



Date: July 28, 2014

SMBC NIKKO SECURITIES INC.

URL: <http://www.smbcnikko.co.jp>

Consolidated Financial Results for the Three Months ended June 30, 2014 (JGAAP)

(Amounts less than one million yen have been omitted.)

1. Overall business performance for the Three Months ended June 30, 2014

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Operating revenue		Net operating revenue		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended										
June 30, 2014	73,804	(33.2)	67,662	(34.4)	13,918	(66.7)	14,549	(65.6)	9,831	(63.3)
June 30, 2013	110,520	82.4	103,215	86.8	41,859	344.6	42,277	327.9	26,774	573.0

Note : Comprehensive income June 30, 2014 10,982million yen <(63.5)%> June 30, 2013 30,089million yen <—%>

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2014	8,445,070	599,598	7.1
As of March 31, 2014	7,204,970	589,314	8.2

Reference : Equity (i.e. "Shareholder's equity" and "Accumulated other comprehensive income")

As of June 30, 2014 599,500 million yen As of March 31, 2014 589,217 million yen

2. Others

(1) Changes in significant subsidiaries during the period : None

(2) Adoption of the accounting method peculiar to quarterly financial statements : None

(3) Changes in the accounting policies, estimates and retrospective restatements

(i) Changes in the accounting policies with accounting standards revisions : Yes

(ii) Changes other than the above in the accounting policies : None

(iii) Changes in accounting estimates : None

(iv) Retrospective restatements : None

*Other special notes

Not applicable

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I. Summary information (Others)

1. Changes in significant subsidiaries during the period

Not applicable

2. Adoption of the accounting method peculiar to quarterly financial statements

Not applicable

3. Changes in the accounting policies, estimates and retrospective restatement

Changes in accounting policies with accounting standards revisions

Provisions set forth in Paragraph 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, issued on May 17, 2012) and provisions set forth in Paragraph 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on May 17, 2012) were applied from this consolidated accounting period, and regarding calculation method of retirement benefit obligations, the applied discount rate, which had been based on JGB yield matched with the expected average payment term, changed to the weighted average discount rate based on each expected payment term and amount.

The financial effects resulted from this changes were adjusted in Retained earnings at the beginnings of this consolidated accounting period in accordance with provisional treatment set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits.

As a result, ¥1,085 million of Net defined benefit liability increased and ¥698 million of Retained earnings decreased at the beginning of this consolidated accounting period. The impact on Operating income, Ordinary income and Income before income taxes and minority interests are immaterial.

II. Consolidated Financial Statements

1. Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2014	As of June 30, 2014
Assets		
Current assets		
Cash and deposits	593,649	702,775
Cash segregated as deposits	262,820	243,273
Trading products	3,053,662	3,449,464
Trading securities and other	2,901,840	3,276,078
Derivatives	151,822	173,386
Trade date accrual	—	216,070
Margin transaction assets	83,414	64,828
Loans on margin transactions	80,509	62,832
Cash collateral pledged for securities borrowing on margin transactions	2,904	1,995
Loans secured by securities	2,864,875	3,432,513
Cash collateral pledged for securities borrowed	2,864,875	3,416,970
Loans on Gensaki transactions	—	15,543
Cash paid for offering	20,262	11,959
Short-term guarantee deposits	73,301	66,278
Accrued income	15,187	15,669
Deferred tax assets	22,184	17,775
Other	11,936	17,590
Allowance for doubtful accounts	(11)	(3)
Total current assets	7,001,284	8,238,196
Noncurrent assets		
Property and equipment	25,875	25,522
Intangible assets	71,414	72,303
Investments and other assets	106,396	109,048
Investment securities	83,072	85,548
Long-term loans receivable	5,011	5,009
Long-term guarantee deposits	15,301	15,391
Deferred tax assets	210	234
Other	8,539	8,581
Allowance for doubtful accounts	(5,737)	(5,717)
Total noncurrent assets	203,686	206,874
Total assets	7,204,970	8,445,070

