

Daiwa Securities Group

1Q FY2017 Earnings Announcement

July 27, 2017

Daiwa Securities Group Inc.

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Highlights (1Q/FY2017)

Retail Division posted a YoY growth in both revenues and profits.

- Ordinary income in Retail Division recovered to Y10.0bil level for the first time in 6 quarters, reflecting the gradual penetration of new sales system.
- Trading volume of foreign equities reached a record high level by making timely client proposals which captured the rising U.S. stock market trend.

Wholesale Division saw decline in revenues and profits YoY.

- Revenue from FICC trading decreased, resulting in both revenues and profits for Global Markets to drop.
- Global Investment Banking's revenue increased as we managed a number of debt issuance and cross-border M&A deals although profit decreased.
- Regained top position in primary and secondary equity offerings league table.

Overseas operation secured profits for 5 consecutive quarters.

- Ordinary income of overseas operation totaled Y1.7 bil (+24.4% YoY), generating sustainable profit.
- In Americas, FICC trading slowed down, but rise in U.S. equity trading volume contributed to revenue.
- Revenue in Asia / Oceania expanded drastically owing to overseas alliance strategy.

Summary (1Q/FY2017)

1Q FY2017 Net operating revenues: Y108.5 bil (-10.8% QoQ)

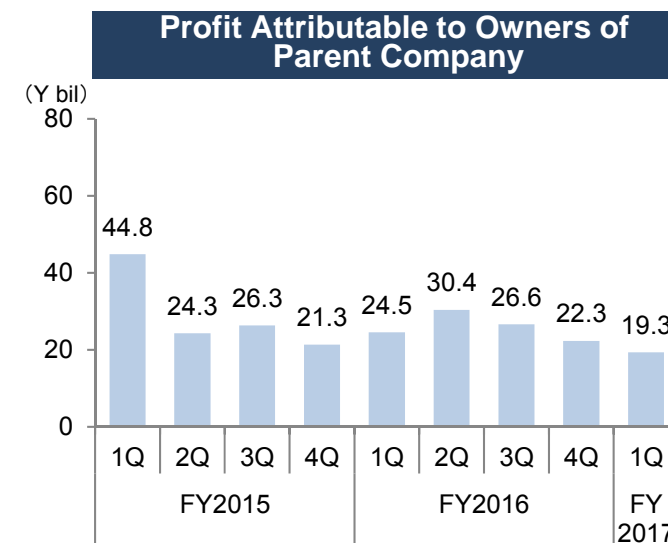
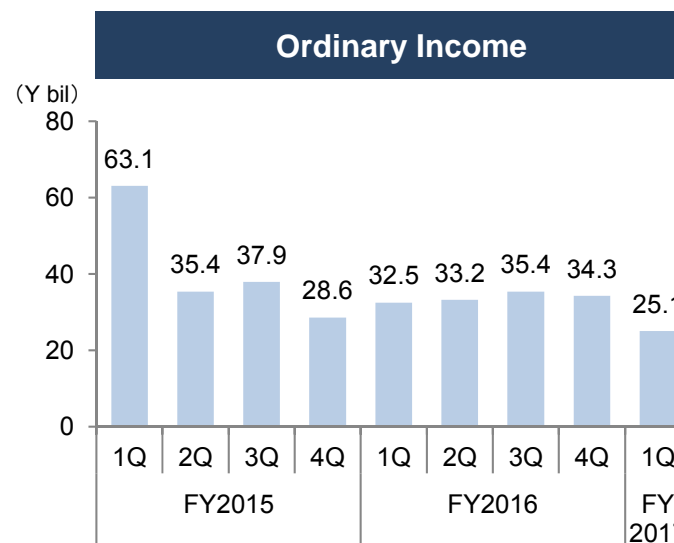
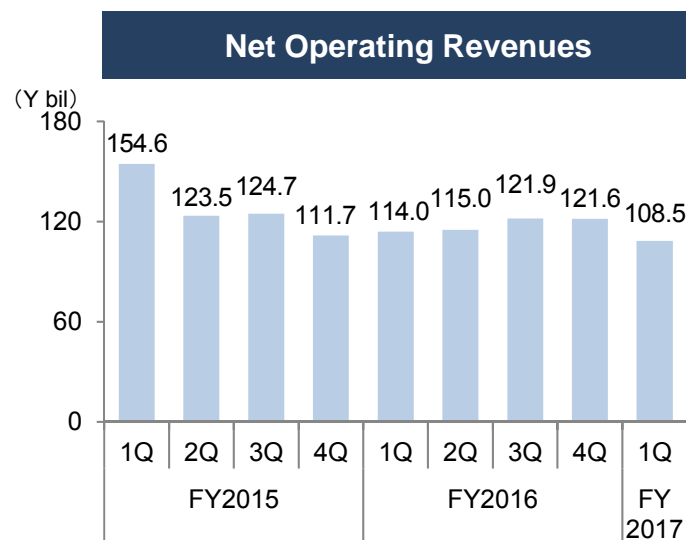
- Retail Division saw slight revenue decrease due to drop in bond sales while foreign equity trading and sales of stock investment trusts increased.
- Revenue in Wholesale Division decreased as FICC trading revenue for Global Markets declined.

1Q FY2017 Ordinary income: Y25.1 bil (-26.9% QoQ)

- Ordinary income of Retail Division and Asset Management Division increased.

1Q FY2017 Profit attributable to owners of parent company: Y19.3 bil (-13.3% QoQ)

- Annualized ROE: 6.2% (-0.9pt QoQ), BPS: Y748.15 (+Y2.35 QoQ)



Financial Summary



(Y mil)	FY2016				FY2017	% Change vs 4Q/FY16	% Change vs 1Q/FY16	FY2016
	1Q	2Q	3Q	4Q	1Q			
Operating revenues	151,859	145,117	153,198	166,322	159,652	-4.0%	5.1%	616,497
Net operating revenues	114,049	115,096	121,985	121,618	108,543	-10.8%	-4.8%	472,750
SG&A	86,029	85,772	90,376	91,508	87,121	-4.8%	1.3%	353,687
Ordinary income	32,537	33,256	35,434	34,394	25,153	-26.9%	-22.7%	135,623
Profit (loss) attributable to owners of parent	24,571	30,443	26,693	22,358	19,395	-13.3%	-21.1%	104,067
Total assets	21,419,907	20,021,642	20,523,661	19,827,296	19,815,830			19,827,296
Net assets	1,267,304	1,297,756	1,347,052	1,343,433	1,340,130			1,343,433
Shareholders' equity*	1,175,326	1,205,650	1,254,655	1,250,890	1,248,272			1,250,890
EPS (Y)	14.52	17.98	15.76	13.26	11.63			61.53
BPS (Y)	694.52	711.90	740.60	745.80	748.15			745.80
ROE (Annualized)	8.2%	10.2%	8.7%	7.1%	6.2%			8.4%

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

Segment Summary

(Y mil)

Net operating revenues	FY2016				FY2017	% Change vs 4Q/FY16	% Change vs 1Q/FY16	FY2016
	1Q	2Q	3Q	4Q	1Q			
Retail	45,013	43,720	49,663	49,654	48,833	-1.7%	8.5%	188,051
Wholesale	43,427	45,906	46,427	47,113	35,280	-25.1%	-18.8%	182,875
<i>Global Markets</i>	36,028	36,365	36,819	33,645	27,356	-18.7%	-24.1%	142,859
<i>Global Investment Banking</i>	7,398	9,540	9,608	13,468	7,923	-41.2%	7.1%	40,015
Asset Management	11,623	11,429	11,586	11,798	12,011	1.8%	3.3%	46,438
Investments	4,956	5,725	2,570	2,484	1,801	-27.5%	-63.7%	15,736
Other/Adjustments	9,028	8,313	11,737	10,567	10,618	-	-	39,647
Consolidated total	114,049	115,096	121,985	121,618	108,543	-10.8%	-4.8%	472,750

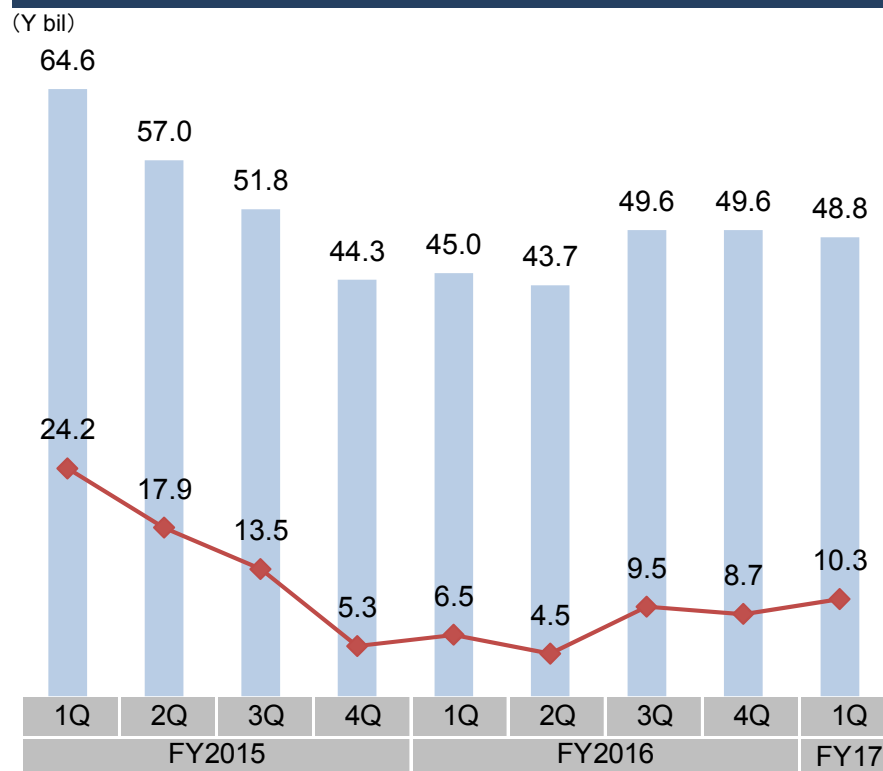
Ordinary income	FY2016				FY2017	% Change vs 4Q/FY16	% Change vs 1Q/FY16	FY2016
	1Q	2Q	3Q	4Q	1Q			
Retail	6,566	4,596	9,512	8,700	10,391	19.4%	58.2%	29,375
Wholesale	14,899	17,201	16,906	16,429	6,438	-60.8%	-56.8%	65,437
<i>Global Markets</i>	14,100	14,571	14,164	10,759	5,364	-50.1%	-62.0%	53,595
<i>Global Investment Banking</i>	798	2,470	2,492	5,607	748	-86.7%	-6.3%	11,369
Asset Management	6,748	6,673	6,522	6,627	7,200	8.6%	6.7%	26,572
Investments	4,624	4,972	1,891	1,553	1,417	-8.8%	-69.4%	13,041
Other/Adjustments	-301	-187	601	1,084	-294	-	-	1,196
Consolidated total	32,537	33,256	35,434	34,394	25,153	-26.9%	-22.7%	135,623

