billions)	FY2017		FY2018				FY2019		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>Daiwa PI Partners</b>									
Private equity and PIPEs	59	62	63	64	50	46	50	52	<b>48</b>
Monetary claims	52	58	44	43	49	57	59	75	<b>75</b>
Real estate investment	35	0	0	4	4	5	10	11	<b>11</b>
<b>Daiwa Energy &amp; Infrastructure</b>					20	31	41	58	<b>62</b>
<b>Total</b>	<b>147</b>	<b>120</b>	<b>107</b>	<b>112</b>	<b>124</b>	<b>139</b>	<b>163</b>	<b>198</b>	<b>198</b>

\* Energy and infrastructure indicates investment balance of Daiwa Energy & Infrastructure

※ PIPEs: Private Investment in Public Equities

※ All figures are as at the end of each quarter

## Net Operating Revenues and Ordinary Income



(¥ Billions)	FY2017		FY2018				FY2019		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>Net operating revenues</b>	<b>6.3</b>	<b>5.3</b>	<b>2.4</b>	<b>-1.8</b>	<b>1.5</b>	<b>-0.3</b>	<b>1.6</b>	<b>-5.5</b>	<b>2.1</b>
<b>Ordinary income</b>	<b>5.5</b>	<b>4.3</b>	<b>1.7</b>	<b>-2.3</b>	<b>0.6</b>	<b>-1.1</b>	<b>0.9</b>	<b>-6.5</b>	<b>1.5</b>

# Reference

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**Daiwa Securities Group Inc.**

# Breakdown of Commission

(¥ Millions)	FY2018		FY2019			% Change vs 2Q/FY19	% Change vs 3Q/FY18	FY2018 1Q-3Q	FY2019 1Q-3Q	% Change vs 1Q-3Q/FY18	FY2018
	3Q	4Q	1Q	2Q	3Q						
<b>Total commission</b>	78,347	64,629	64,962	64,810	<b>68,448</b>	<b>5.6%</b>	<b>-12.6%</b>	218,397	<b>198,222</b>	<b>-9.2%</b>	283,027
<b>Brokerage commission</b>	14,507	12,495	12,416	12,684	<b>13,994</b>	<b>10.3%</b>	<b>-3.5%</b>	45,841	<b>39,096</b>	<b>-14.7%</b>	58,336
<b>Underwriting and secondary offering commissions</b>	17,908	6,235	6,932	8,337	<b>9,466</b>	<b>13.5%</b>	<b>-47.1%</b>	35,574	<b>24,737</b>	<b>-30.5%</b>	41,810
<b>Distribution commission</b>	5,540	5,451	6,352	5,716	<b>5,369</b>	<b>-6.1%</b>	<b>-3.1%</b>	20,595	<b>17,438</b>	<b>-15.3%</b>	26,047
<b>Other commission</b>	40,390	40,446	39,261	38,071	<b>39,617</b>	<b>4.1%</b>	<b>-1.9%</b>	116,386	<b>116,950</b>	<b>0.5%</b>	156,833
<i>Investment advisory and account management fees</i>	6,965	6,630	6,897	7,058	<b>7,175</b>	<b>1.7%</b>	<b>3.0%</b>	20,408	<b>21,131</b>	<b>3.5%</b>	27,038
<i>Insurance sales commission</i>	651	628	362	317	<b>276</b>	<b>-13.0%</b>	<b>-57.6%</b>	2,191	<b>956</b>	<b>-56.4%</b>	2,820
<i>M&amp;A related commission</i>	6,637	8,472	7,323	5,735	<b>7,528</b>	<b>31.3%</b>	<b>13.4%</b>	14,333	<b>20,588</b>	<b>43.6%</b>	22,805
<i>Management fee</i>	18,841	17,882	17,767	17,605	<b>17,985</b>	<b>2.2%</b>	<b>-4.5%</b>	58,882	<b>53,358</b>	<b>-9.4%</b>	76,765
<i>Other</i>	7,294	6,832	6,909	7,353	<b>6,652</b>	<b>-9.5%</b>	<b>-8.8%</b>	20,570	<b>20,915</b>	<b>1.7%</b>	27,402

## Balance Sheet

## Daiwa Securities Balance Sheet (December 31, 2019)

(¥ Billions)

<b>Current assets</b>	<b>12,145</b>	<b>(2,435)</b>
Trading products	5,046	(460)
Trading securities and other	2,217	(559)
Derivatives transactions	2,828	(-98)
Margin transaction assets	147	(-23)
Loans on margin transactions	123	(-30)
Cash collateral pledged for securities borrowing on margin transactions	24	(6)
Loans secured by securities	4,708	(2,550)
Short-term guarantee deposits	442	(55)
Short-term loans receivable	425	(15)
<b>Non-current assets</b>	<b>121</b>	<b>(-1)</b>
Property, plant and equipment	7	(0)
Intangible assets	73	(-0)

