

Earnings Announcement for the First Quarter of FY2019 ending March 31, 2020 (JGAAP)

SMBC Nikko Securities Inc.

July 30, 2019



[Reference Data]

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The information contained in this document is based on data available as of July 30, 2019 and this document is intended to provide information on the business results of SMBC Nikko Securities Inc. Any information and opinions contained in this document reflect our judgment as of the date of preparation of the document (July 30, 2019) and are subject to change without notice. No guarantees, representations or warranties are made as to the accuracy or completeness of such information.

(*) Information in this document is presented on a consolidated basis unless otherwise specified.

Summary of business results for 1Q of the FY ending Mar. 2020

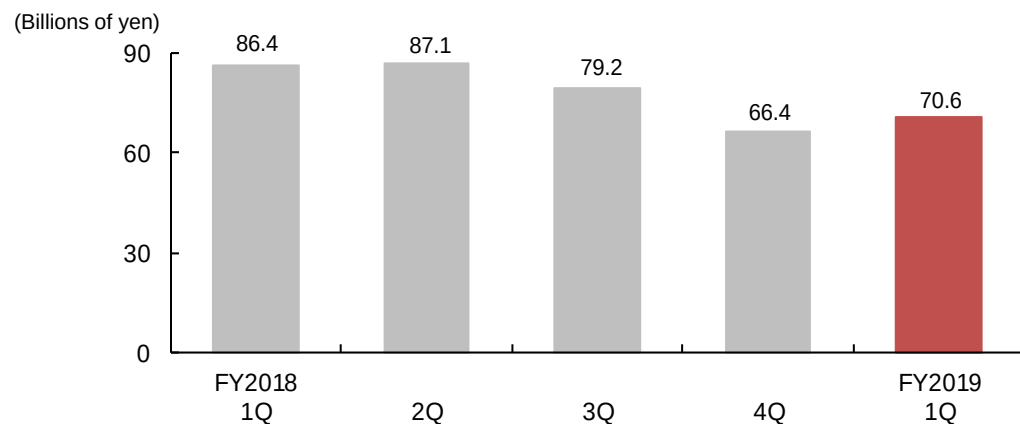
Q on Q	Net operating revenue : ¥ 70.6 B (+6% Q on Q), Ordinary profit : ¥ 6.4 B (+5.0x), Profit (*) : ¥ 5.0 B (-) Although the tough business environment continues, both revenue and profit have grown compared to the previous quarter. Even though the domestic interest rate are in a downtrend, the Underwriting commissions of bonds has grown due to the active market conditions. - SG&A was ¥ 65.3 B (-2%).
Y on Y	Net operating revenue : -18% Y on Y, Ordinary profit : -64%, Profit (*) : -66% Due to the uncertainty caused by the US-China trade dispute, net trading income has decreased resulting as a decrease in both revenue and profit. - SG&A : -7%.
Financial Conditions	- As of the end of Jun. 2019, total assets was ¥ 11.5 trillion, net assets was ¥ 821.6 B - Capital adequacy ratio (non-consolidated) was 378%, reflecting a sound financial base of the company.

Billions of Yen	FY2018		FY2019	Q on Q	Y on Y
	1Q	4Q	1Q		
Operating revenue	97.3	82.3	92.7	+13%	-5%
Net operating revenue	86.4	66.4	70.6	+6%	-18%
SG&A	70.2	66.8	65.3	-2%	-7%
Ordinary profit / loss	18.0	1.2	6.4	5.0x	-64%
Profit before taxes	17.3	-1.5	6.1	-	-65%
Profit / loss(*)	14.9	-1.2	5.0	-	-66%
	Jun.-end '18	Mar.-end '19	Jun.-end '19	Q on Q	Y on Y
Total assets (Trillions of yen)	9.7	10.9	11.5	+0.5	+1.7
Total net assets (Billions of yen)	816.8	831.2	821.6	-9.6	+4.8

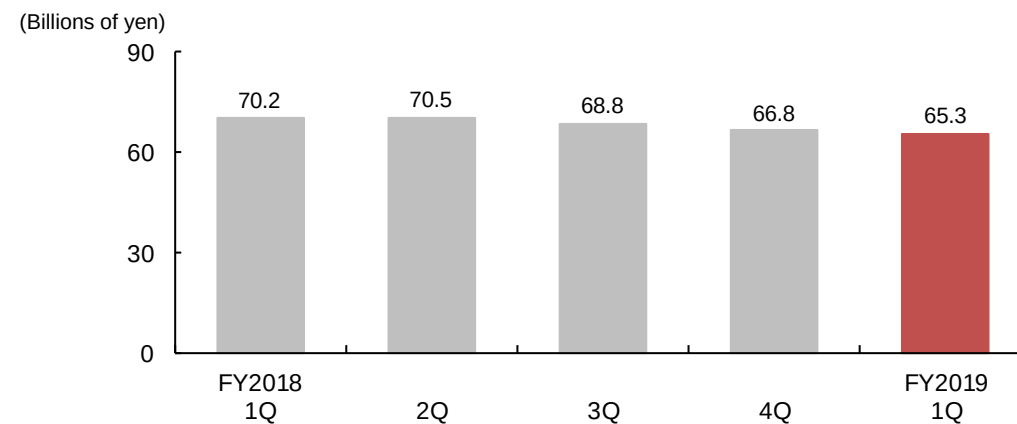
(*) profit attributable to owners of parent

Business Results (Quarterly Trend)