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

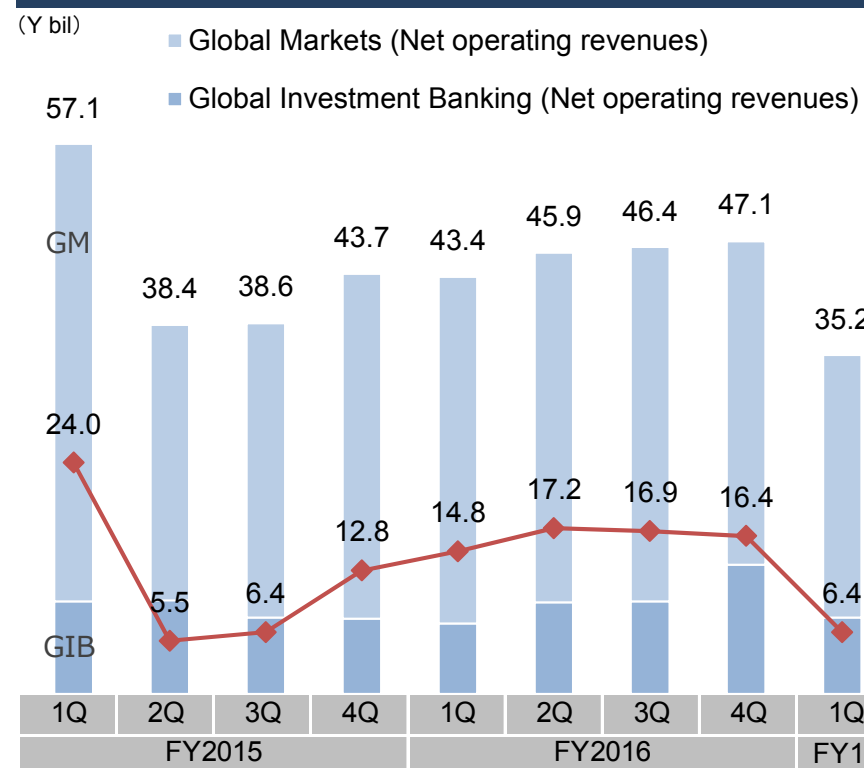
Segment Summary

■ Net operating revenues ◆ Ordinary income

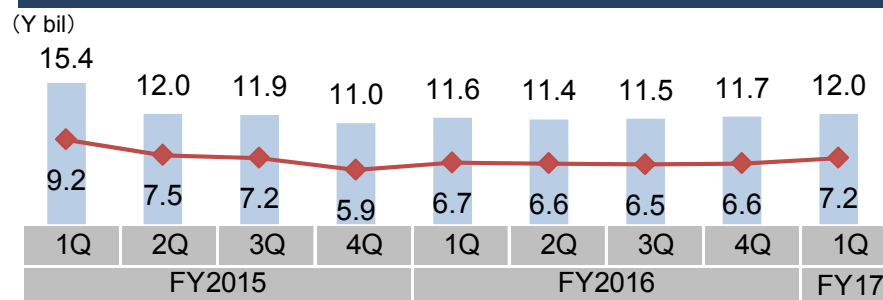
Retail Division



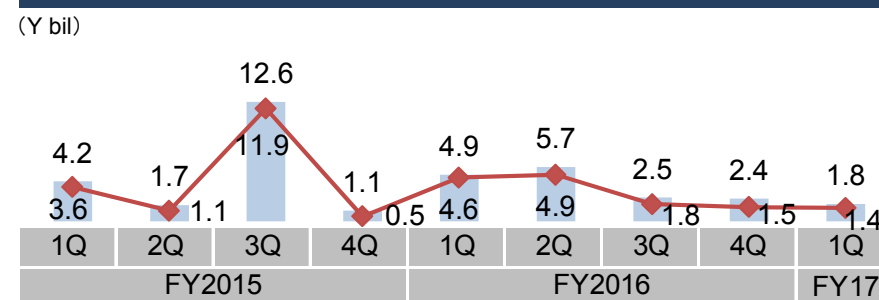
Wholesale Division



Asset Management Division*



Investment Division



* Since Daiwa Office Investment Corporation changed from consolidated subsidiary to equity-method affiliated company, only equity in earnings of the company has been recorded in the ordinary income of Asset Management Division since 2Q/FY2015.

Consolidated B/S Summary



Consolidated Balance Sheet (June 30, 2017)

(Y bil)

Current assets			Current liabilities		
Cash and deposits	4,148	(320)	Trading products	4,213	(-444)
Short-term investment securities	1,654	(-87)	Trading securities and other	1,816	(-445)
Trading products	6,528	(-18)	Stocks, convertible bonds	201	(-51)
Trading securities and other	3,818	(-34)	Bonds	1,562	(-434)
Stocks, Convertible bonds	360	(0)	CD/CP and others	51	(40)
Bonds	2,754	(189)	Derivatives	2,397	(0)
Beneficiary certificates	145	(-31)	Loans payable secured by securities	6,052	(33)
CD/CP and others	557	(-192)	Deposits for banking business	3,176	(190)
Derivatives	2,709	(16)	Short-term loans payable	1,019	(100)
Operational investment securities	151	(37)	Current portion of bonds	303	(25)
(after allowance for possible investment losses)					
Daiwa PI Partners + Daiwa Securities SMBC PI	144	(37)			
Daiwa Corporate Investment	7	(0)			
Loans secured by securities	5,002	(-303)			
Non-current assets			Non-current liabilities		
Property, plant and equipment	125	(0)	Bonds payable	1,296	(77)
Intangible assets	91	(1)	Long-term loans payable	1,222	(42)
Investments and other assets	361	(9)	Total liabilities		
Listed stocks	155	(8)	18,475 (-8)		
Unlisted stocks	16	(0)	Net assets		
Affiliated companies stocks, etc.	128	(0)	1,340 (-3)		
Other	61	(1)	Owners' equity	1,175	(-7)
			Accumulated other comprehensive income	72	(5)
			Non-controlling interests	83	(0)
Total Assets			Total liabilities and net assets		
19,815 (-11)			19,815 (-11)		

Total assets: Y19.81 tri

Net assets: Y1.34 tri

Shareholders' equity:** Y1.24 tri

- 87.5% of total assets have high liquidity*.

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

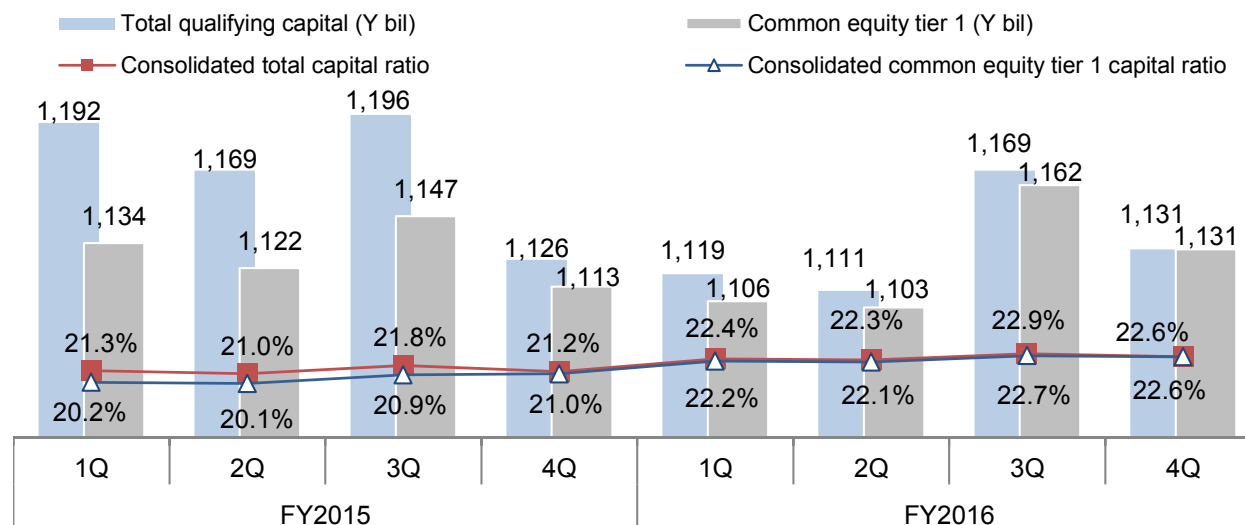
- Shareholders' equity** decreased by Y2.6 bil from March 31, 2017.

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

※Figures in parentheses indicate changes from March 31, 2017

Financial Management (Regulatory Capital & Regulatory Liquidity)

Consolidated Capital Adequacy Ratio



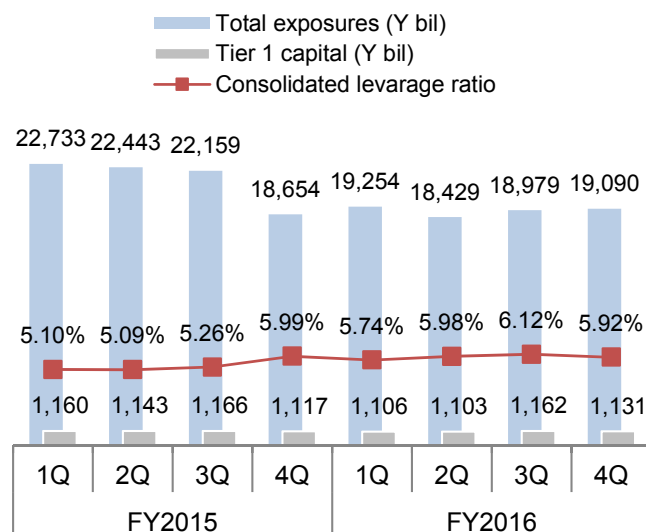
【Regulatory Capital (Basel III)】

(As at March 31, 2017)

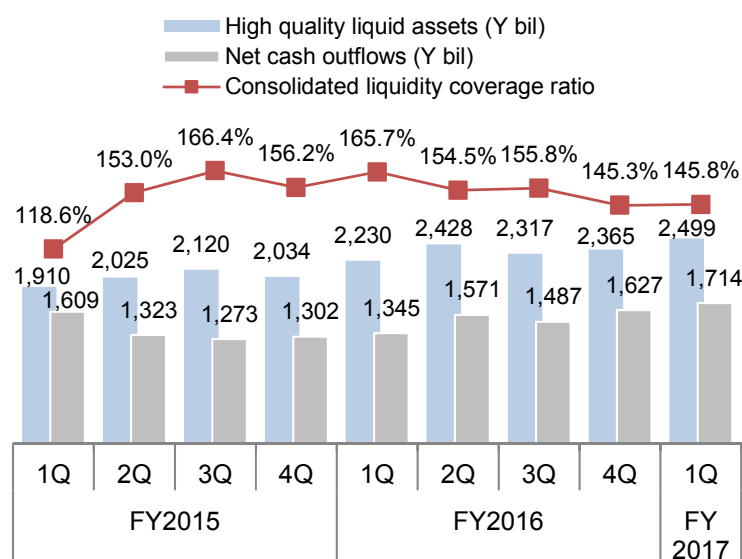
- Consolidated Total Capital Ratio : 22.6%
- Consolidated Tier1 Capital Ratio : 22.6%
- Consolidated Common Equity Tier 1 Capital Ratio : 22.6%
- Consolidated Leverage Ratio : 5.92%

※ Figures are as at the end of each quarter.

Consolidated Leverage Ratio



Consolidated Liquidity Coverage Ratio



【Regulatory Liquidity (Basel III)】

(Daily average Apr. — Jun. 2017)

- Consolidated Liquidity Coverage Ratio : 145.8%

※Before 3Q FY2016: end of month average

Consolidated P/L Summary



(Y mil)	FY2016				FY2017	% Change vs 4Q/FY16	% Change vs 1Q/FY16	FY2016
	1Q	2Q	3Q	4Q	1Q			
Operating revenues	151,859	145,117	153,198	166,322	159,652	-4.0%	5.1%	616,497
Commission received	61,693	64,373	70,752	76,515	69,746	-8.8%	13.1%	273,335
Net trading income	33,379	32,385	34,025	28,330	24,068	-15.0%	-27.9%	128,120
Net gain/loss on private equity	4,802	5,614	2,423	2,006	1,746	-13.0%	-63.6%	14,846
Financial revenue	35,726	33,088	34,808	39,618	43,835	10.6%	22.7%	143,241
Other operating revenue	16,257	9,656	11,188	19,850	20,255	2.0%	24.6%	56,953
Financial expenses	26,633	20,701	20,777	30,612	39,566	29.2%	48.6%	98,725
Other operating expenses	11,177	9,319	10,434	14,090	11,542	-18.1%	3.3%	45,022
Net operating revenues	114,049	115,096	121,985	121,618	108,543	-10.8%	-4.8%	472,750
SG&A	86,029	85,772	90,376	91,508	87,121	-4.8%	1.3%	353,687
Operating income/loss	28,019	29,323	31,609	30,110	21,422	-28.9%	-23.5%	119,062
Non-operating income/loss	4,518	3,933	3,825	4,284	3,730	-12.9%	-17.4%	16,561
Ordinary income/loss	32,537	33,256	35,434	34,394	25,153	-26.9%	-22.7%	135,623
Extraordinary income/loss	1,021	524	2,572	-737	2,363	-	131.4%	3,381
Income/loss before income taxes	33,559	33,781	38,007	33,657	27,516	-18.2%	-18.0%	139,004
Total income taxes	8,974	3,303	11,291	11,156	8,106	-27.3%	-9.7%	34,726
Profit (loss) attributable to owners of parent	24,571	30,443	26,693	22,358	19,395	-13.3%	-21.1%	104,067

- Commission received decreased (-8.8% QoQ).