<b>Total assets</b>	<b>12,267</b>	<b>(2,434)</b>
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<b>Current liabilities</b>	<b>10,215</b>	<b>(2,654)</b>
Trading products	3,843	(249)
Trading securities and other	1,211	(316)
Derivatives transactions	2,632	(-66)
Margin transaction liabilities	74	(6)
Loans payables secured by securities	4,502	(2,744)
Short-term loans payable	659	(-603)
Current portion of bonds	163	(34)
<b>Long-term liabilities</b>	<b>1,304</b>	<b>(-191)</b>
Bonds payable	563	(-62)
Long-term loans payable	698	(-131)
<b>Total liabilities</b>	<b>11,524</b>	<b>(2,463)</b>
<b>Net assets</b>	<b>743</b>	<b>(-29)</b>
Shareholders' equity	741	(-28)
Capital stock	100	—

<b>Total liabilities and net asset</b>	<b>12,267</b>	<b>(2,434)</b>
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※ Figures in parentheses show changes from March 31, 2019



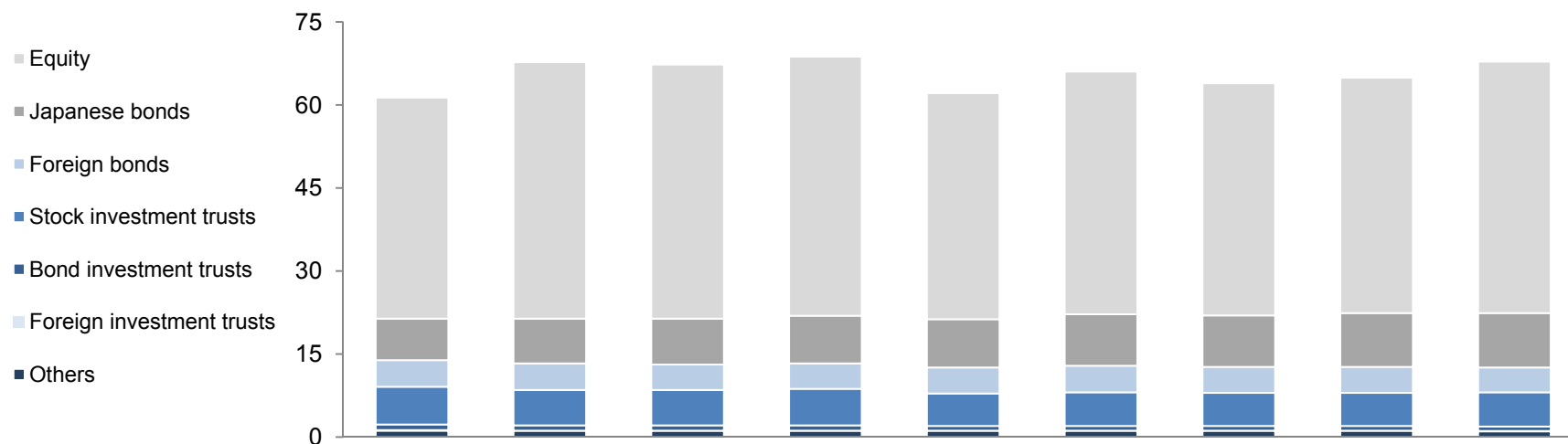
## Financial Summary I

(¥ Millions)	FY2018		FY2019			% Change vs 2Q/FY19	% Change vs 3Q/FY18	FY2018	FY2019	% Change vs 1Q-3Q/FY18	FY2018
	3Q	4Q	1Q	2Q	3Q			1Q-3Q	1Q-3Q		
<b>Operating revenues</b>	83,370	77,462	79,513	73,965	<b>78,520</b>	<b>6.2%</b>	<b>-5.8%</b>	254,912	<b>231,999</b>	<b>-9.0%</b>	332,374
<b>Commission received</b>	53,538	39,987	43,059	44,818	<b>44,581</b>	<b>-0.5%</b>	<b>-16.7%</b>	145,754	<b>132,459</b>	<b>-9.1%</b>	185,741
<b>Brokerage commission</b>	10,895	9,126	8,903	9,214	<b>10,420</b>	<b>13.1%</b>	<b>-4.4%</b>	33,916	<b>28,539</b>	<b>-15.9%</b>	43,043
<i>Stock and others</i>	10,448	8,907	8,645	8,955	<b>10,199</b>	<b>13.9%</b>	<b>-2.4%</b>	32,954	<b>27,801</b>	<b>-15.6%</b>	41,861
<b>Underwriting and secondary offering commissions</b>	16,602	5,714	6,113	8,052	<b>8,305</b>	<b>3.1%</b>	<b>-50.0%</b>	30,848	<b>22,471</b>	<b>-27.2%</b>	36,563
<i>Equity</i>	13,842	2,956	1,114	2,767	<b>4,850</b>	<b>75.3%</b>	<b>-65.0%</b>	19,724	<b>8,732</b>	<b>-55.7%</b>	22,680
<i>Bond and others</i>	2,760	2,758	4,998	5,285	<b>3,454</b>	<b>-34.6%</b>	<b>25.2%</b>	11,124	<b>13,738</b>	<b>23.5%</b>	13,882
<b>Distribution commission</b>	5,483	5,403	6,286	5,665	<b>5,309</b>	<b>-6.3%</b>	<b>-3.2%</b>	20,436	<b>17,261</b>	<b>-15.5%</b>	25,840
<i>Investment trust</i>	4,556	4,463	5,301	4,476	<b>4,124</b>	<b>-7.9%</b>	<b>-9.5%</b>	17,955	<b>13,902</b>	<b>-22.6%</b>	22,418
<b>Other commissions</b>	20,557	19,743	21,756	21,885	<b>20,545</b>	<b>-6.1%</b>	<b>-0.1%</b>	60,552	<b>64,186</b>	<b>6.0%</b>	80,295
<i>Agency fee and others</i>	7,226	6,771	6,768	6,625	<b>6,632</b>	<b>0.1%</b>	<b>-8.2%</b>	22,602	<b>20,026</b>	<b>-11.4%</b>	29,373