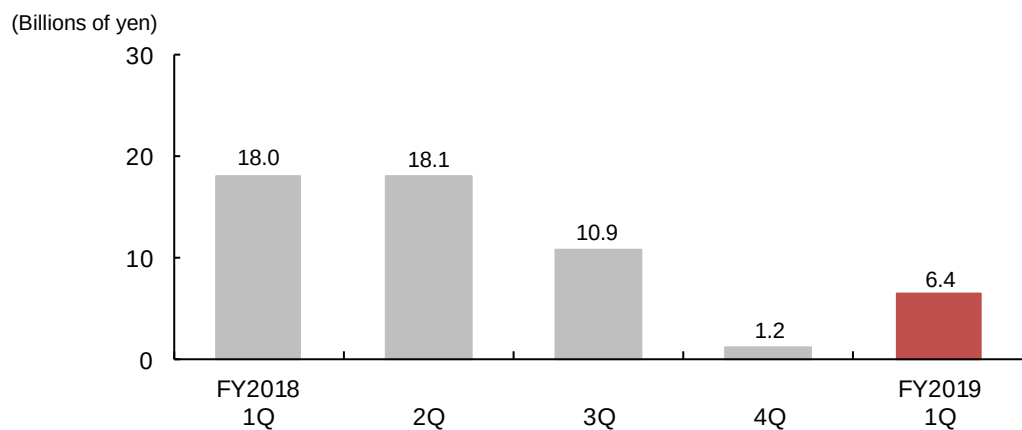
Net operating revenue



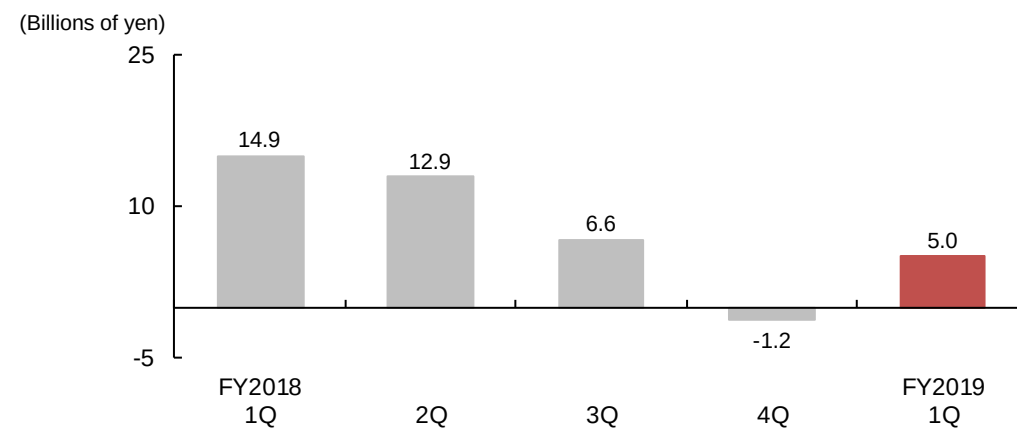
SG&A



Ordinary profit



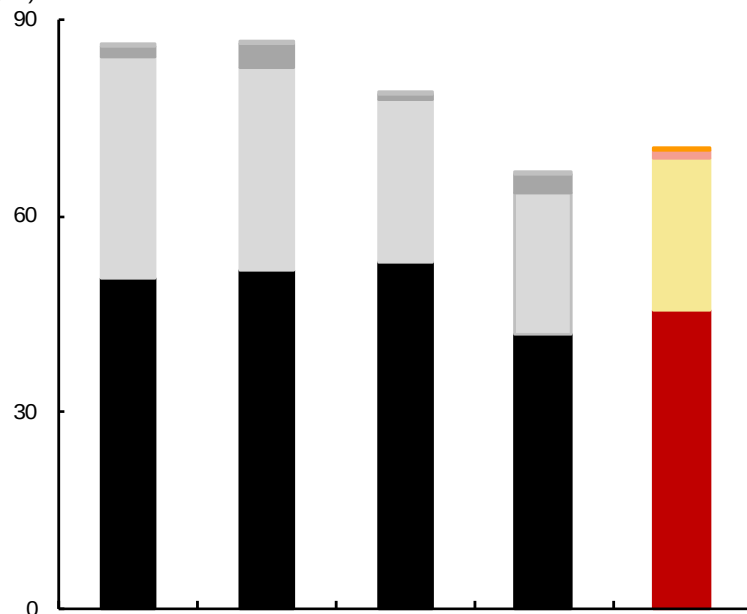
Profit (*)



(*) profit attributable to owners of parent

Net Operating Revenue

(Billions of yen) ■ Commission income ■ Net trading income ■ Net financial income ■ Net sales (*)



(Billions of yen)

	FY2018 1Q	2Q	3Q	4Q	FY2019 1Q	Q on Q	Y on Y
Commission income	50.3	51.5	52.9	42.1	45.6	+8%	-9%
Net trading income	34.0	31.1	24.9	21.5	23.4	+9%	-31%
Net financial income	1.6	3.7	0.8	2.6	0.9	-64%	-44%
Net sales (*)	0.3	0.5	0.4	0.1	0.6	4.2x	+87%
Total	86.4	87.1	79.2	66.4	70.6	+6%	-18%

Q on Q

Both Commission income and Net trading income have grown, leading to a growth in Net operating revenue

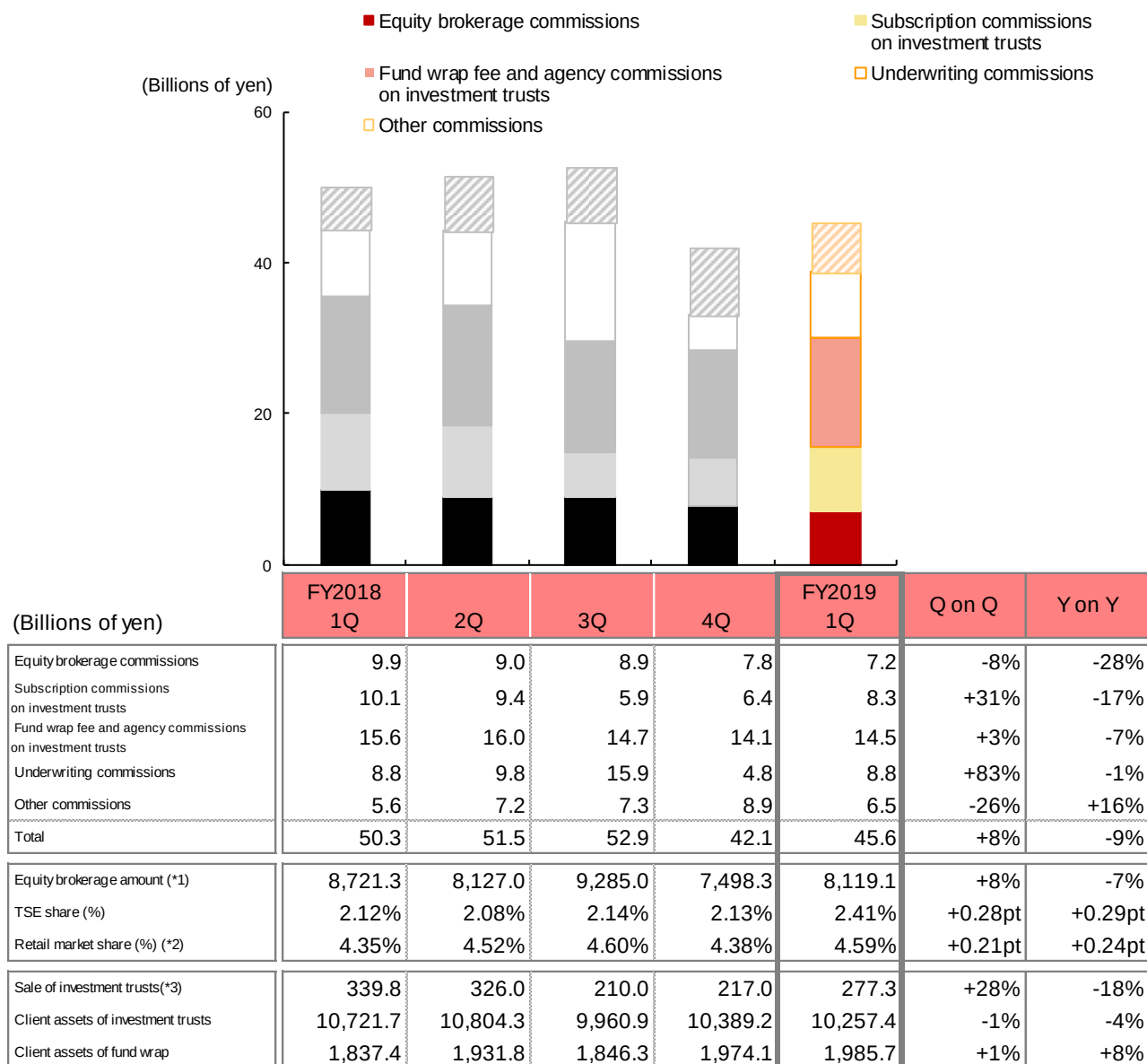
- ◇ Commission Income (Q on Q +3.5 B, +8%)
- ◇ Net Trading Income (Q on Q +1.9 B, +9%)