- Even though stock trading volume of individual investors was solid, brokerage commission* stayed flat at Y16.2 bil (-2.7% QoQ) due to low activities of corporate clients in April.
- Underwriting commission* dropped to Y5.7 bil (-27.6% QoQ) mainly due to decrease in equity underwriting commission.
- Distribution commission* rose to Y11.1 bil (+2.1% QoQ) led by increase in stock investment trust sales.
- Completed many domestic and cross-border deals, but M&A commission* decreased to Y3.1 bil (-55.6% QoQ) compared to the strong previous quarter.

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

- Net trading income dropped (-15.0% QoQ) as increase in equity trading income could not cover the decrease in FICC trading.

Breakdown of SG&A

(Y mil)	FY2016				FY2017	% Change vs 4Q/FY16	% Change vs 1Q/FY16	FY2016
	1Q	2Q	3Q	4Q	1Q			
SG&A	86,029	85,772	90,376	91,508	87,121	-4.8%	1.3%	353,687
Trading related expenses	16,385	16,979	17,505	18,884	16,638	-11.9%	1.5%	69,754
Personnel expenses	43,240	43,356	44,838	44,395	43,215	-2.7%	-0.1%	175,830
Real estate expenses	8,744	8,538	8,833	9,150	8,818	-3.6%	0.8%	35,267
Office cost	6,233	6,006	7,843	6,963	6,450	-7.4%	3.5%	27,047
Depreciation	5,897	5,705	5,848	5,955	6,117	2.7%	3.7%	23,406
Taxes and dues	2,559	2,467	2,555	2,948	2,754	-6.6%	7.6%	10,530
Other	2,968	2,720	2,952	3,210	3,126	-2.6%	5.3%	11,852

- Trading related expenses dropped (-11.9% QoQ) as advertising expenses declined.
- Personnel expenses decreased (-2.7% QoQ) due to decline in bonus linked to earnings.
- Real estate expenses decreased (-3.6% QoQ) owing to drop in maintenance expenses unrelated to system and office equipment.
- Office cost decreased (-7.4% QoQ) due to decline in office expenses except system related expenses.
- Depreciation increased (+2.7% QoQ) as developed system began operation.

Consolidated Cost Structure



(Y bil)	FY2015					FY2016					FY2017
	1Q	2Q	3Q	4Q	1Q-4Q	1Q	2Q	3Q	4Q	1Q-4Q	1Q
Total SG&A	95.5	91.2	89.3	88.3	364.5	86.0	85.7	90.3	91.5	353.6	87.1
Variable costs	41.3	37.4	35.8	35.9	150.5	34.1	35.1	36.6	38.0	143.9	33.6
Trading related expenses	18.8	18.3	17.8	17.3	72.3	16.3	16.9	17.5	18.8	69.7	16.6
<i>Advertising expenses</i>	1.7	1.9	2.0	2.4	8.1	1.9	2.4	3.0	3.7	11.1	2.1
Bonus and others	16.9	13.5	12.7	12.3	55.5	12.2	13.0	13.6	13.3	52.3	11.2
Overtime, part-time	2.3	2.2	2.3	2.1	9.1	2.3	2.2	2.3	2.2	9.1	2.3
Fixed costs	54.2	53.7	53.5	52.3	213.9	51.8	50.5	53.7	53.4	209.6	53.4
Personnel expenses	29.6	29.4	29.2	28.9	117.3	28.4	27.8	28.7	28.5	113.6	29.3
Real estate expenses	9.2	9.6	9.2	9.1	37.3	8.7	8.5	8.8	9.1	35.2	8.8
Depreciation	5.9	5.9	6.0	5.9	23.8	5.8	5.7	5.8	5.9	23.4	6.1
Office expenses	6.1	6.2	6.6	6.3	25.4	5.8	5.7	7.5	6.6	25.7	6.1
Taxes and dues	2.8	2.1	2.0	1.7	8.8	2.5	2.4	2.5	2.9	10.5	2.7

Overseas Operation

(Y mil)	FY2016				FY2017	% Change vs 4Q/FY16	% Change vs 1Q/FY16	FY2016
	1Q	2Q	3Q	4Q	1Q			
Overseas OperationTotal	1,366	3,829	2,606	5,691	1,700	-70.1%	24.4%	13,493
Europe	-667	1,067	-486	2,844	-338	-	-	2,759
Asia / Oceania	19	403	677	378	909	140.1%	4,517.8%	1,480
Americas	2,014	2,357	2,414	2,468	1,129	-54.2%	-43.9%	9,254

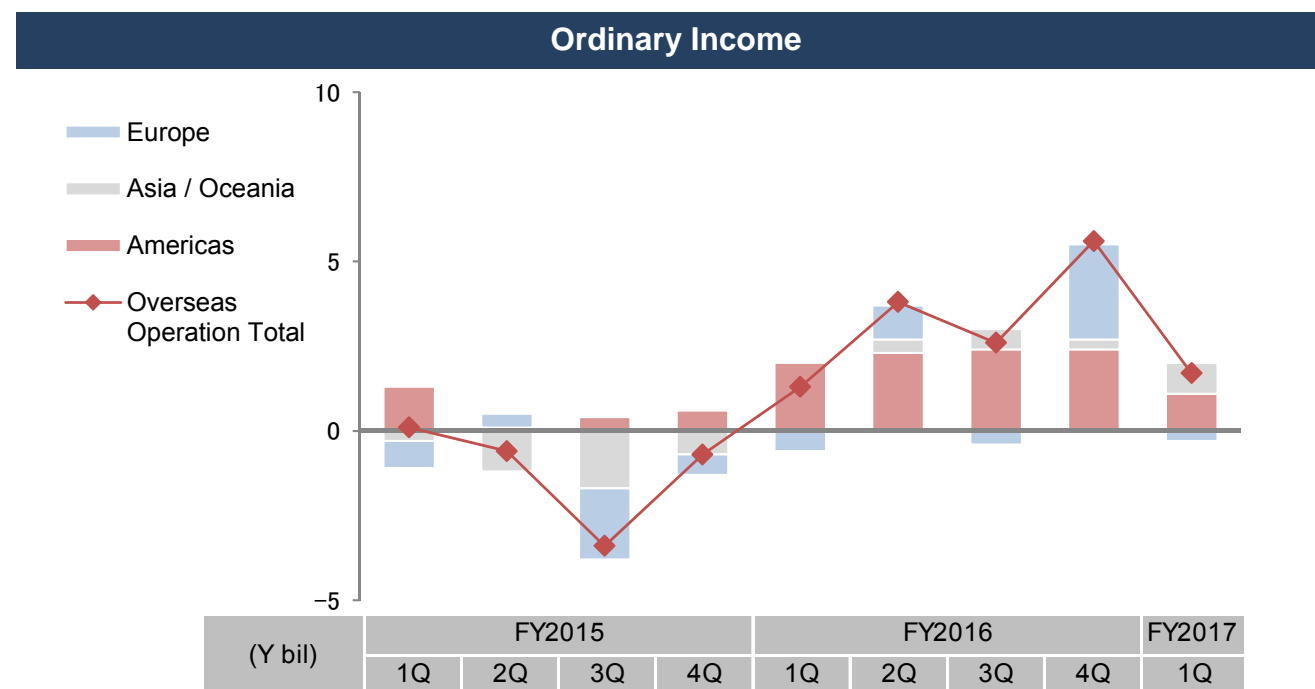
- In Europe, M&A business showed decline in income compared to the strong previous quarter. Client flow dropped in FICC* and equity against the backdrop of unpredictable political environment in the region.

- Asia / Oceania posted increase in income due to contribution of revenues from wealth management business and M&A business, as well as equity in earnings of affiliates of Saigon Securities.

- U.S. equity trading volume contributed to ordinary income for Americas, but client flow in FICC business declined due to lower interest rate and volatility.

*Fixed income, Currency and Commodities

※ The figures include overseas subsidiaries of Daiwa Asset Management which have become consolidated since 1Q FY2016.

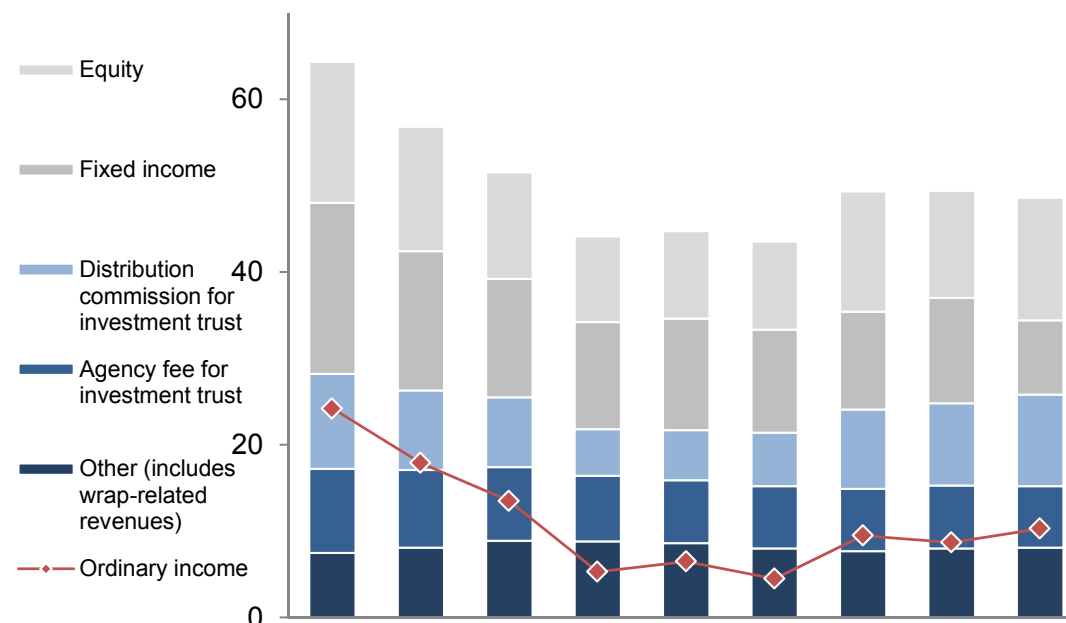


Retail Division

(Y mil)	FY2017 1Q	% Change vs 4Q/FY16	% Change vs 1Q/FY16	FY2016
Net operating revenues	48,833	-1.7%	8.5%	188,051
Ordinary income	10,391	19.4%	58.2%	29,375

- Equity revenue increased +14.4% QoQ mainly due to expansion of foreign equity trading volume.
- Fixed income revenue declined -29.7% as sales of JGBs for individual investors decreased by half compared to the strong previous quarter and as sales of foreign bonds also declined.
- Distribution commission for investment trust rose +11.9% QoQ from increase in stock investment trust sales. However, Agency fee for investment trust dropped -2.6% QoQ as market decline in April led to decrease in quarterly average asset under custody.
- Other revenues increased +0.9% QoQ from rise in investment advisory and account management fees, which is wrap-related fees.

Net Operating Revenues and Ordinary Income



(Y bil)	FY2015				FY2016				FY17
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Equity	16.3	14.4	12.3	9.9	10.1	10.2	13.9	12.4	14.2
Fixed income	19.8	16.1	13.7	12.4	12.9	11.9	11.3	12.2	8.6
Distribution commission for investment trust	11.0	9.2	8.1	5.4	5.8	6.2	9.2	9.5	10.6
Agency fee for investment trust	9.7	9.0	8.5	7.6	7.3	7.2	7.2	7.3	7.1
Other (includes wrap-related revenues)	7.5	8.1	8.9	8.8	8.6	8.0	7.7	8.0	8.1
Net operating revenues	64.6	57.0	51.8	44.3	45.0	43.7	49.6	49.6	48.8
Ordinary income	24.2	17.9	13.5	5.3	6.5	4.5	9.5	8.7	10.3

※Figures of Hinode Securities Co. Ltd. is not included from 4Q FY2016.

【Stock Investment Trusts】

- Funds investing mainly in IoT or robot related stocks saw strong sales.