<i>Investment advisory and account management fees</i>	6,965	6,630	6,897	7,058	<b>7,175</b>	<b>1.7%</b>	<b>3.0%</b>	20,408	<b>21,131</b>	<b>3.5%</b>	27,038
<i>Insurance sales commission</i>	651	628	362	317	<b>276</b>	<b>-13.0%</b>	<b>-57.6%</b>	2,191	<b>956</b>	<b>-56.4%</b>	2,820
<i>M&amp;A related commission</i>	1,703	1,752	3,651	3,533	<b>3,007</b>	<b>-14.9%</b>	<b>76.5%</b>	3,758	<b>10,192</b>	<b>171.2%</b>	5,510
<b>Net trading income/loss</b>	14,572	24,737	23,753	18,744	<b>22,457</b>	<b>19.8%</b>	<b>54.1%</b>	64,430	<b>64,955</b>	<b>0.8%</b>	89,168
<b>Financial revenues</b>	15,259	12,736	12,699	10,403	<b>11,481</b>	<b>10.4%</b>	<b>-24.8%</b>	44,727	<b>34,584</b>	<b>-22.7%</b>	57,464
<b>Financial expenses</b>	11,522	8,442	9,119	7,074	<b>8,158</b>	<b>15.3%</b>	<b>-29.2%</b>	31,103	<b>24,352</b>	<b>-21.7%</b>	39,545
<b>Net operating revenues</b>	71,848	69,020	70,393	66,891	<b>70,361</b>	<b>5.2%</b>	<b>-2.1%</b>	223,808	<b>207,646</b>	<b>-7.2%</b>	292,828

## Financial Summary II

(¥ Millions)	FY2018		FY2019			% Change vs 2Q/FY19	% Change vs 3Q/FY18	FY2018 1Q-3Q	FY2019 1Q-3Q	% Change vs 1Q-3Q/FY18	FY2018
	3Q	4Q	1Q	2Q	3Q						
<b>SG&amp;A</b>	60,198	59,147	61,472	58,973	<b>60,246</b>	<b>2.2%</b>	<b>0.1%</b>	180,344	<b>180,693</b>	<b>0.2%</b>	239,492
Trading related expenses	11,167	10,501	11,687	10,552	<b>11,174</b>	<b>5.9%</b>	<b>0.1%</b>	32,402	<b>33,415</b>	<b>3.1%</b>	42,903
Personnel expenses	24,277	24,086	24,620	23,282	<b>23,706</b>	<b>1.8%</b>	<b>-2.4%</b>	73,934	<b>71,608</b>	<b>-3.1%</b>	98,021
Real estate expenses	6,230	6,317	6,331	6,206	<b>6,226</b>	<b>0.3%</b>	<b>-0.1%</b>	18,770	<b>18,764</b>	<b>-0.0%</b>	25,088
Office cost	11,876	11,440	11,668	11,740	<b>12,238</b>	<b>4.2%</b>	<b>3.0%</b>	35,493	<b>35,647</b>	<b>0.4%</b>	46,934
Depreciation	4,474	4,484	5,087	5,068	<b>4,930</b>	<b>-2.7%</b>	<b>10.2%</b>	12,998	<b>15,086</b>	<b>16.1%</b>	17,483
Taxes and dues	1,025	1,089	1,008	1,048	<b>953</b>	<b>-9.1%</b>	<b>-7.0%</b>	3,337	<b>3,010</b>	<b>-9.8%</b>	4,426
Other	1,145	1,227	1,070	1,073	<b>1,016</b>	<b>-5.3%</b>	<b>-11.3%</b>	3,407	<b>3,160</b>	<b>-7.3%</b>	4,635
<b>Ordinary income</b>	11,796	10,215	9,053	8,102	<b>10,097</b>	<b>24.6%</b>	<b>-14.4%</b>	43,495	<b>27,253</b>	<b>-37.3%</b>	53,710
<b>Net income</b>	7,895	9,422	449	2,490	<b>6,645</b>	<b>166.9%</b>	<b>-15.8%</b>	28,874	<b>9,585</b>	<b>-66.8%</b>	38,297
<b>ROE (Annualized)</b>	4.1%	4.9%	0.2%	1.4%	<b>3.6%</b>			4.9%	<b>1.7%</b>		4.9%
<b>Capital adequacy ratio</b>	377.9%	346.6%	332.6%	308.3%	<b>322.7%</b>			377.9%	<b>322.7%</b>		346.6%