Y on Y

Each incomes has decreased, but the Net trading income was the main decrease

- ◇ Commission Income (Y on Y -4.7 B, -9%)
- ◇ Net Trading Income (Y on Y -10.6 B, -31%)
- ◇ Net Financial Income (Y on Y -0.7 B, -44%)

Commission Income



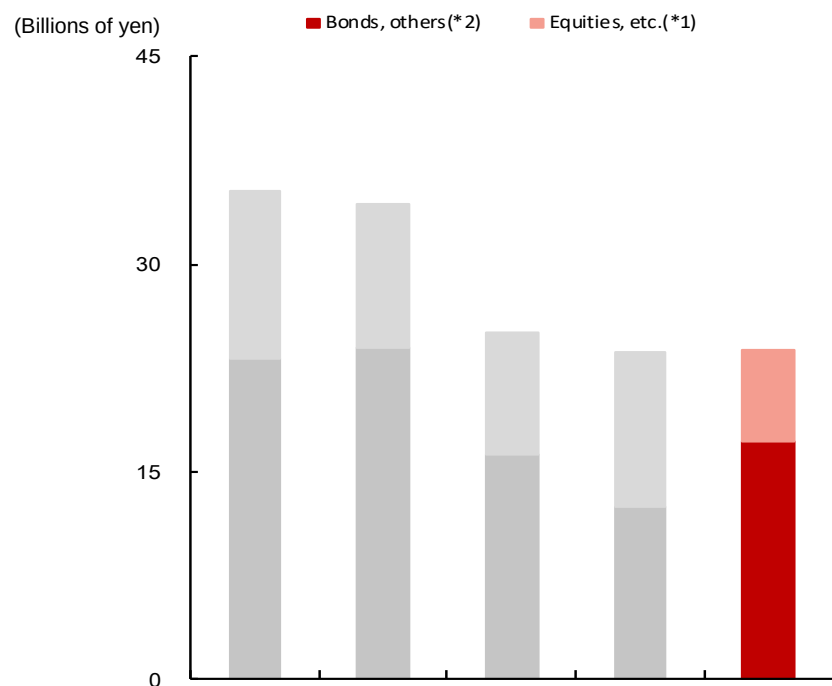
Q on Q

- ◇ Equity Brokerage Commissions (Q on Q -0.6 B, -8%)
- ◇ Subscription commissions on investment trusts (Q on Q +1.9 B, +31%)
Uncertainty of US-China trade dispute, resulted to decrease of equity brokerage commission. However, the growth of sales of investment trusts, especially balanced fund, lead the increase of subscription commissions on investment trusts. Both TSE share and retail market share are steadily growing.
- ◇ Underwriting Commissions (Q on Q +4.0B, +83%)
Increased by the underwriting of major deals, such as Takeda Pharmaceutical Company Limited.
- ◇ Other Commissions (Q on Q -2.4 B, -26%)
Even though the deal amounts of M&A increased, the decrease of participation in major deals and insurance related commissions caused the drop.

Y on Y

- ◇ Equity Brokerage Commissions (Y on Y -2.7 B, -28%)
- ◇ Subscription commissions on investment trusts (Y on Y -1.8 B, -17%)
Compared to the FY2018 1Q which had a positive mind for investing from the steady fundamentals, the equity brokerage amount and sale of investment trusts of individual investors has decreased.
- ◇ Other Commissions (Y on Y +0.9 B, +16%)
The main increase comes from commissions of retail target JGBs and Insurance related commissions.

Net Trading Income (adjusted Net Financial Income)



(Billions of yen)

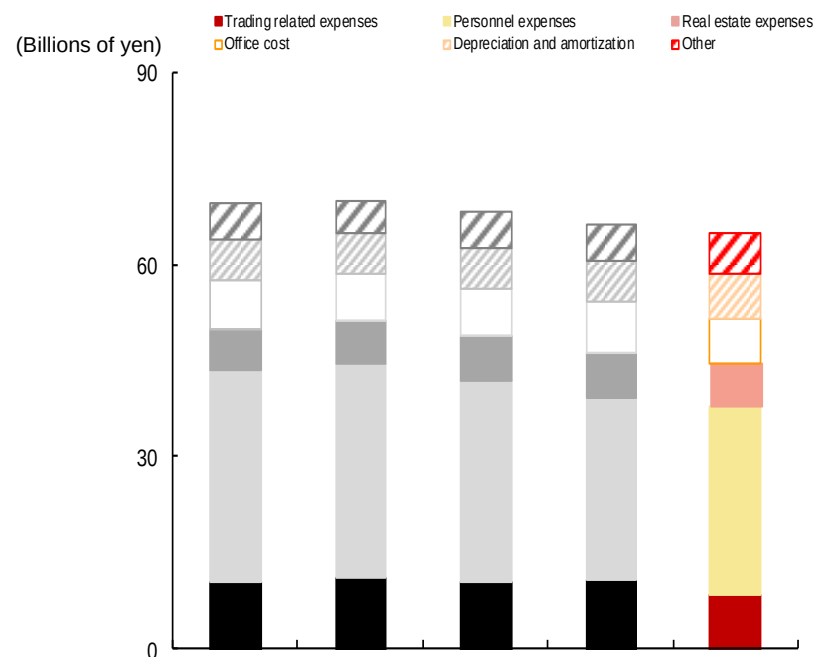
	FY2018 1Q	2Q	3Q	4Q	FY2019 1Q	Q on Q	Y on Y
Equities, etc.(*1)	12.0	10.4	8.9	11.1	6.5	-41%	-45%
(dividend, etc)	(1.3)	(3.5)	(0.6)	(3.1)	(1.5)	(-51%)	(+17%)
Bonds, others(*2)	23.2	24.0	16.2	12.5	17.2	+37%	-26%
(interest)	(-0.0)	(-0.3)	(-0.4)	(-0.9)	(-1.2)	(-)	(-)
Total(*3)	35.2	34.4	25.2	23.6	23.7	+0%	-33%

Q on Q

- ◇ Equities, etc. (Q on Q -4.6 B, -41%)
Due to the inactive market conditions, the equity investors kept their prudent stance which lead to a decrease in client transactions.
- ◇ Bonds, others (Q on Q +4.7 B, +37%)
Even though the domestic interest rate are in a downtrend, there was increase in income by the efficient management of trading positions.

Y on Y

- ◇ Equities, etc. (Y on Y -5.5 B, -45%)
- ◇ Bonds, others (Y on Y -6.0 B, -26%)
The sales of foreign bonds and OTC transaction of foreign stocks have decreased in the retail sector.