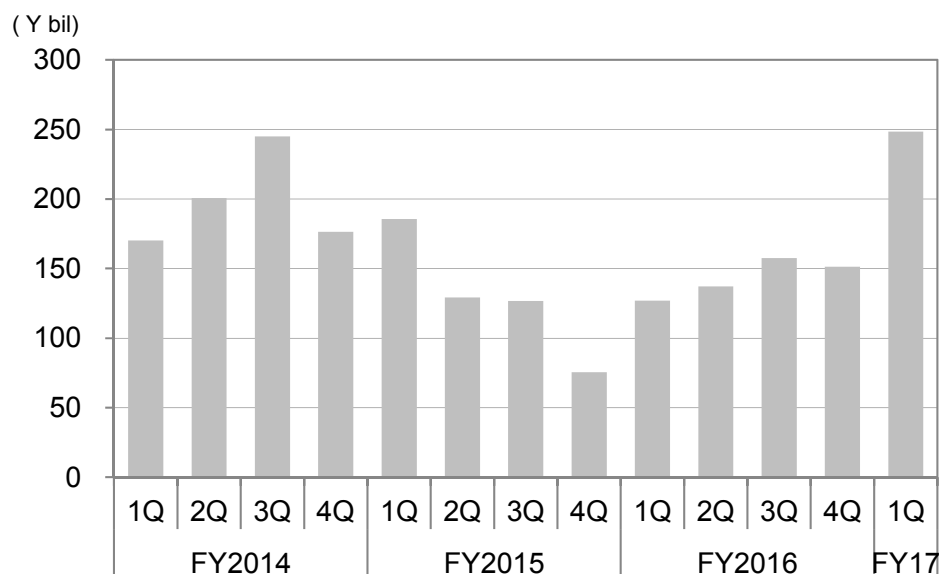
【Wrap Account Service】

- Contract amount decreased by -29.2% compared to the last quarter in which there was enhanced sales promotion. On the other hand, contract AUM increased as the market recovered.

【Foreign Equities】

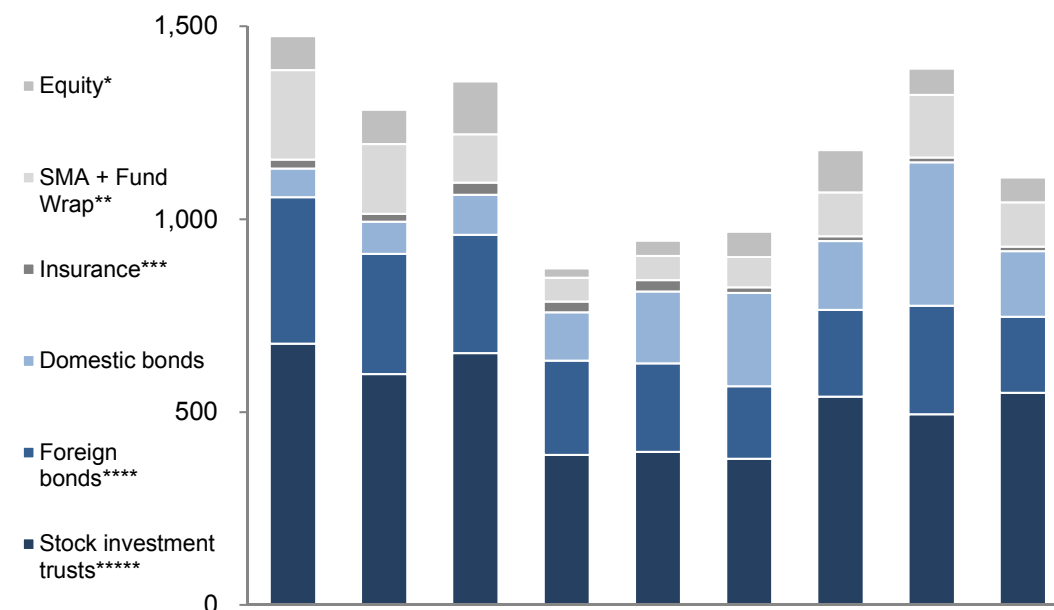
- Trading volume reached Y248.4 bil, a record high level, by capturing client needs in the rising U.S. stock market trend.

Foreign Equities Trading Volume



※Includes foreign stocks listed in TSE

Sales and Distribution Amount by Product



(Y bil)	FY2015				FY2016				FY17
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Equity*	87.8	89.0	136.9	24.8	39.2	65.8	109.5	68.7	64.8
SMA + Fund Wrap**	231.8	180.7	125.9	61.5	62.9	78.1	113.6	161.5	114.2
Insurance***	23.5	20.8	30.8	27.9	29.6	14.6	12.4	12.7	11.4
Domestic bonds	74.5	83.0	103.8	125.2	186.2	241.8	178.6	372.3	170.9
Foreign bonds****	379.6	312.5	306.5	244.9	229.2	187.8	224.6	280.5	196.4
Stock investment trusts*****	677.2	598.0	653.3	388.4	396.8	379.3	540.2	494.9	550.3

*Distribution commission 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 1Q	% Change vs 4Q/FY16	% Change vs 1Q/FY16	FY2016
Net operating revenues	27,356	-18.7%	-24.1%	142,859
Ordinary income	5,364	-50.1%	-62.0%	53,595

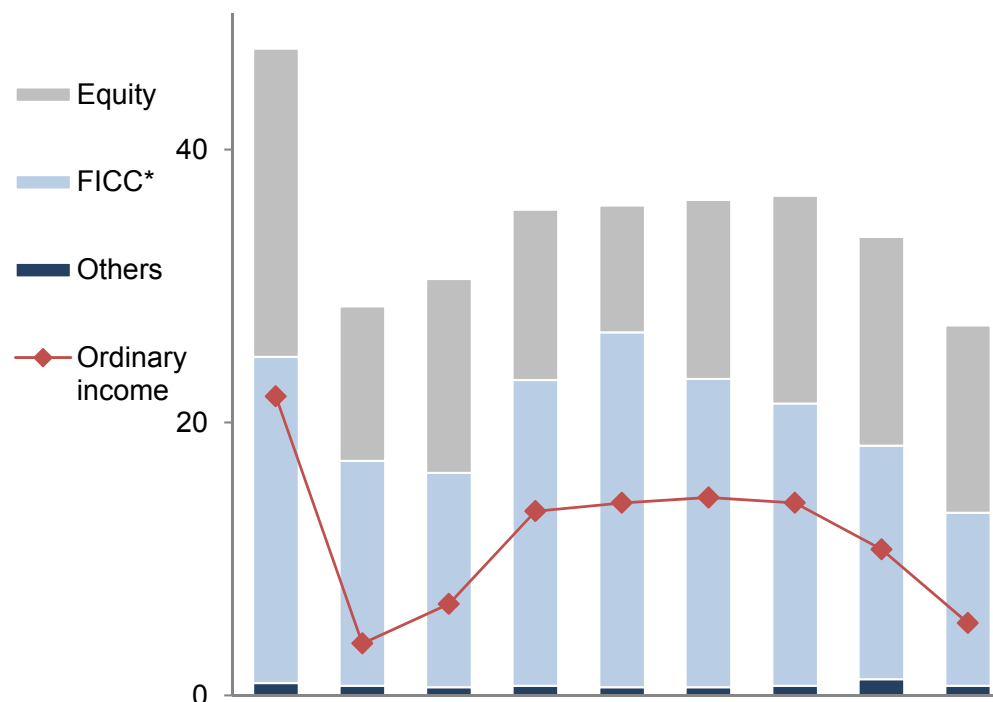
【Equity】

- Client flow, which picked up towards the end of the previous fiscal year, slowed down against the backdrop of market uncertainty, resulting in equity revenue to drop -9.9% QoQ.

【FICC*】

- FICC revenue declined -25.4% QoQ due to decrease in client flow from lower volatility in domestic financial market and sluggish trading.

Net Operating Revenues and Ordinary Income



(Y bil)	FY2015				FY2016				FY17
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Equity	22.6	11.3	14.2	12.5	9.3	13.1	15.2	15.3	13.7
FICC*	23.9	16.5	15.7	22.4	26.0	22.6	20.7	17.1	12.7
Others	0.9	0.7	0.6	0.7	0.6	0.6	0.7	1.2	0.7
Net operating revenues	47.5	28.6	30.6	35.8	36.0	36.3	36.8	33.6	27.3
Ordinary income	21.9	3.8	6.7	13.5	14.1	14.5	14.1	10.7	5.3

*FICC: Fixed Income, Currency and Commodities

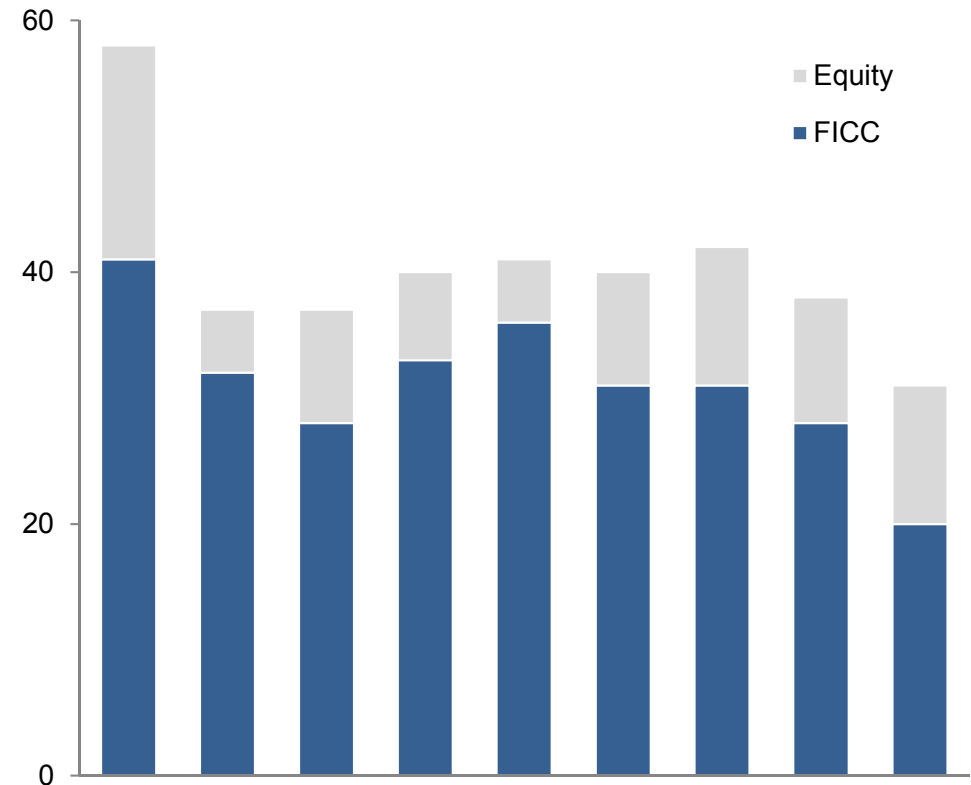
【Managerial accounting basis】

(Y bil)	FY2017 1Q	% Change vs 4Q/FY16	% Change vs 1Q/FY16	FY2016
Equity	11.0	10.0%	120.0%	35.0
FICC	20.0	-28.6%	-44.4%	126.0
Total	31.0	-18.4%	-24.4%	161.0

<Reference>

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

(Y mil)	FY2017 1Q	% Change vs 4Q/FY16	% Change vs 1Q/FY16	FY2016
Equity	7,775	21.1%	276.8%	21,471
Bond and forex	16,293	-25.6%	-48.0%	106,649
Net financial income	4,269	-52.6%	-53.1%	44,516
Total	28,337	-24.1%	-33.3%	172,637

Consolidated Trading Gain / Loss
(Managerial Accounting Basis)

(Y bil)	FY2015				FY2016				FY17
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Equity	17	5	9	7	5	9	11	10	11
FICC	41	32	28	33	36	31	31	28	20
Total	58	37	37	40	41	40	42	38	31

Wholesale Division Global Investment Banking



(Y mil)	FY2017 1Q	% Change vs 4Q/FY16	% Change vs 1Q/FY16	FY2016
Net operating revenues	7,923	-41.2%	7.1%	40,015
Ordinary income	748	-86.7%	-6.3%	11,369

【Equity】

- Acted as a global coordinator of Renesas Electronics PO, the largest PO deal in 1Q.

<Selected lead managed deals>

Renesas Electronics Corporation	Global PO	<Offering size> Y348.5 bil
KOMEDA Holdings. Co., Ltd.	PO	Y24.3 bil
Japan Hotel REIT Investment Corporation	REIT Global PO	Y19.3 bil

【Debt】

- Lead managed number of deals including SB and Samurai bond.