# Assets under Custody



Assets under Custody (¥ Trillions)	FY2017		FY2018				FY2019		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Equity	39.9	46.3	45.9	46.8	40.8	43.8	41.9	42.5	<b>45.4</b>
Japanese bonds	7.5	8.1	8.3	8.6	8.7	9.3	9.3	9.7	<b>9.8</b>
Foreign bonds	4.8	4.8	4.6	4.6	4.7	4.8	4.7	4.7	<b>4.5</b>
Stock investment trusts	6.8	6.4	6.4	6.6	5.9	6.1	6.0	6.0	<b>6.2</b>
Bond investment trusts	1.0	0.9	0.9	0.9	0.8	0.8	0.8	0.8	<b>0.8</b>
Foreign investment trusts	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	<b>0.1</b>
Others	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	<b>1.0</b>
<b>Total</b>	<b>61.5</b>	<b>68.1</b>	<b>67.6</b>	<b>69.0</b>	<b>62.4</b>	<b>66.3</b>	<b>64.2</b>	<b>65.2</b>	<b>68.2</b>
Daiwa Next Bank deposit balance	3.7	3.5	3.6	3.6	3.6	3.6	3.8	4.0	<b>4.2</b>

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

※ ETFs are recorded in 'Equity'.

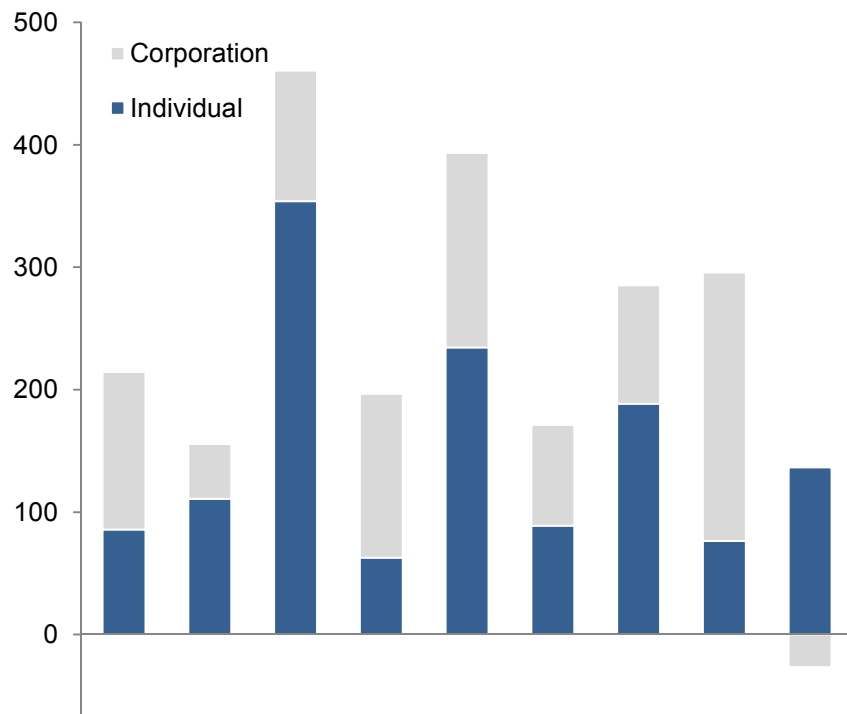
# Number of Accounts and Equity Trading

	FY2017		FY2018				FY2019		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Accounts with balance (thousands)	2,965	2,989	2,994	3,001	3,011	3,025	3,021	3,026	<b>3,009</b>
Accounts holding equity (thousands)	1,386	1,395	1,397	1,394	1,438	1,439	1,439	1,438	<b>1,427</b>
Online trading accounts (thousands)	3,187	3,214	3,246	3,264	3,302	3,320	3,329	3,344	<b>3,358</b>
Newly opened accounts (thousands)	40	41	52	37	47	34	29	32	<b>31</b>
NISA accounts* (thousands)	815	829	839	846	855	858	860	863	<b>863</b>
Wrap account service (end of quarter)									
Contract assets under management (¥ billions)	1,944	1,971	2,049	2,162	2,034	2,145	2,171	2,233	<b>2,313</b>
Number of customers (thousands)	131.4	134.8	138.7	141.9	143.7	144.3	144.2	144.3	<b>142.3</b>
Contracts and trading value for individual investors at Daiwa Securities (Japanese Equity)									
Total number of contracts (thousands)	3,476	3,305	2,619	2,400	2,723	2,198	1,985	1,972	<b>2,392</b>
Online out of total (thousands)	3,003	2,908	2,295	2,123	2,408	1,956	1,745	1,739	<b>2,112</b>
Total trading value (¥ billions)	3,737	3,420	2,612	2,302	2,502	1,993	1,868	1,795	<b>2,169</b>
Online out of total (¥ billions)	2,743	2,603	1,966	1,769	1,935	1,528	1,414	1,365	<b>1,686</b>
Foreign equity trading value (Retail)									
Trading value (¥ billions)	387	407	398	422	206	292	354	312	<b>221</b>

\* Includes Junior NISA.