Q on Q

- ◇ Trading Related Expenses (Q on Q -2.3 B, -21%)
The decrease comes from the special advertising expenses and etc. that occurred in the previous quarter.
- ◇ Personnel Expenses (Q on Q +1.1 B, +4%)
The expenses relative to the business performance has risen.
- ◇ Office Cost (Q on Q -1.1 B, -13%)
The decrease in office cost comes from the deduction of the establishment expenses of SMBC Nikko Capital Markets Europe GmbH which were accounted in the previous quarter.

Y on Y

- ◇ Trading Related Expenses (Y on Y -1.8 B, -17%)
- ◇ Personnel Expenses (Y on Y -3.8 B, -11%)
The expenses relative to transaction amount and business performance have decreased.
- ◇ Depreciation and Amortization (Y on Y +0.5 B, +6%)
The increase comes from the continuation of system investments.

(Billions of yen)	FY2018 1Q	2Q	3Q	4Q	FY2019 1Q	Q on Q	Y on Y
Trading related expenses	10.4	11.4	10.5	10.9	8.6	-21%	-17%
Personnel expenses	33.2	33.3	31.6	28.3	29.4	+4%	-11%
Real estate expenses	6.5	6.6	7.0	7.1	6.7	-5%	+3%
Office cost	7.6	7.3	7.2	8.2	7.1	-13%	-7%
Depreciation and amortization	6.4	6.4	6.5	6.4	6.9	+7%	+6%
Other	5.8	5.2	5.7	5.7	6.3	+10%	+9%
SG&A	70.2	70.5	68.8	66.8	65.3	-2%	-7%
SG&A / Net operating revenue	81%	81%	87%	101%	92%	- 8pt	+11pt

Balance Sheet / Capital Adequacy Ratio

【non-consolidated】

(Billions of Yen)	Mar.19	Jun.19	Variance
Current assets	10,613.8	11,207.0	+593.1
Trading products	2,944.2	3,925.2	+980.9
Loans secured by securities	5,206.4	5,067.3	-139.1
Other current assets	2,463.1	2,214.5	-248.6
Noncurrent assets	303.7	294.0	-9.6
Tangible assets	28.1	27.6	-0.5
Intangible assets	68.8	68.2	-0.5
Investments and other assets	206.7	198.1	-8.5
Total assets	10,917.6	11,501.1	+583.5
Current liabilities	9,247.8	9,886.3	+638.4
Trading products	2,454.7	2,578.1	+123.4
Loans payable secured by securities	4,871.5	5,704.2	+832.7
Short-term loans payable / Commercial papers	1,064.5	675.7	-388.7
Other current liabilities	857.1	928.1	+70.9
Noncurrent liabilities / Reserves under the special laws	838.4	793.1	-45.3
Total liabilities	10,086.3	10,679.5	+593.1
Total net assets	831.2	821.6	-9.6
Total liabilities and net assets	10,917.6	11,501.1	+583.5

(Billions of Yen)	Mar.19	Jun.19	Variance
Basic items	738.0	742.0	+3.9
Supplementary items	45.2	39.9	-5.3
Deductible assets	174.1	172.5	-1.6
Net capital	609.1	609.3	+0.2
Risk total	166.8	161.2	-5.5
Market Risk	55.0	52.7	-2.3
Counterparty Risk	40.8	37.9	-2.9
Basic Risk	70.9	70.5	-0.3
Capital Adequacy Ratio	365%(*)	378%	+13 pt

(*)The presentation of the Basic items of the previous fiscal year has taken account the outflows of fund relevant to the dividend payments that occurred after the year-end. The Capital adequacy ratio is recalculated with the certain amount.

【non-consolidated】

Credit ratings on Long Term (as of July 30, 2019)

Moody's	S&P	R&I	JCR
A1 [Stable]	A [Positive]	AA- [Stable]	AA [Stable]

League Tables

Global Equity & Equity-Related-Japan (*1) Apr. 2019 - Jun. 2019

Rank	Book runner	Amount (bill of yen)	Mkt.Share (%)
1	Mitsubishi UFJ Morgan Stanley	143.3	21.0%
2	Mizuho	110.3	16.2%
3	Nomura	106.9	15.7%
4	Daiwa	94.5	13.9%
6	SMBC Nikko	73.0	10.7%

IPO (*2) Apr. 2019 - Jun. 2019 【non-consolidated】

【Based on Deals】			【Based on Underwriting Amounts】		
Rank	Lead Manager	No. Deals	Rank	Underwriting Amount	Amount (bill of yen)
1	Nomura	3	1	Nomura	33.5
1	Mizuho	3	2	Mizuho	10.4
1	Tokai Tokyo	3	3	SMBC Nikko	4.4
1	SBI	3	4	Daiwa	4.2
5	SMBC Nikko	1	5	Tokai Tokyo	3.3

All Bonds in Yen (*3) Apr. 2019 - Jun. 2019 【non-consolidated】

Rank	Manager	Amount (bill of yen)	Mkt.Share (%)
1	Mizuho	1,421.1	21.2%
2	Daiwa	1,250.4	18.7%
3	SMBC Nikko	1,247.7	18.7%
4	Mitsubishi UFJ Morgan Stanley	1,224.0	18.3%
5	Nomura	1,088.7	16.3%

Financial Advisory (*4) Apr. 2019 - Jun. 2019

【Based on Deals】			【Based on Deal Size】		
Rank	Advisor	No. Deals	Rank	Advisor	Deal size (bill of yen)
1	Sumitomo Mitsui Financial Group	36	1	Morgan Stanley	2,127.8
2	Nomura	35	2	Nomura	1,581.7
3	Kaede Group	32	3	Goldman Sachs	1,242.3
4	Mizuho Financial Group	27	4	Mizuho Financial Group	791.8
5	Morgan Stanley	21	5	Sumitomo Mitsui Financial Group	634.3

(*1) Source: prepared by SMBC Nikko based on the information published by REFINITIV (including overseas entities)