<Selected lead managed deals>

Asahi Group Holdings, Ltd. (3/5/7/10 yrs)	SB	<Offering size> Total Y280.0 bil
Rakuten, Inc. (3/5/7/10 yrs)	SB	Total Y100.0 bil
NEC Corporation (3/5/7/10 yrs)	SB	Total Y100.0 bil
Sumitomo Mitsui Trust Holdings, Inc. (10yrs)	Subordinated bond	Total Y40.0 bil
Crédit Agricole S.A.(5/7/10yrs)	Samurai bond	Total Y203.9 bil

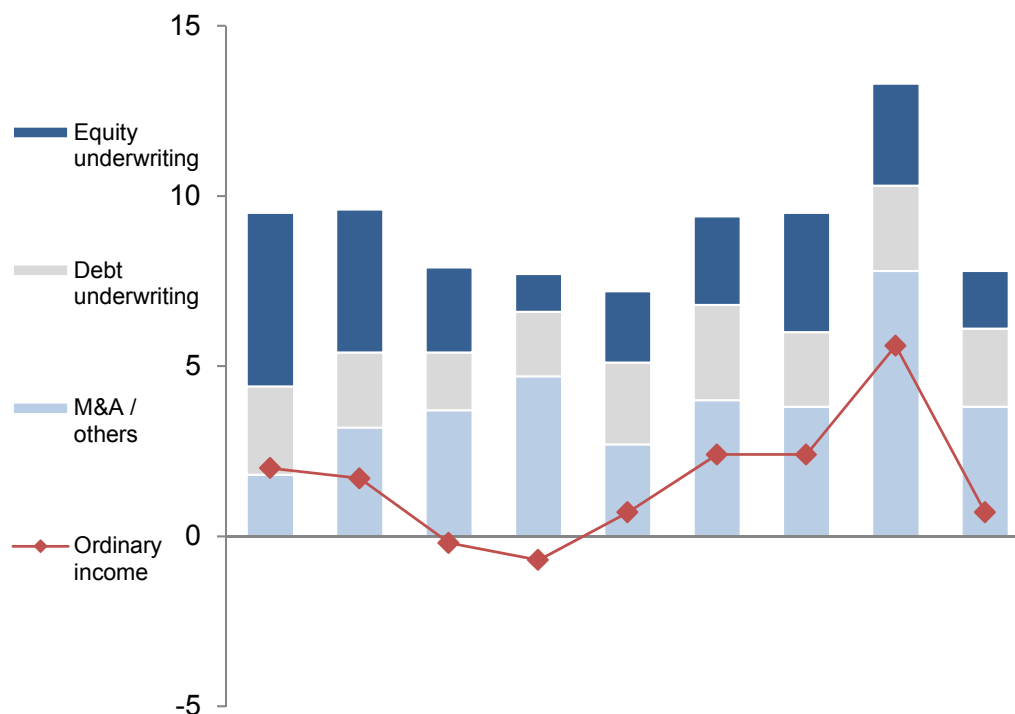
【M&A】

- Steadily managed domestic and cross-border deals utilizing our global network.

<Selected deals>

TOB by FUJIFILM Holdings Corporation for Wako Pure Chemical Industries, Ltd.
 Acquisition of Secop Group (Germany) by NIDEC CORPORATION
 Funding by consortium of Rock Rail (England) and other funds to Bombardier Transportation (England)
 CT Environmental Group (China)'s loan facility from ADB

Net Operating Revenues and Ordinary Income



(Y bil)	FY2015				FY2016				FY17
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Equity underwriting	5.1	4.2	2.5	1.1	2.1	2.6	3.5	3.0	1.7
Debt underwriting	2.6	2.2	1.7	1.9	2.4	2.8	2.2	2.5	2.3
M&A / others	1.8	3.2	3.7	4.7	2.7	4.0	3.8	7.8	3.8
Net operating revenues	9.6	9.7	7.9	7.8	7.3	9.5	9.6	13.4	7.9
Ordinary income	2.0	1.7	-0.2	-0.7	0.7	2.4	2.4	5.6	0.7

Asset Management Division

(Y mil)	FY2017 1Q	% Change vs 4Q/FY16	% Change vs 1Q/FY16	FY2016
Net operating revenues	12,011	1.8%	3.3%	46,438
Ordinary income	7,200	8.6%	6.7%	26,572

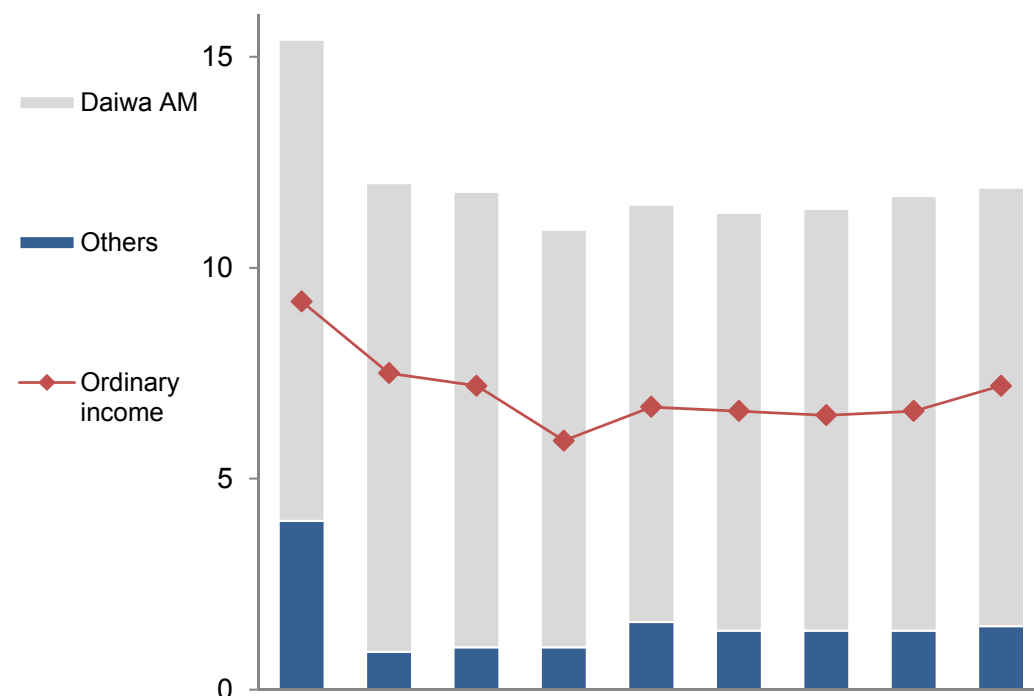
【Daiwa Asset Management】

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

【Others】

- Management fees of Daiwa Real Estate Asset Management and Mi-Casa Asset Management, operator of REITs, increased from AUM growth.

Net Operating Revenues and Ordinary Income



(Y bil)	FY2015				FY2016				FY17
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Daiwa AM	11.4	11.1	10.8	9.9	9.9	9.9	10.0	10.3	10.4
Others	4.0	0.9	1.0	1.0	1.6	1.4	1.4	1.4	1.5
Net operating revenues	15.4	12.0	11.9	11.0	11.6	11.4	11.5	11.7	12.0
Ordinary income	9.2	7.5	7.2	5.9	6.7	6.6	6.5	6.6	7.2

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

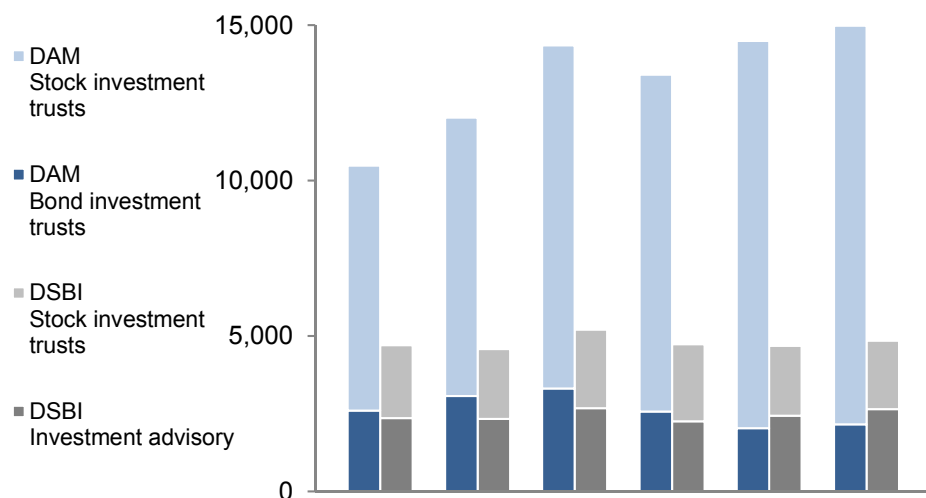
* Equity in earnings of affiliates is included in non-operating revenues.

* Since Daiwa Office Investment Corporation changed from consolidated subsidiary to equity-method affiliated company, only equity in earnings of the company has been recorded in the ordinary income of Asset Management Division since 2Q/FY2015.

Asset Management Division Assets Under Management



Daiwa Asset Management and Daiwa SB Investments AUM



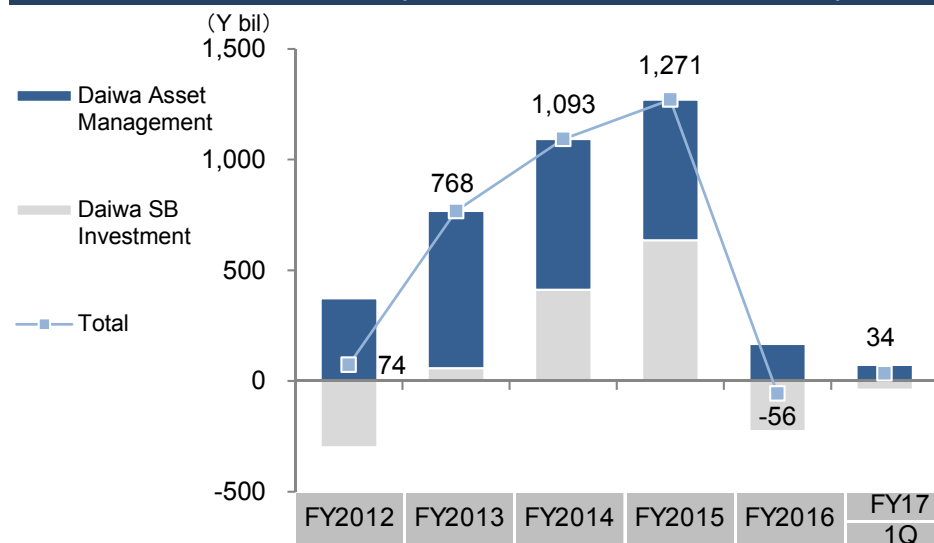
Daiwa Asset Management (DAM)

Stock investment trusts	7,875	8,958	11,032	10,840	12,454	12,832
Bond investment trusts	2,600	3,064	3,314	2,563	2,036	2,151
Total	10,476	12,023	14,346	13,403	14,491	14,983
Stock investment trust share	14.4%	15.0%	14.8%	14.5%	14.7%	14.8%

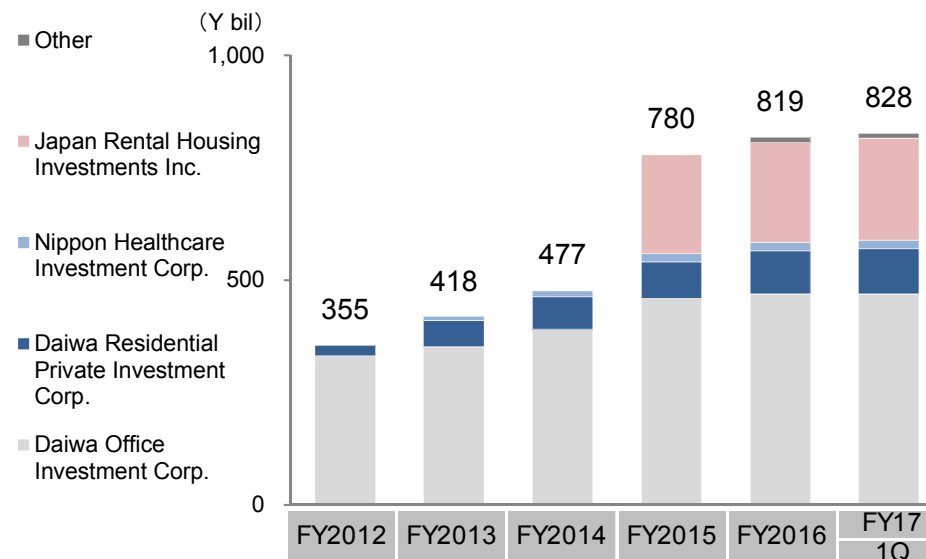
Daiwa SB Investments (DSBI)