# Net Asset Inflow

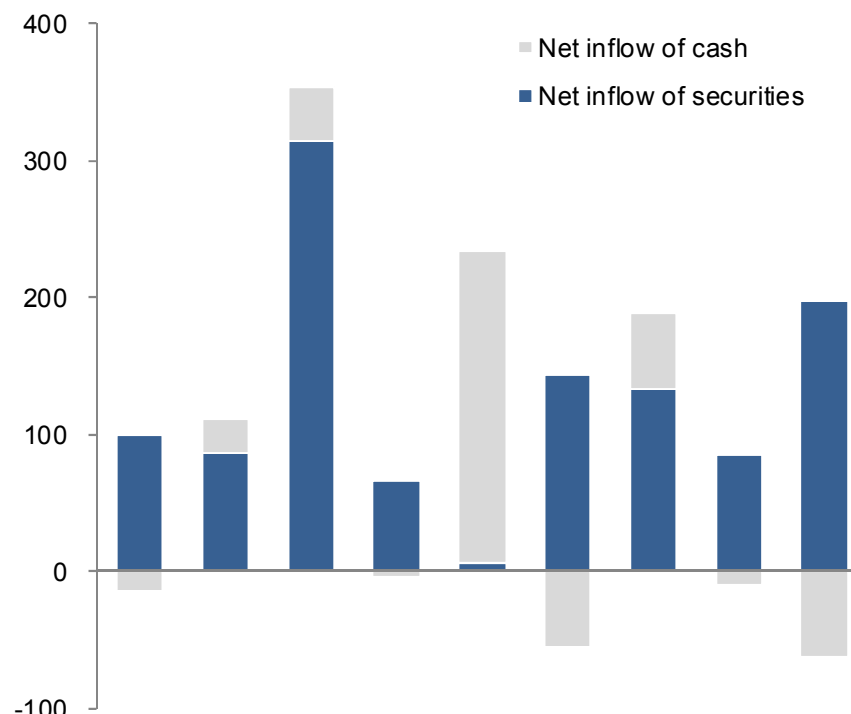
Retail Division (Daiwa Securities) Net Asset Inflow



(¥ Billions)	FY2017		FY2018				FY2019		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Corporation	128.6	44.5	106.6	133.8	158.8	82.3	96.6	219.1	-26.7
Individual	85.7	111.0	354.0	62.9	234.6	88.9	188.6	76.5	136.6
<b>Total</b>	<b>214.4</b>	<b>155.6</b>	<b>460.7</b>	<b>196.8</b>	<b>393.4</b>	<b>171.2</b>	<b>285.2</b>	<b>295.7</b>	<b>109.9</b>

※ Net asset inflow = net inflow of cash and securities

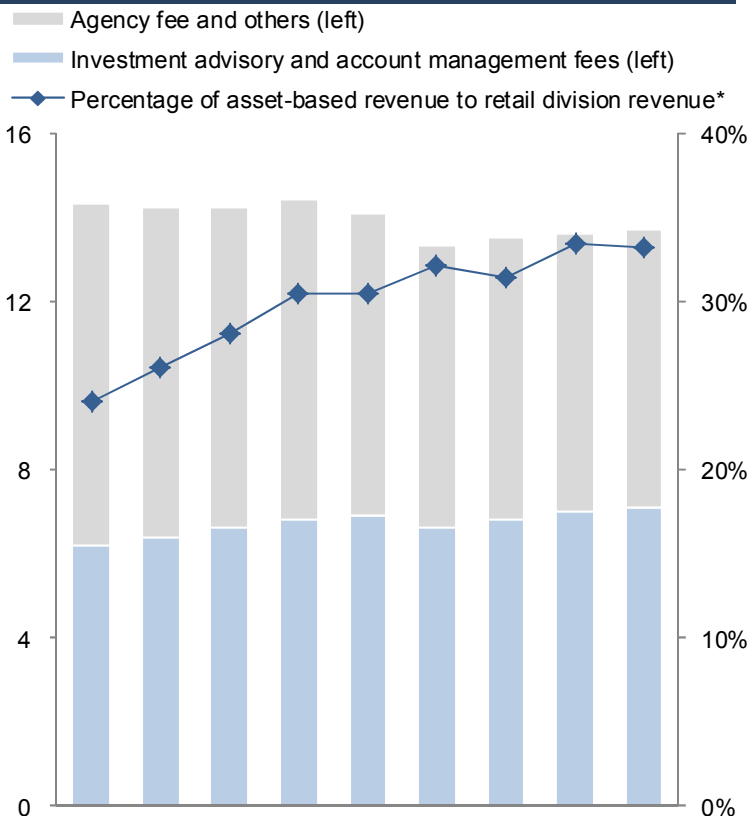
Retail Division (Daiwa Securities) Net Asset Inflow (Individuals)



(¥ Billions)	FY2017		FY2018				FY2019		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Net inflow of cash	-13.6	23.7	39.9	-3.0	228.7	-54.1	55.3	-9.2	-61.4
Net inflow of securities	99.4	87.2	314.1	65.9	5.8	143.0	133.3	85.8	198.0
<b>Total</b>	<b>85.7</b>	<b>111.0</b>	<b>354.0</b>	<b>62.9</b>	<b>234.6</b>	<b>88.9</b>	<b>188.6</b>	<b>76.5</b>	<b>136.6</b>