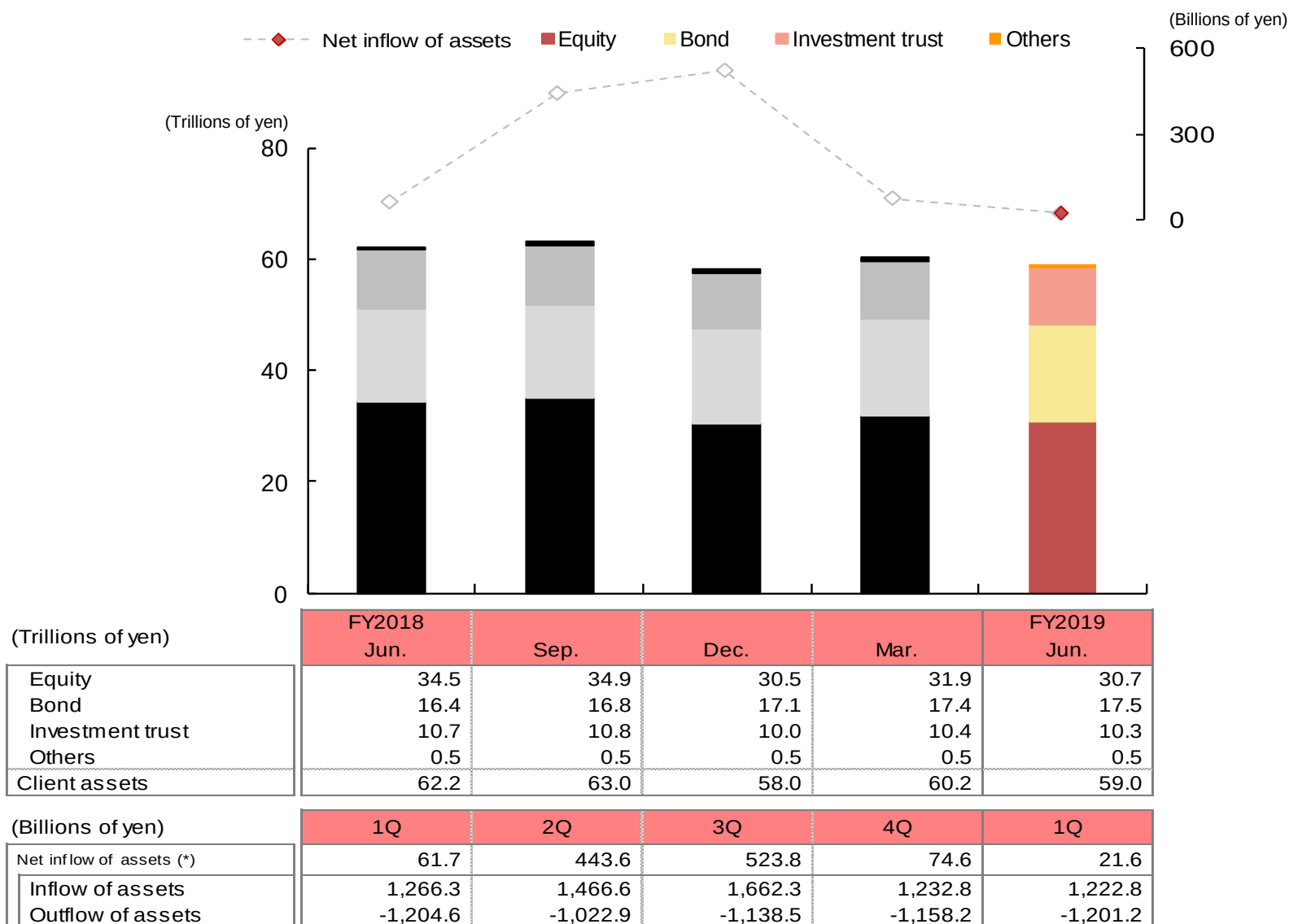
(*2) Source: prepared by SMBC Nikko based on the information published by REFINITIV (only the deals listed on the Japanese stock market)

(*3) Source: prepared by SMBC Nikko based on the information published by REFINITIV (corporate bonds, FILP agency/municipality bonds(proportional shares as lead manager),samurai bonds)

(*4) Source: REFINITIV, M&A announced deals with any Japanese involvement

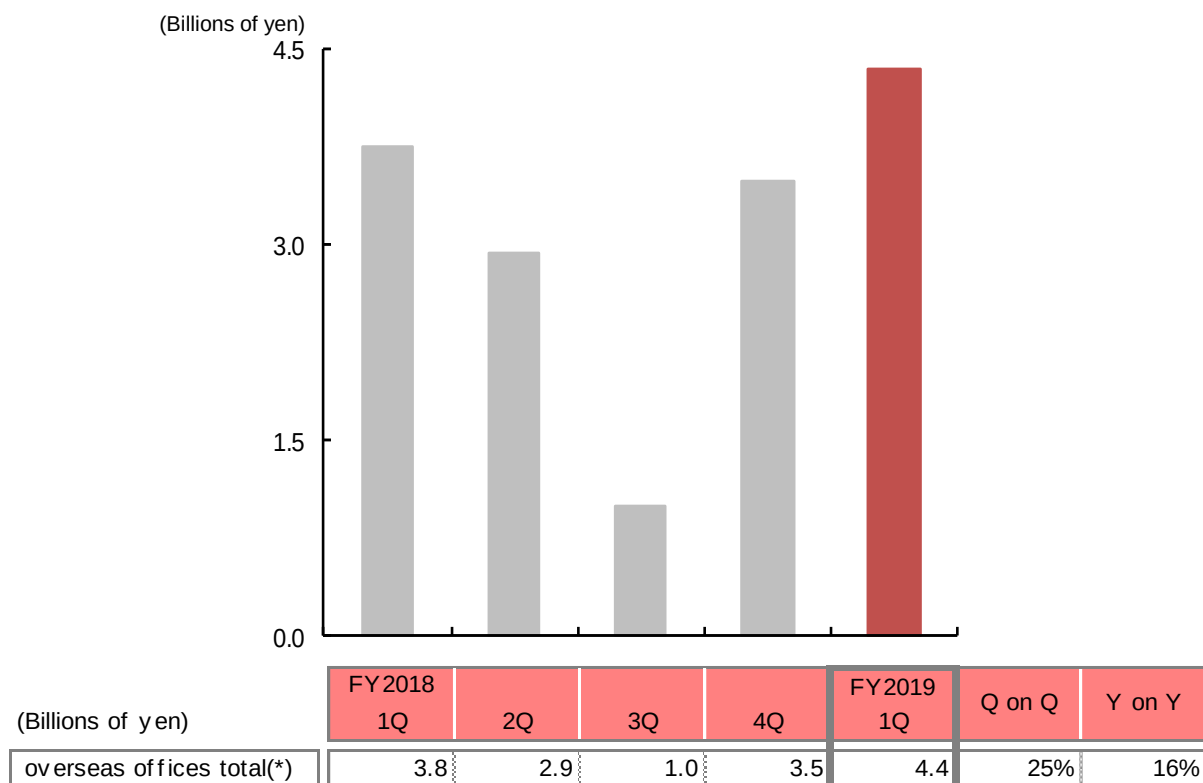
Client Assets / Net Inflow of Assets

【non-consolidated】



(*) Sum of Net inflow of assets of the sales division (including Public Institutions Divisions and etc.)

Profit of Overseas Offices (Based on Management Accounting)



Q on Q

◇ Overseas Offices Profit (Q on Q +0.9 B, +25%)

The equity underwriting and M&A has steadily grown which lead the increase of profit.

Although the bond business of Europe and America has kept the relatively high level for underwriting and sales & trading, the profit declined compared to the previous quarter.

There was a deduction on the expense side, since the establishment expenses of SMBC Nikko Capital Markets Europe GmbH were accounted on the previous quarter.

Y on Y

◇ Overseas Offices Profit (Y on Y +0.6 B, +16%)

Although the equity underwriting has decreased, the fixed income sales and trading has steadily grown, which lead the increase in both revenue and profit.