Stock investment trusts	2,345	2,249	2,526	2,481	2,237	2,208
Investment advisory	2,356	2,327	2,671	2,249	2,435	2,637
Total	4,702	4,577	5,198	4,730	4,673	4,845
Stock investment trust share	3.2%	2.8%	2.6%	2.7%	2.3%	2.2%

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



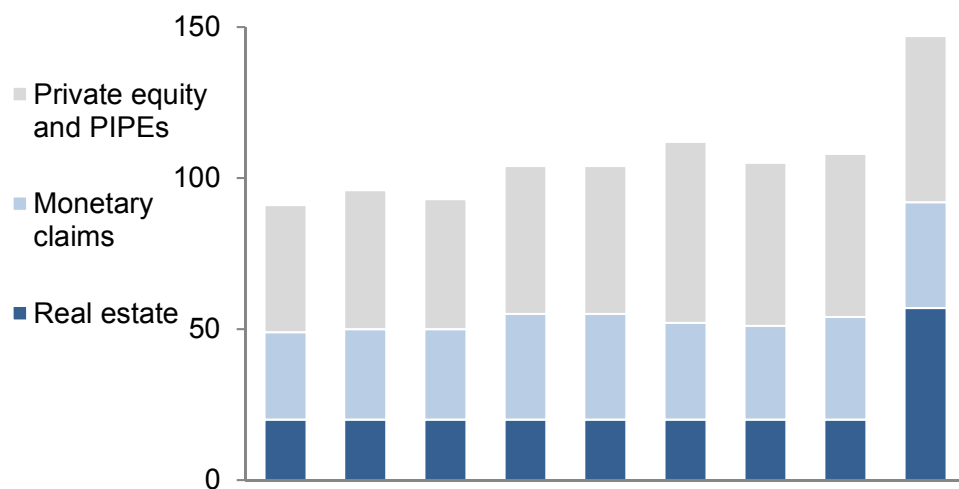
Real Estate Asset Management Business AUM



Investment Division

(Y mil)	FY2017 1Q	% Change vs 4Q/FY16	% Change vs 1Q/FY16	FY2016
Net operating revenues	1,801	-27.5%	-63.7%	15,736
Ordinary income	1,417	-8.8%	-69.4%	13,041

Principal Investment Values

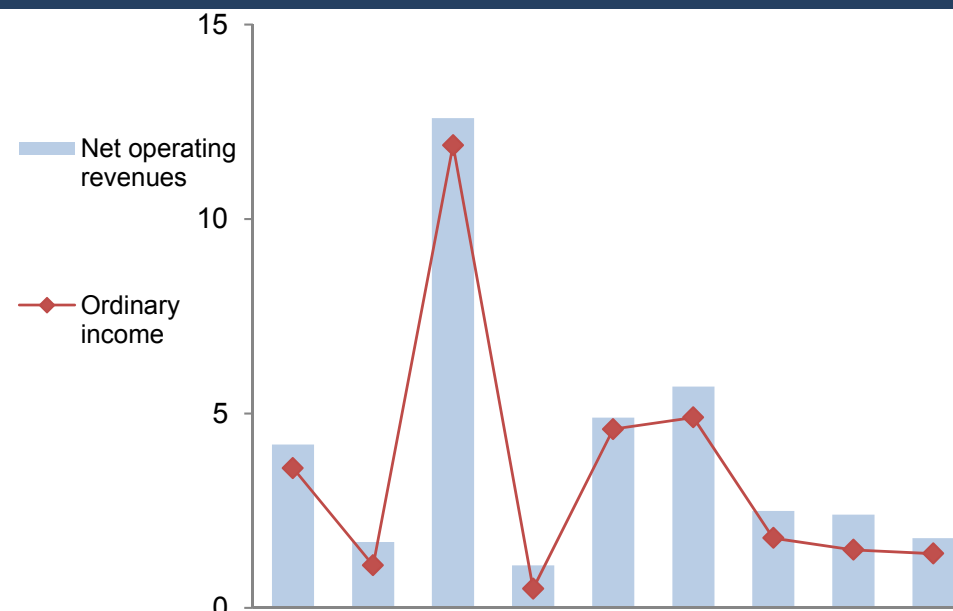


(Y bil)	FY2015				FY2016				FY17
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Private equity and PIPEs	42	46	43	49	49	60	54	54	57
Monetary claims	29	30	30	35	35	32	31	34	35
Real estate	20	20	20	20	20	20	20	20	55
Total	91	96	94	104	104	112	105	108	147

※ Principal investment values are the sum of Daiwa PI Partners and Daiwa Securities SMBCPI
 ※ PIPEs: Private Investment in Public Equities
 ※ All figures are as at the end of each quarter

- Daiwa PI Partners invested Y35.2bil in a silent partnership (investing in an office building located near Yokohama station of JR lines) for Daiwa Office Investment.

Net Operating Revenues and Ordinary Income



(Y bil)	FY2015				FY2016				FY17
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Net operating revenues	4.2	1.7	12.6	1.1	4.9	5.7	2.5	2.4	1.8
Ordinary income	3.6	1.1	11.9	0.5	4.6	4.9	1.8	1.5	1.4

Reference

Daiwa Securities Group Inc.

Breakdown of Commission

(Y mil)	FY2016				FY2017	% Change vs 4Q/FY16	% Change vs 1Q/FY16	FY2016
	1Q	2Q	3Q	4Q	1Q			
Total commission	61,693	64,373	70,752	76,515	69,746	-8.8%	13.1%	273,335
Brokerage commission	13,888	13,197	17,189	16,672	16,214	-2.7%	16.8%	60,947
Underwriting commission	5,366	8,274	8,161	7,926	5,740	-27.6%	7.0%	29,729
Distribution commission	6,320	7,037	10,020	10,909	11,143	2.1%	76.3%	34,287
Other commission	36,119	35,863	35,379	41,007	36,648	-10.6%	1.5%	148,370
<i>Investment advisory and account management fees</i>	5,177	5,270	5,221	5,358	5,569	3.9%	7.6%	21,028
<i>Insurance sales commission</i>	1,696	984	740	942	724	-23.1%	-57.3%	4,363
<i>M&A commission</i>	2,533	3,338	3,263	7,051	3,131	-55.6%	23.6%	16,186
<i>Management fee</i>	20,083	19,866	19,981	20,299	20,349	0.2%	1.3%	80,231
<i>Other</i>	6,628	6,404	6,172	7,354	6,872	-6.6%	3.7%	26,560

Balance Sheet

Daiwa Securities Balance Sheet (June 30, 2017)

(Y bil)

Current assets	9,871	(-305)
Trading products	4,582	(-72)
Trading securities and other	1,876	(-88)
Derivatives	2,706	(15)
Margin transaction assets	192	(-5)
Loans on margin transactions	164	(-5)
Cash collateral pledged for securities borrowing on margin transactions	27	(0)
Loans secured by securities	2,818	(-354)
Short-term guarantee deposits	305	(-24)
Short-term loans receivable	278	(37)
Non-current assets	110	(2)
Property, plant and equipment	3	(0)
Intangible assets	58	(1)

Total assets	9,982	(-303)
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Current liabilities	7,849	(-378)
Trading products	3,284	(-245)
Trading securities and other	887	(-247)
Derivatives	2,396	(2)
Margin transaction liabilities	70	(8)
Loans payables secured by securities	2,338	(-334)
Short-term loans payable	1,293	(126)
Current portion of bonds	148	(26)
Non-current liabilities	1,377	(162)
Bonds payable	599	(5)
Long-term loans payable	741	(156)
Total liabilities	9,230	(-215)
Net assets	751	(-87)
Shareholders' equity	743	(-88)
Capital stock	100	—

Total liabilities and net assets	9,982	(-303)
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※Figures in parentheses show changes from March 31, 2017

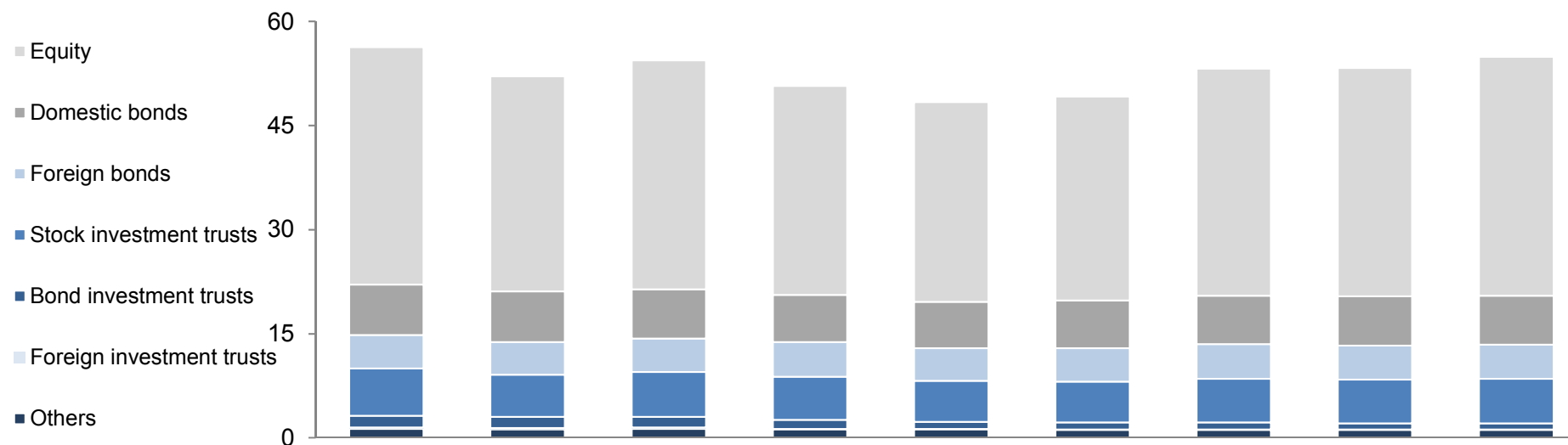
Financial Summary I

(Y mil)	FY2016				FY2017	% Change vs 4Q/FY16	% Change vs 1Q/FY16	FY2016
	1Q	2Q	3Q	4Q	1Q			
Operating revenues	81,872	79,320	88,975	84,742	81,949	-3.3%	0.1%	334,911
Commission received	40,345	42,196	48,339	50,354	47,399	-5.9%	17.5%	181,235
Brokerage commission	10,093	9,317	12,852	12,388	12,149	-1.9%	20.4%	44,652
<i>Stock and others</i>	9,453	8,848	12,281	12,071	11,797	-2.3%	24.8%	42,654
Underwriting commission	5,301	7,975	7,645	6,613	5,163	-21.9%	-2.6%	27,535
<i>Equity</i>	2,229	3,379	4,565	3,496	1,920	-45.1%	-13.8%	13,670
<i>Bond and others</i>	3,072	4,595	3,080	3,117	3,242	4.0%	5.5%	13,865
Distribution commission	6,137	6,821	9,729	10,788	11,019	2.1%	79.5%	33,477
<i>Investment trust</i>	5,648	6,045	8,991	9,415	10,498	11.5%	85.9%	30,099
Other commissions	18,812	18,081	18,111	20,564	19,068	-7.3%	1.4%	75,569
<i>Agency fee and others</i>	7,970	7,788	7,813	8,003	7,847	-1.9%	-1.5%	31,574
<i>Investment advisory and account management fees</i>	5,177	5,270	5,221	5,358	5,569	3.9%	7.6%	21,028
<i>Insurance sales commission</i>	1,696	984	740	942	724	-23.1%	-57.3%	4,363
<i>M&A commission</i>	1,185	1,348	1,647	2,944	1,771	-39.8%	49.5%	7,124
Net trading income/loss	32,529	27,877	30,681	25,184	22,184	-11.9%	-31.8%	116,273
Equity	1,683	4,752	8,484	6,795	7,563	11.3%	349.2%	21,715
Bond and forex	30,845	23,125	22,197	18,389	14,621	-20.5%	-52.6%	94,557
Financial revenues	8,997	9,246	9,954	9,203	12,364	34.3%	37.4%	37,402
Financial expenses	5,519	4,220	5,993	5,076	8,929	75.9%	61.8%	20,808
Net operating revenues	76,352	75,100	82,982	79,666	73,020	-8.3%	-4.4%	314,102