# Stock Investment Trusts & Wrap Accounts

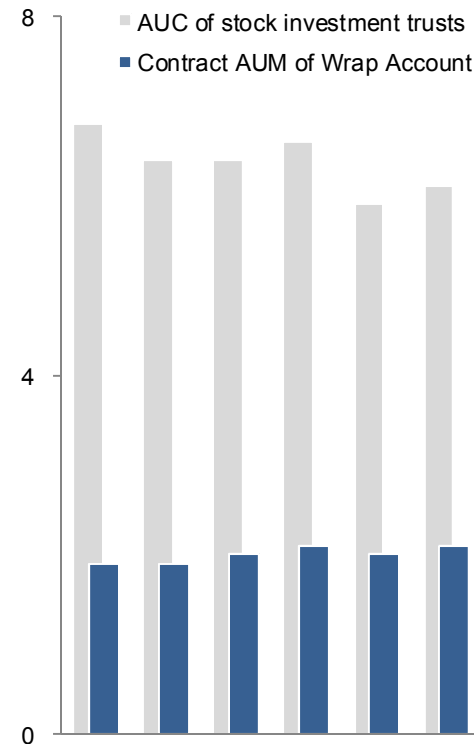
## Agency Fee and Management Fee (Daiwa Securities)



¥ Billions	FY2017		FY2018				FY2019		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Agency fee and others	8.1	7.8	7.6	7.6	7.2	6.7	6.7	6.6	<b>6.6</b>
Investment advisory and account management fees	6.2	6.4	6.6	6.8	6.9	6.6	6.8	7.0	<b>7.1</b>
Percentage of asset-based revenue to retail division revenue*	24%	26%	28%	30%	30%	32%	31%	33%	<b>33%</b>

\* Agency fee and management fee of Retail Division / Net Operating Revenue of Retail Division

## AUC of Stock Investment Trusts and Contract AUM of Wrap Account



¥ Trillions	FY2017		FY2018				FY2019		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
AUC of stock investment trusts	6.8	6.4	6.4	6.6	5.9	6.1	6.0	6.0	<b>6.2</b>
Contract AUM of Wrap Account	1.9	1.9	2.0	2.1	2.0	2.1	2.1	2.2	<b>2.3</b>

※ Contract AUM of Wrap Account includes Stocks, Bonds and Cash in small part.

# 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>FY2019 3Q League Table</b>							
1st	SMBC Nikko	Nomura	Mizuho	Mitsubishi UFJMS	Nomura	Mizuho	Deloitte
	14.7%	28.4%	22.5%	25.6%	20.4%	24.8%	
2nd	Daiwa	Daiwa	SMBC Nikko	SMBC Nikko	SMBC Nikko	Nomura	Nomura
	14.5%	28.2%	19.7%	21.4%	18.4%	23.6%	
3rd	Nomura	SMBC Nikko	Daiwa	Daiwa	Daiwa	SMBC Nikko	Daiwa
	14.3%	20.3%	19.4%	18.0%	16.7%	23.1%	
4th	Mitsubishi UFJMS	Mizuho	Nomura	Nomura	Mizuho	Daiwa	MHFG
	12.7%	8.6%	17.8%	17.8%	15.6%	17.8%	
5th	Mizuho	Morgan Stanley	Mitsubishi UFJMS	Mizuho	Mitsubishi UFJMS	Mitsubishi UFJMS	Morgan Stanley
	11.1%	4.4%	16.8%	16.9%	15.2%	7.0%	

Source: Compiled by Daiwa Securities based on REFINITIV April - December 2019

M&A: Mergermarket

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.