Overseas Network

SMBC Nikko Bank (Luxembourg)

- Fund custody
- Fund administration

SMBC Nikko Investment Fund Management Company

- Fund management

SMBC Nikko Capital Markets

- Japanese equity and fixed-income sales and trading
- Equity and bond underwriting
- M&A advisory
- IR arrangement
- Swap related business

SMBC Nikko Securities (Hong Kong)

- Japanese equity and fixed-income sales and trading
- Coverage of bond underwriting
- M&A advisory
- Market entry consulting for Japanese companies in Greater China
- IR arrangement

SMBC Nikko Securities (Singapore)

- Japanese equity and fixed-income sales and trading
- M&A advisory
- Private wealth business
- IR arrangement

SMBC Nikko Capital Markets Europe

- Japanese equity and fixed-income sales and trading
- Equity and bond underwriting
- IR arrangement
- Swap related business

SMBC Nikko Investment Consulting (Shanghai)

- M&A advisory related services

SMBC Nikko Securities America (San Francisco Branch)

- Japanese equity sales and trading, US equity brokerage
- M&A advisory
- IR arrangement

SMBC Nikko Securities America

- Japanese equity and fixed-income sales and trading, US equity brokerage
- Equity and bond underwriting
- Structured finance
- M&A advisory
- IR arrangement

Nikko Securities Indonesia

- Indonesian equity brokerage
- Equity and bond underwriting
- M&A advisory
- Market entry consulting for Japanese companies
- Asset management business

SMBC Nikko Capital Markets (Sydney Office)

- Coverage of bond underwriting

Business Partners (Asia)

KB Securities (Seoul)

- Alliance in M&A advisory, DCM and IPO business

First Metro Securities (Manila)

- Alliance in M&A advisory and DCM business

Petro Vietnam Securities (Hanoi)

- Market entry consulting for Japanese companies in Vietnam

Phatra Securities (Bangkok)

- Alliance in M&A advisory and DCM/ECM business

Kotak Mahindra Capital Company (Mumbai)

- Alliance in M&A advisory

Business Partners (Americas)

Citigroup (New York)

- Collaboration in various business worldwide

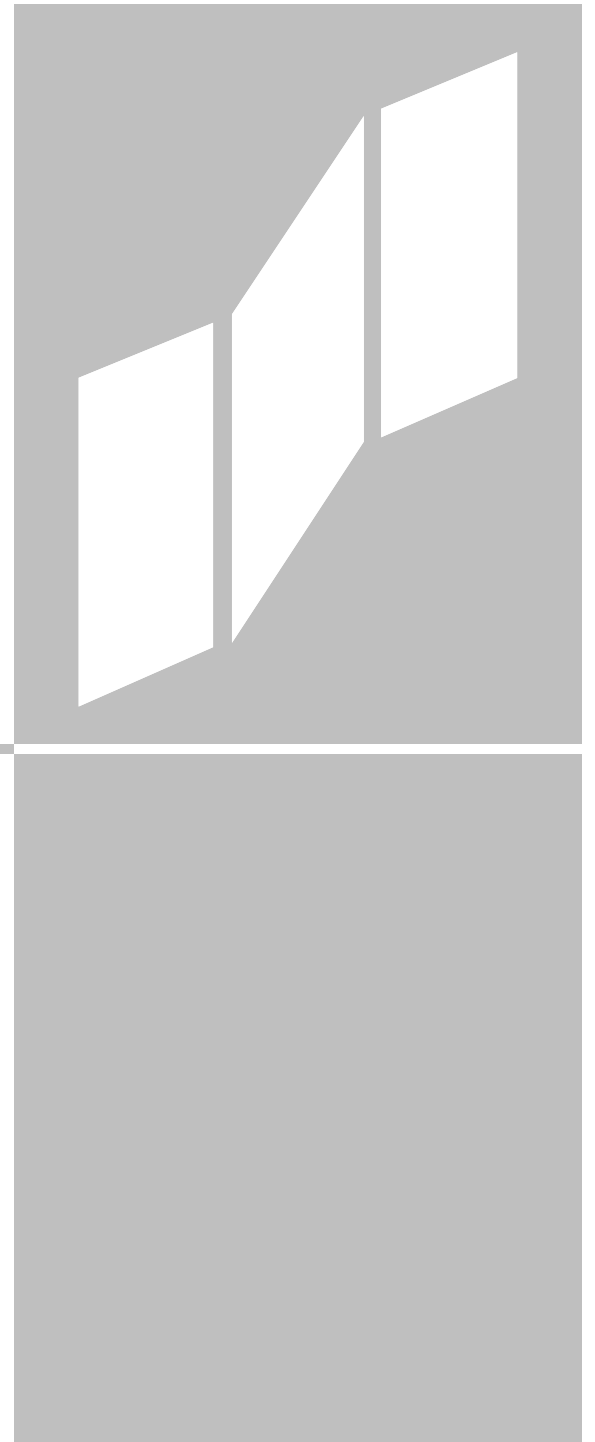
Moelis & Company (New York)

- Alliance in M&A advisory

BTG Pactual (Rio de Janeiro)

- Alliance in M&A advisory

Reference Data



Consolidated Business Results (Quarterly Trend)

(Millions of yen)	FY2018				FY2019
	1Q	2Q	3Q	4Q	1Q
Operating revenue	97,367	96,914	92,853	82,389	92,780
Commissions received	50,357	51,566	52,947	42,161	45,619
Commissions to consignees	10,393	9,657	9,703	8,415	7,859
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	8,866	9,820	15,968	4,824	8,821
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	10,669	10,308	6,819	7,422	9,157
Other fees received	20,427	21,780	20,456	21,498	19,780
Net trading income	34,057	31,196	24,965	21,518	23,464
Equities	10,721	6,824	8,309	7,992	5,031
Bonds / Others	23,336	24,371	16,656	13,525	18,433
Financial revenue	9,547	10,698	11,686	15,708	21,199
Other sales	3,404	3,453	3,253	3,001	2,497
Financial expenses	7,871	6,904	10,812	13,052	20,255
Cost of other sales	3,055	2,868	2,820	2,844	1,843
Net operating revenue	86,439	87,141	79,220	66,492	70,681
SG&A	70,291	70,551	68,836	66,870	65,344
Operating profit / loss	16,148	16,589	10,383	-378	5,336
Ordinary profit / loss	18,051	18,194	10,925	1,284	6,469
Extraordinary income / losses	-652	-133	-1,340	-2,818	-321
Profit before income taxes	17,398	18,060	9,585	-1,533	6,148
Income taxes	2,397	5,123	2,937	-140	1,058
Profit / loss	15,001	12,936	6,648	-1,393	5,089
Profit attributable to owners of parent	14,996	12,928	6,645	-1,260	5,094

Non-consolidated Business Results (Quarterly Trend)