Financial Summary II

(Y mil)	FY2016				FY2017	% Change vs 4Q/FY16	% Change vs 1Q/FY16	FY2016
	1Q	2Q	3Q	4Q	1Q			
SG&A	56,386	56,715	58,662	59,923	56,564	-5.6%	0.3%	231,688
Trading related expenses	9,307	9,428	10,212	10,507	8,836	-15.9%	-5.1%	39,456
Personnel expenses	24,556	24,727	25,190	25,246	24,109	-4.5%	-1.8%	99,719
Real estate expenses	5,847	5,940	5,987	6,272	6,073	-3.2%	3.9%	24,048
Office cost	10,667	10,753	11,256	11,455	11,447	-0.1%	7.3%	44,133
Depreciation	3,880	3,851	3,883	4,050	4,085	0.9%	5.3%	15,666
Taxes and dues	1,174	1,097	1,154	1,245	1,095	-12.0%	-6.8%	4,671
Other	952	916	977	1,145	917	-19.9%	-3.7%	3,991
Ordinary income	20,580	18,363	25,561	20,728	16,883	-18.5%	-18.0%	85,234
Net income	13,934	13,440	17,374	13,711	11,618	-15.3%	-16.6%	58,461
ROE (Annualized)	7.1%	6.7%	8.5%	6.6%	5.8%			7.2%
Capital adequacy ratio	369.2%	397.0%	398.7%	405.2%	340.0%			405.2%

Assets under Custody



(Y tri)	FY2015				FY2016				FY2017
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Equity	34.2	31.0	33.0	30.1	28.8	29.4	32.7	32.9	34.4
Domestic bonds	7.3	7.3	7.1	6.8	6.7	6.9	7.0	7.1	7.1
Foreign bonds	4.8	4.7	4.8	5.0	4.7	4.8	5.0	4.9	4.9
Stock investment trusts	6.8	6.1	6.5	6.2	5.9	5.9	6.3	6.3	6.4
Bond investment trusts	1.7	1.6	1.5	1.3	1.0	1.0	1.0	0.9	0.9
Foreign investment trusts	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Others	1.3	1.2	1.3	1.2	1.2	1.1	1.1	1.1	1.1
Total	56.6	52.4	54.5	51.0	48.7	49.5	53.5	53.6	55.2
Daiwa Next Bank deposit balance	3.1	3.1	3.3	3.1	3.0	3.0	3.2	3.1	3.3

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

※ ETFs are recorded in 'Equity'.

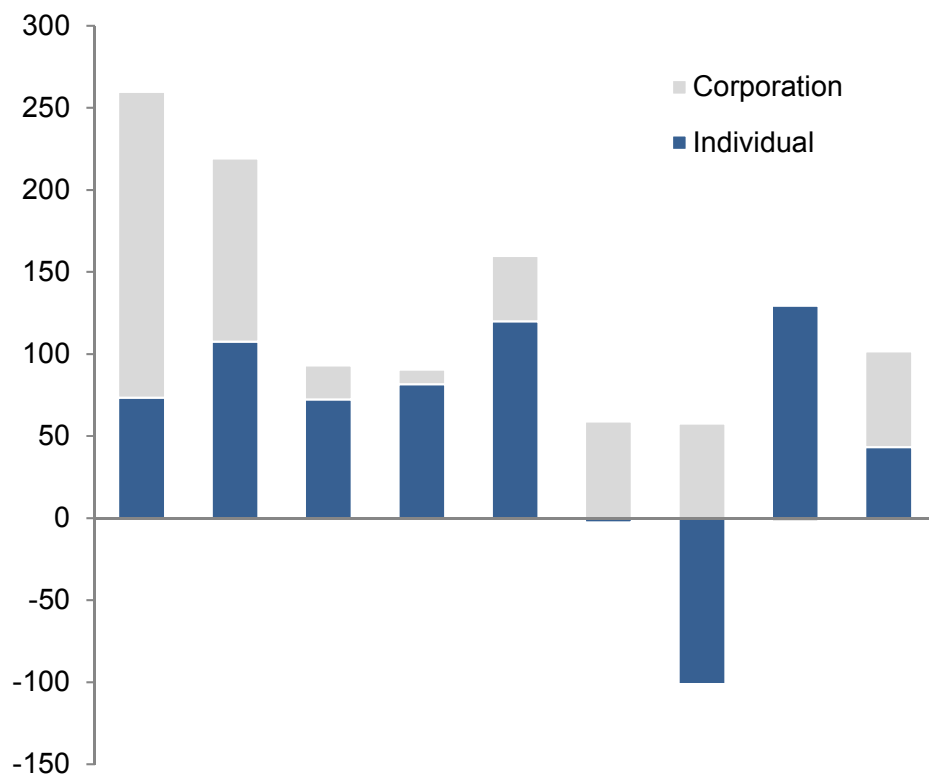
Number of Accounts and Equity Trading

	FY2015				FY2016				FY2017
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Accounts with balance (thousands)	2,926	2,948	2,961	2,973	2,973	2,976	2,963	2,974	2,965
Accounts holding equity (thousands)	1,336	1,343	1,367	1,381	1,402	1,408	1,396	1,396	1,388
Online trading accounts (thousands)	2,942	2,980	3,020	3,040	3,060	3,080	3,103	3,127	3,140
Newly opened accounts (thousands)	43	42	50	31	34	31	39	39	35
NISA accounts* (thousands)	709	723	741	749	756	763	769	779	785
Wrap account service (end of quarter)									
Contract assets under management (Y bil)	1,459	1,466	1,575	1,540	1,498	1,537	1,604	1,661	1,738
Number of customers (thousands)	100.3	110.7	116.5	118.4	120.0	122.3	121.5	125.2	127.7
Contracts and trading value for individual investors at Daiwa Securities (Japanese Equity)									
Total number of contracts (thousands)	3,540	3,441	2,912	3,103	2,757	2,374	3,000	2,806	2,783
Online out of total (thousands)	3,130	3,094	2,571	2,775	2,442	2,103	2,593	2,459	2,432
Total trading value (Y bil)	3,877	3,560	2,850	2,561	2,341	2,144	2,873	2,635	2,692
Online out of total (Y bil)	3,027	2,871	2,241	2,063	1,826	1,692	2,177	2,024	2,039
Foreign equity trading value (Retail)									
Trading value (Y bil)	185	129	126	75	127	137	157	151	248

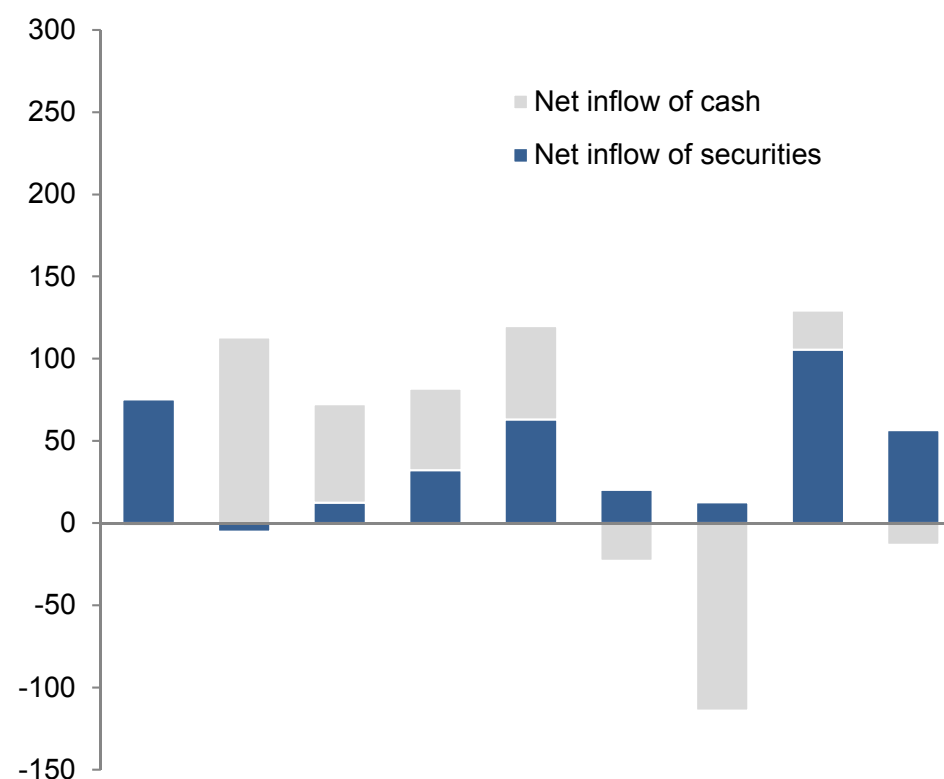
* The accumulated number of opened accounts

Net Inflow of Assets

Retail Division (Daiwa Securities) Net Inflow of Assets



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

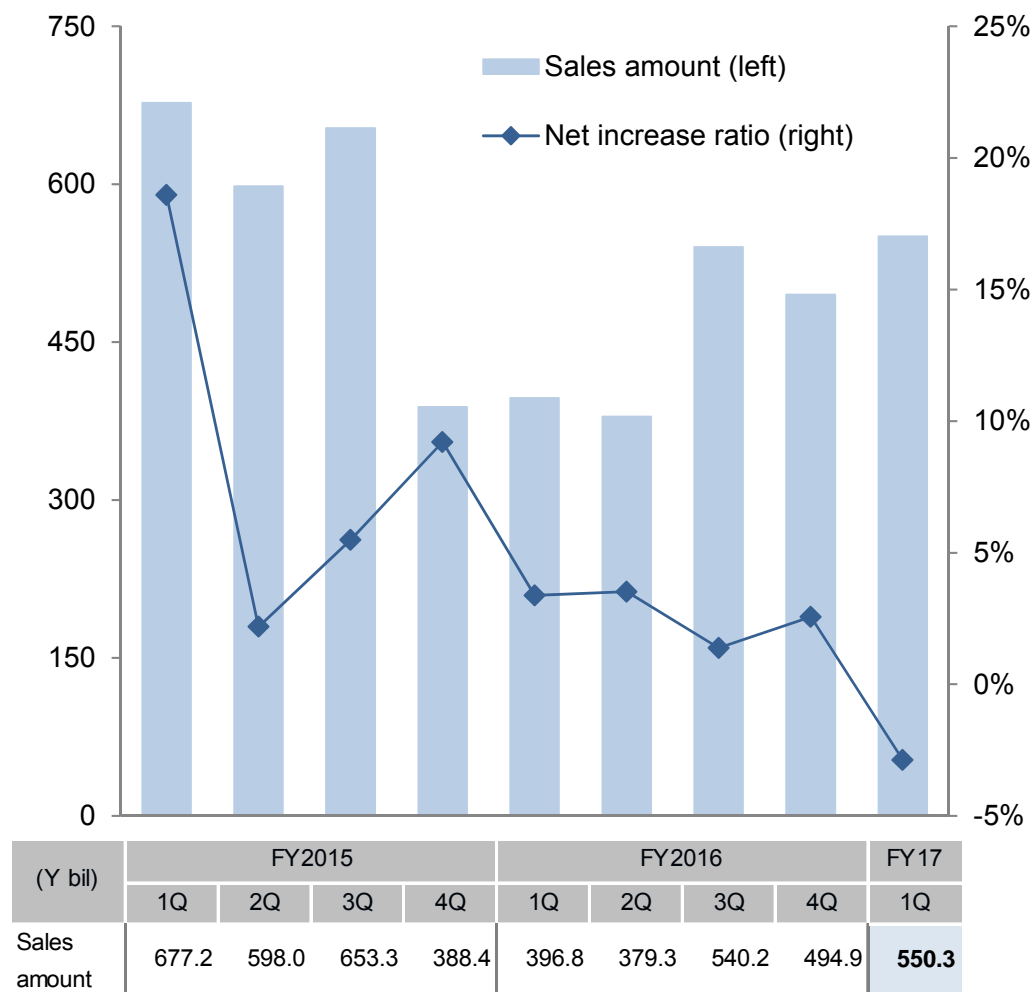


(Y bil)	FY2015				FY2016				FY17
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Net inflow of cash	-1.9	112.9	59.9	49.6	56.9	-22.9	-114.0	23.8	-13.2
Net inflow of securities	75.2	-5.2	12.4	32.1	63.0	20.3	12.7	105.5	56.6