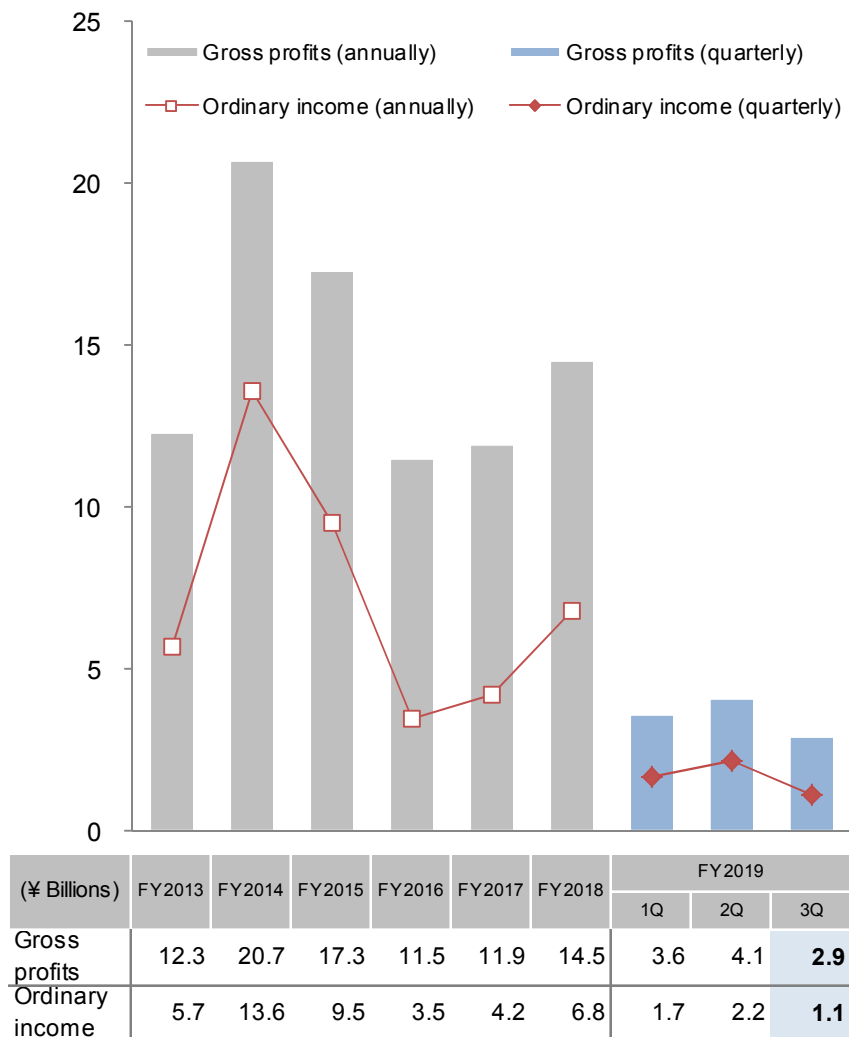
## Financial Summary

(¥ Millions)	FY2018		FY2019			% Change vs 2Q/FY19	% Change vs 3Q/FY18	FY2018 1Q-3Q	FY2019 1Q-3Q	% Change vs 1Q-3Q/FY18	FY2018
	3Q	4Q	1Q	2Q	3Q						
<b>Operating revenues</b>	18,838	17,821	17,759	17,626	<b>17,972</b>	<b>2.0%</b>	<b>-4.6%</b>	58,904	<b>53,358</b>	<b>-9.4%</b>	76,725
<b>Management fee</b>	18,672	17,665	17,603	17,472	<b>17,825</b>	<b>2.0%</b>	<b>-4.5%</b>	58,386	<b>52,902</b>	<b>-9.4%</b>	76,052
<i>Stock investment trust</i>	18,624	17,619	17,556	17,428	<b>17,786</b>	<b>2.1%</b>	<b>-4.5%</b>	58,249	<b>52,771</b>	<b>-9.4%</b>	75,868
<i>Bond investment trust</i>	48	46	47	44	<b>38</b>	<b>-11.9%</b>	<b>-19.2%</b>	137	<b>130</b>	<b>-4.7%</b>	183
<b>Other operating revenues</b>	166	155	155	153	<b>146</b>	<b>-4.1%</b>	<b>-11.6%</b>	517	<b>456</b>	<b>-11.9%</b>	673
<b>SG&amp;A</b>	14,842	14,159	14,193	13,929	<b>14,022</b>	<b>0.7%</b>	<b>-5.5%</b>	45,993	<b>42,144</b>	<b>-8.4%</b>	60,153
<b>Commission paid</b>	8,749	8,171	8,043	7,852	<b>7,897</b>	<b>0.6%</b>	<b>-9.7%</b>	27,618	<b>23,793</b>	<b>-13.8%</b>	35,789
<b>Other SG&amp;A</b>	6,092	5,988	6,149	6,076	<b>6,124</b>	<b>0.8%</b>	<b>0.5%</b>	18,375	<b>18,351</b>	<b>-0.1%</b>	24,363
<b>Operating income</b>	3,996	3,662	3,566	3,696	<b>3,949</b>	<b>6.8%</b>	<b>-1.2%</b>	12,910	<b>11,213</b>	<b>-13.1%</b>	16,572
<b>Ordinary income</b>	4,020	3,696	3,557	4,526	<b>4,013</b>	<b>-11.3%</b>	<b>-0.2%</b>	13,265	<b>12,097</b>	<b>-8.8%</b>	16,961
<b>Net income</b>	2,826	2,582	2,455	3,330	<b>2,752</b>	<b>-17.3%</b>	<b>-2.6%</b>	9,288	<b>8,538</b>	<b>-8.1%</b>	11,870