(Millions of yen)	FY2018				FY2019
	1Q	2Q	3Q	4Q	1Q
Operating revenue	90,835	89,859	87,082	76,918	87,482
Commissions received	47,490	48,552	51,211	40,225	43,170
Commissions to consignees	9,673	8,857	9,010	7,673	7,168
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	8,866	9,820	15,968	4,824	8,488
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	10,635	10,177	6,666	7,367	9,129
Other fees received	18,315	19,697	19,567	20,359	18,384
Net trading income	34,053	30,943	24,491	21,313	23,464
Equities	10,721	6,567	7,834	7,787	5,031
Bonds / Others	23,331	24,376	16,656	13,525	18,433
Financial revenue	9,292	10,363	11,379	15,378	20,847
Financial expenses	7,683	6,692	10,609	12,833	20,000
Net operating revenue	83,152	83,166	76,472	64,084	67,482
SG&A	68,473	68,297	67,249	64,181	63,653
Operating profit / loss	14,678	14,869	9,223	-96	3,828
Ordinary profit / loss	15,714	16,038	9,377	1,050	4,757
Extraordinary income / losses	-655	-133	-1,265	-2,511	-240
Profit before income taxes	15,059	15,905	8,112	-1,460	4,516
Income taxes	2,742	4,675	2,539	-408	568
Profit / loss	12,316	11,229	5,572	-1,051	3,947

◇ Sales of Products

(Billions of yen)

	FY2018				FY2019
	1Q	2Q	3Q	4Q	1Q
Investment trusts	650.7	638.2	545.9	430.0	533.9
(Equity investment trusts)	(535.4)	(509.3)	(382.0)	(267.5)	(377.4)
(Foreign registered investment trusts)	(98.2)	(98.8)	(131.8)	(129.4)	(115.8)
Fund wrap	97.8	65.6	85.3	71.3	69.4
Foreign bonds (*1)	734.2	934.6	714.4	692.2	672.5
(Foreign currency bonds)	(233.4)	(233.3)	(315.8)	(248.8)	(222.7)
Domestic bonds	881.5	1,218.1	1,016.6	502.0	1,105.2
(Retail target JGBs)	(116.8)	(184.6)	(130.5)	(213.4)	(175.9)
Public offering	91.0	108.4	419.3	55.3	66.6
Annuity / insurance	25.1	39.7	37.7	48.7	39.6
Total	2,480.3	3,004.5	2,819.1	1,799.5	2,487.1

(*1) Foreign bonds sales include already-issued bonds and yen-denominated foreign bonds.

◇ Market Share

	FY2018				FY2019
	1Q	2Q	3Q	4Q	1Q
ECM Global Equity (*2)	15.9%	13.4%	15.4%	15.4%	10.7%
DCM All Bonds in Yen (*3)	16.4%	18.7%	18.7%	17.3%	18.7%
M&A Japan related (*4)	36.9%	29.5%	25.9%	23.5%	11.2%

(*2) Global Equity & Equity-Related-Japan : Book runner Source: prepared by SMBC Nikko based on the information published by REFINITIV

(*3) All Bonds in Yen, Lead manager Source: prepared by SMBC Nikko based on the information published by REFINITIV

(*4) Any Japanese involvement announced : Rank value Source: prepared by REFINITIV

Operational Indicators -2

【non-consolidated】

◇ Direct Channel Ratio (*1)

	FY2018				FY2019
	1Q	2Q	3Q	4Q	1Q
Based on number of transaction	91.3%	92.1%	90.7%	92.9%	91.9%
(Nikko EZ Trade)	(87.3%)	(88.3%)	(87.0%)	(89.9%)	(88.9%)
Based on commissions	20.5%	22.1%	22.6%	28.7%	26.3%
(Nikko EZ trade)	(12.5%)	(13.0%)	(14.3%)	(18.5%)	(16.1%)

(*1) Percentage of transactions via non-face-to-face channels in equities & CBs (brokerage & subscription) with individual clients.

◇ Brokerage Commissions Rate (*2)

(Billions of yen)	FY2018				FY2019
	1Q	2Q	3Q	4Q	1Q
Equity brokerage amount	8,721.3	8,127.0	9,285.0	7,498.3	8,119.1
Equity brokerage commissions (*3)	9.9	9.0	8.9	7.8	7.2
Equity commissions rate	10.5bp	10.1bp	8.7bp	8.6bp	8.1bp

(*2) "Equity brokerage amount" and "Equity commissions rate" in the table represent the total of cash and margin transactions.

(*3) on a consolidated basis

Operational Indicators -3

◇ Number of Accounts

(Thousands of accounts)	FY2018				FY2019
	Jun.18	Sep.18	Dec.18	Mar.19	Jun.19
	【non-consolidated】				
Total accounts	3,352	3,370	3,397	3,425	3,433
Cash management accounts	2,872	2,883	2,911	2,929	2,936
Newly opened accounts	40	39	48	38	30

◇ Number of Branches

	FY2018				FY2019
	Jun.18	Sep.18	Dec.18	Mar.19	Jun.19
	【non-consolidated】				
Branches	149	148	148	142	142

◇ Number of Employees

	FY2018				FY2019
	Jun.18	Sep.18	Dec.18	Mar.19	Jun.19
	【non-consolidated】				
Employees	12,382	12,169	12,010	11,759	12,119
Number of employees in overseas offices	676	703	727	753	770

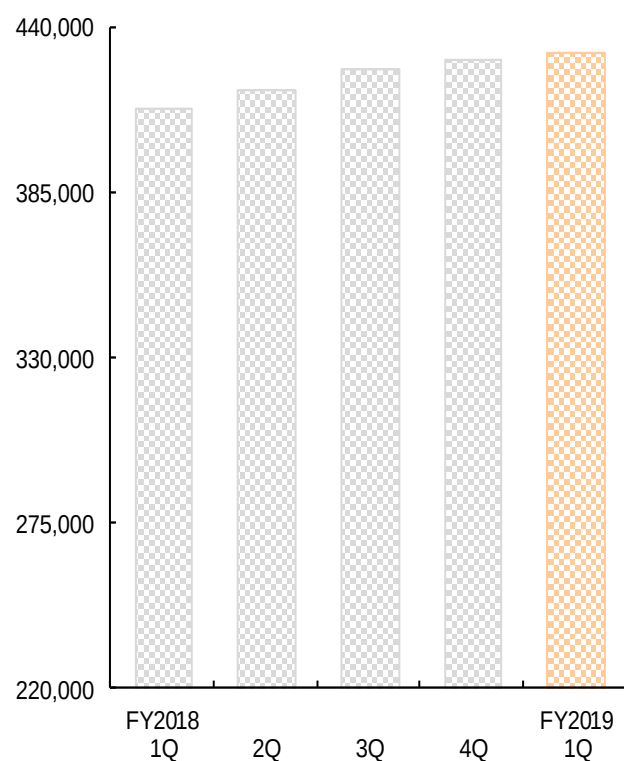
- (*)Overseas offices total is defined as the total of: (Included (*)1 from First Quarter of FY2019 and retroactively calculated the results of FY2018 in the same basis)
- ✓ Employees of consolidated subsidiaries which are SMBC Nikko Securities (Hong Kong), SMBC Nikko Securities (Singapore), SMBC Nikko Capital Markets Europe, SMBC Nikko Investment Consulting (Shanghai) (*1), SMBC Nikko Bank (Luxembourg) (*1) and SMBC Nikko Investment Fund Management Company (*1).
 - ✓ Employees of affiliated companies which are Securities Product Group of SMBC Nikko Capital Markets and SMBC Nikko Securities America.