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

Stock Investment Trusts & Wrap Accounts

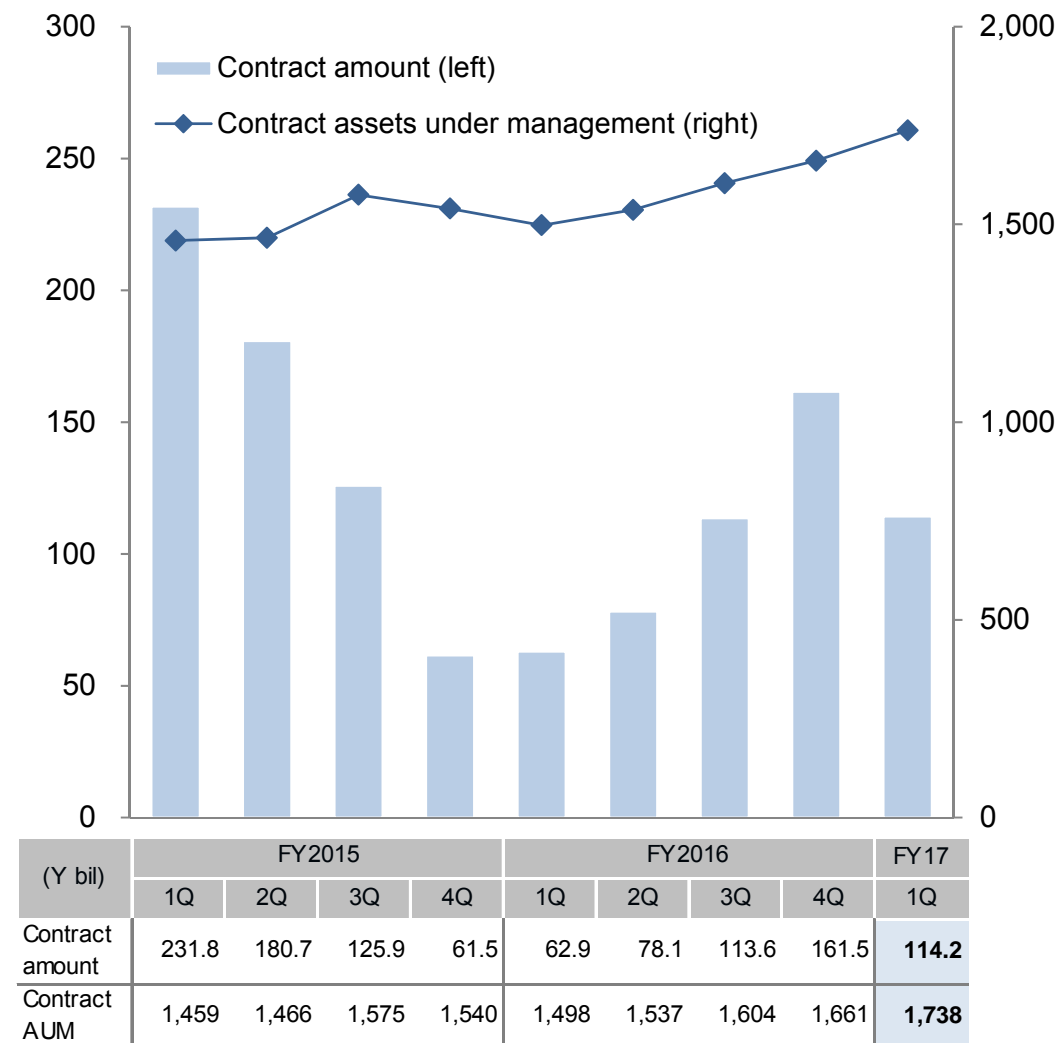
Retail Division (Daiwa Securities) Sales of Stock Investment Trusts



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

※Includes switching transaction between funds.

Wrap Account Contract and Contract AUM



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)
1Q FY2017 League Table							
1st	Daiwa	Nomura	Nomura	Mizuho	Daiwa	SMBC Nikko	MHFG
	19.9%	57.3%	21.8%	24.1%	23.1%	25.0%	
2nd	Morgan Stanley MUFG	SMBC Nikko	Daiwa	Mitsubishi UFJMS	Nomura	Nomura	SMFG
	19.7%	24.6%	20.3%	23.9%	19.3%	21.9%	
3rd	Bank of America Merrill Lynch	Mizuho	Mitsubishi UFJMS	SMBC Nikko	SMBC Nikko	Mizuho	Nomura
	15.7%	7.8%	18.3%	22.4%	18.1%	20.8%	
4th	Nomura	Daiwa	Mizuho	Daiwa	Mitsubishi UFJMS	Daiwa	Deloitte
	13.6%	4.3%	18.2%	16.2%	15.2%	16.2%	
5th	J.P.Morgan	SBI	SMBC Nikko	Nomura	Mizuho	Mitsubishi UFJMS	Kaede Group
	12.9%	3.5%	16.1%	12.3%	12.3%	16.2%	
							6th Daiwa

Source: Daiwa Securities Apr. 2017 – Jun. 2017

M&A: THOMSON REUTERS Apr. 2017 – Jun. 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

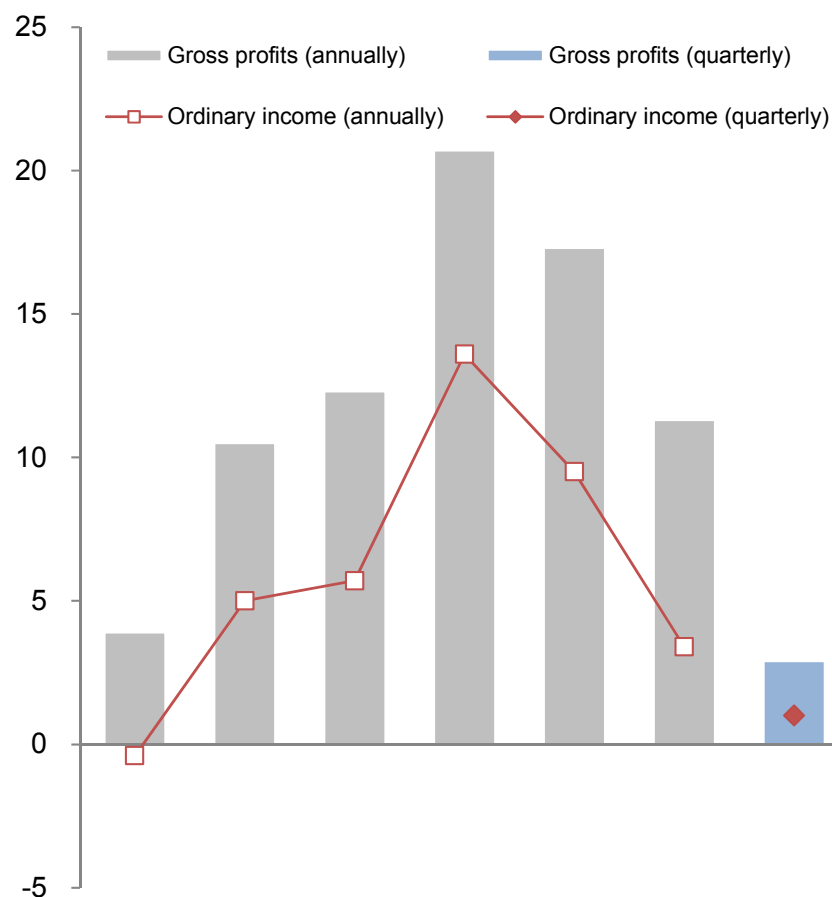
Joint bookrunner allotment of Samurai bonds is divided up evenly among the bookrunners

Financial Summary

(Y mil)	FY2016				FY2017	% Change vs 4Q/FY16	% Change vs 1Q/FY16	FY2016
	1Q	2Q	3Q	4Q	1Q			
Operating revenues	20,132	19,930	20,051	20,360	20,411	0.2%	1.4%	80,474
Management fee	19,950	19,754	19,874	20,167	20,225	0.3%	1.4%	79,747
<i>Stock investment trust</i>	19,916	19,715	19,833	20,122	20,177	0.3%	1.3%	79,588
<i>Bond investment trust</i>	34	39	40	45	48	6.6%	39.7%	158
Other operating revenues	181	175	177	193	186	-3.8%	2.5%	727
SG&A	16,123	15,753	15,974	16,068	15,953	-0.7%	-1.1%	63,920
Commission paid	10,159	9,966	9,952	10,033	9,989	-0.4%	-1.7%	40,110
Other SG&A	5,964	5,787	6,022	6,035	5,963	-1.2%	-0.0%	23,809
Operating income	4,008	4,176	4,076	4,292	4,458	3.9%	11.2%	16,554
Ordinary income	4,056	4,233	4,248	4,396	4,607	4.8%	13.6%	16,935
Net income	2,693	2,792	2,881	3,165	3,176	0.3%	17.9%	11,533

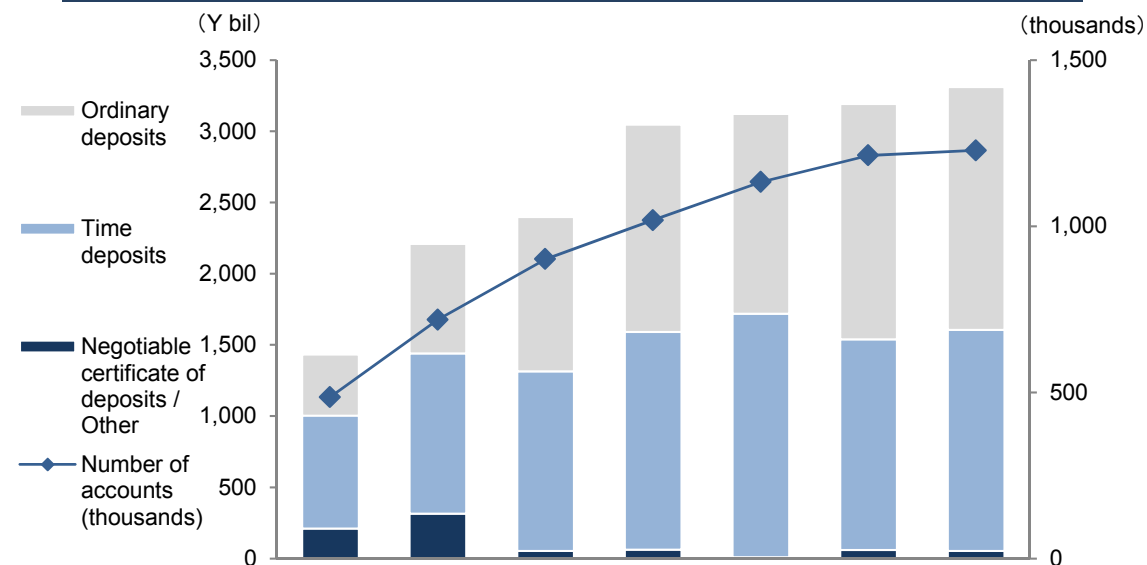
Earnings and Deposit Balance

Gross Profits / Ordinary Income



(Y bil)	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY17 1Q
Gross profits	3.9	10.5	12.3	20.7	17.3	11.3	2.9
Ordinary income	-0.4	5.0	5.7	13.6	9.5	3.4	1.0

Daiwa Next Bank Deposit Balance & Number of Accounts



(Y bil)	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY17 1Q
Ordinary deposits	429	771	1,085	1,455	1,401	1,653	1,703
Time deposits	792	1,125	1,261	1,528	1,711	1,480	1,555
Negotiable certificate of deposits / Other	211	314	52	62	8	59	54
Deposit balance	1,432	2,210	2,399	3,047	3,121	3,193	3,313
Number of accounts (thousands)	486	719	901	1,018	1,133	1,213	1,228

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

Value at Risk

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
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
VaR (Quarter end)	1.74	1.53	1.25	1.55	1.01	1.00	1.74	2.32	2.19
High	2.43	2.59	1.71	3.14	2.26	2.53	2.97	3.16	3.41
Low	1.68	1.34	1.13	1.17	0.99	0.98	1.02	1.56	2.05
Average	2.04	1.65	1.47	1.67	1.53	1.40	2.02	2.17	2.59
By risk factors (Quarter end)									
Equity	0.56	0.83	0.39	0.28	0.27	0.44	0.40	0.54	0.34
Interest	1.98	1.42	1.13	1.64	1.00	1.00	1.38	2.42	2.32
Currency	0.25	0.33	0.59	0.33	0.19	0.17	0.26	0.29	0.20
Commodity	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.06

Number of Group Employees

	FY2015				FY2016				FY2017
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Total	15,301	15,209	15,179	15,028	15,637	15,559	15,410	15,093	16,256
Overseas	1,617	1,611	1,603	1,566	1,592	1,597	1,592	1,614	1,634

■ 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 (527) 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.

※ Figures include temporary staff.

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