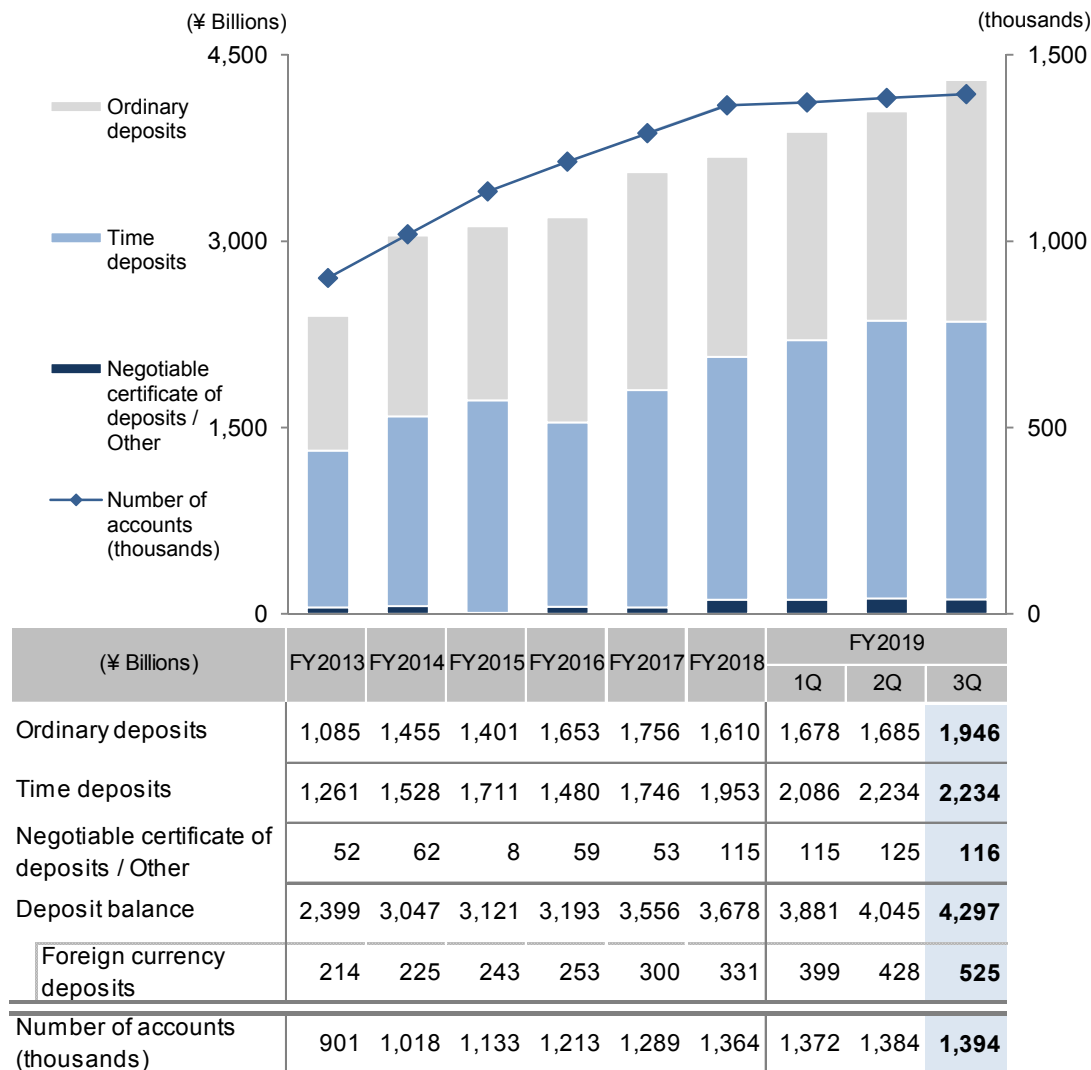


# Earnings and Deposit Balance

## Gross Profits / Ordinary Income



## Daiwa Next Bank Deposit Balance & Number of Accounts



※ 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

(¥ Billions)	FY2017		FY2018				FY2019		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
VaR (Quarter end)	1.93	1.13	1.34	1.39	1.76	1.06	1.33	1.42	<b>0.94</b>
High	2.00	2.03	1.80	1.67	1.87	2.29	1.68	1.55	<b>1.61</b>
Low	1.06	1.07	1.16	1.15	0.95	0.86	0.74	1.02	<b>0.94</b>
Average	1.34	1.46	1.40	1.36	1.34	1.45	1.18	1.27	<b>1.28</b>
By risk factors (Quarter end)									
Equity	0.68	0.28	0.65	0.51	0.40	0.29	0.38	0.39	<b>0.34</b>
Interest	1.43	1.06	1.21	1.23	1.68	1.06	1.16	1.35	<b>1.21</b>
Currency	0.21	0.21	0.16	0.17	0.24	0.18	0.21	0.24	<b>0.20</b>
Commodities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>

# Number of Group Employees

	FY2017		FY2018				FY2019		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>Total</b>	16,200	16,088	16,651	16,516	16,519	16,419	16,499	16,306	<b>16,078</b>
Overseas	1,760	1,776	1,799	1,820	1,881	1,921	1,960	1,963	<b>1,963</b>

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

※ Total figures are the sum of consolidated group companies. Daiwa SB Investments(currently, Sumitomo Mitsui DS Asset Management) was included until 4Q FY2018.

※ 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. Number of employees of Sagent Advisors(currently, DC US) and Signal Hill(currently, DC US) are also included which have become consolidated companies since 2Q FY2017 and 3Q FY2017 respectively. Number of employees of Montalbán(currently, DC Europe), which has become a consolidated company since 3Q FY2018, is also included. Number of employees of Daiwa Corporate Advisory S.r.l., launched in Italy is also included from 3Q FY2019.

※ Figures include temporary staff.

## Contact

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