Business collaboration with Sumitomo Mitsui Banking Corporation

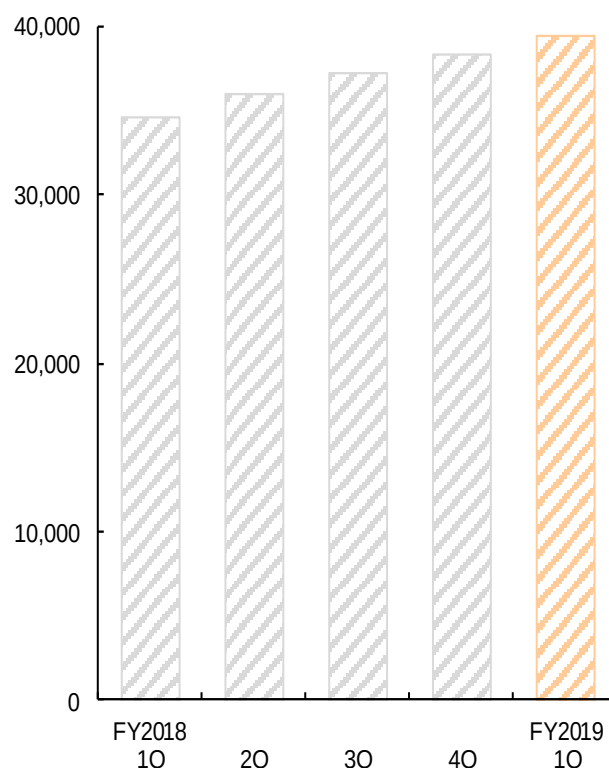
【non-consolidated】

Asset management (Referral service and financial products intermediary service (*1))

Individual customer (No. of accounts) (*2)

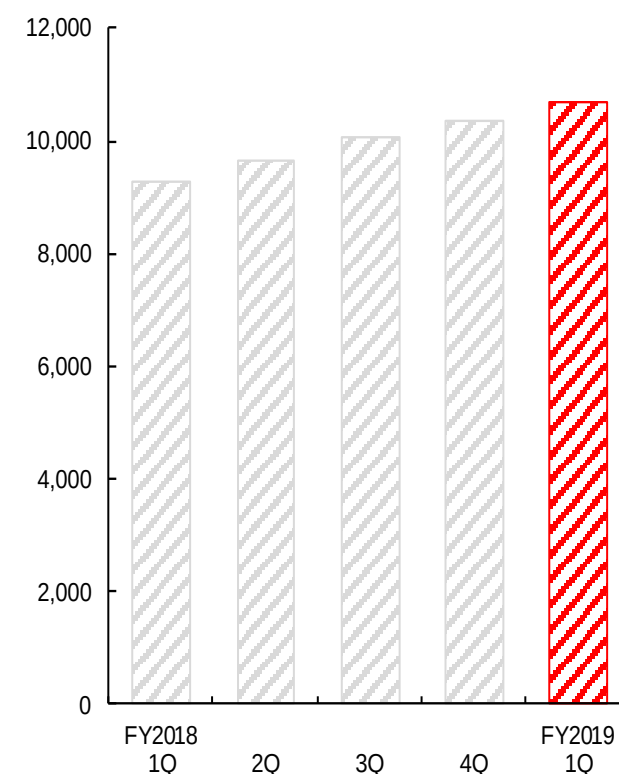


Corporate clients (No. of deals) (*3)



Investment banking (Referral service)

Corporate clients (No. of deals)



Note) No. of accounts shows the number of the accounts existed at the end of respective quarters. No. of deals shows accumulated acquired deals in either asset management or investment banking since its inception.

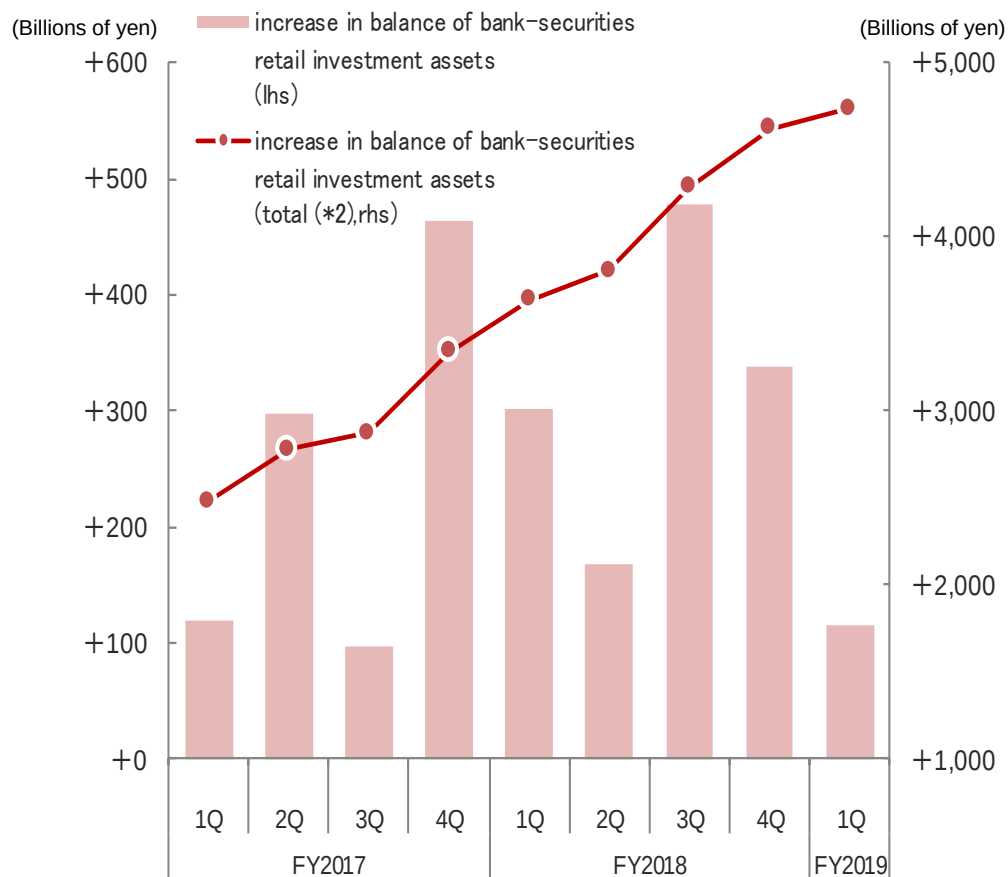
(*1) Financial products intermediary services by SMBC: SMBC Nikko commissions SMBC to solicit and intermediate securities transactions to customers.

(*2) The number of accounts at the end of each quarter with regards to individual customer who either was referred by SMBC to SMBC Nikko or opened an account with SMBC Nikko via SMBC's financial products intermediary service.

(*3) The number of the accumulated acquired deals on asset management with corporate clients via SMBC's referral services and financial products intermediary services on behalf of SMBC Nikko since the inception of respective services.

Sum of bank-securities retail investment assets

Increase in balance of bank-securities retail investment assets (*1)



Balance of bank-securities retail investment assets (*3)