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Liabilities		
Current liabilities		
Trading products	1,871,360	2,191,263
Trading securities and other	1,713,083	2,012,752
Derivatives	158,277	178,511
Trade date accrual	49,213	—
Margin transaction liabilities	6,182	9,095
Borrowings on margin transactions	1,519	1,786
Cash received for securities lending on margin transactions	4,662	7,309
Loans payable secured by securities	2,526,101	3,526,073
Cash received on debt credit transaction of securities	1,912,459	2,486,506
Borrowings on Gensaki transaction	613,641	1,039,566
Deposits received	233,783	264,104
Guarantee deposits received	45,604	43,599
Short-term loans payable	1,022,700	953,647
Commercial papers	277,500	293,000
Current portion of bonds payable	14,550	13,000
Income taxes payable	19,011	675
Other	62,734	35,618
Total current liabilities	6,128,743	7,330,078
Noncurrent liabilities		
Bonds payable	274,280	301,179
Long-term loans payable	198,000	198,000
Lease obligations	3,422	3,312
Deferred tax liabilities	6,380	6,980
Net defined benefit liabilities	1,662	2,644
Asset retirement obligations	2,131	2,149
Other	633	652
Total noncurrent liabilities	486,510	514,919
Reserves under the special laws		
Reserve for financial products transaction liabilities	402	474
Total reserves under the special laws	402	474
Total liabilities	6,615,655	7,845,472
Net assets		
Shareholder's equity		
Capital stock	10,000	10,000
Capital surplus	378,395	378,395
Retained earnings	184,727	193,861
Total shareholder's equity	573,122	582,256
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,128	14,031
Foreign currency translation adjustment	3,967	3,214
Remeasurements of defined benefit plans	(1)	(1)
Total accumulated other comprehensive income	16,094	17,244
Minority interests	97	97
Total net assets	589,314	599,598
Total liabilities and net assets	7,204,970	8,445,070

2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Operating revenue		
Commission received	60,085	38,176
Brokerage commissions	13,741	6,815
Underwriting and distribution commissions	7,173	8,611
Flotation and distribution fees	28,370	12,858
Other fees received	10,799	9,890
Net trading income	40,653	27,499
Net trading income on equities	3,980	2,236
Net trading income on bonds/foreign exchanges	36,673	25,263
Financial revenue	7,071	5,593
Other sales	2,710	2,534
Total operating revenue	110,520	73,804
Financial expenses	5,295	4,302
Cost of other sales	2,008	1,839
Net operating revenue	103,215	67,662
Selling, general and administrative expenses		
Trading related expenses	10,178	7,585
Personal expenses	33,281	27,116
Real estate expenses	5,123	5,314
Office cost	4,659	5,440
Depreciation	4,063	4,344
Taxes and dues	861	710
Other	3,188	3,231
Total selling, general and administrative expenses	61,355	53,744
Operating income	41,859	13,918
Non-operating income		
Dividends income	247	260
Equity in earnings of affiliates	281	140
Foreign exchange gains	110	166
Other	141	169
Total non-operating income	781	736
Non-operating expenses		
Interest expenses	32	40
Bond issuance cost	220	22
Other	110	43
Total non-operating expenses	363	105
Ordinary income	42,277	14,549

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Extraordinary income		
Gain on sales of noncurrent assets	60	—
Gain on sales of investment securities	6	—
Gain on sales of stocks of subsidiaries and affiliates	—	21
Total extraordinary income	66	21
Extraordinary loss		
Loss on sales of noncurrent assets	—	0
Loss on retirement of noncurrent assets	13	4
Impairment loss	—	50
Loss on sales of investment securities	—	0
Loss on valuation of investment securities	25	11
Provision of reserve for financial products transaction liabilities	106	72
Total extraordinary loss	145	139
Income before income taxes and minority interests	42,198	14,431
Income taxes - current	7,690	123
Income taxes - deferred	7,735	4,475
Total income taxes	15,425	4,599
Income before minority interests	26,772	9,832
Minority interests in income	(1)	0
Net income	26,774	9,831

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Income before minority interests	26,772	9,832
Other comprehensive income		
Valuation difference on available-for-sale securities	1,667	1,902
Foreign currency translation adjustment	1,634	(625)
Remasurements of defined benefit plans	—	0
Share of other comprehensive income of affiliates accounted for using equity method	14	(127)
Total other comprehensive income	3,316	1,150
Comprehensive income	30,089	10,982
Comprehensive income attributable to:		
Owners of the parent	30,090	10,981
Minority interests	(1)	0

3. Notes on Going Concern Assumption

Not applicable

4. Notes on Significant Changes in Shareholder's Equity

Not applicable

III. Supplementary Information

1. Commission Received

(1) Breakdown by Categories

(Millions of yen, except for percentages)

	Three months ended June 30, 2013	Three months ended June 30, 2014	Increase/(Decrease)	
			Amount	Rate of change
Brokerage commissions	13,741	6,815	(6,925)	(50.4) %
< Equities >	< 13,146 >	< 6,505 >	< (6,641) >	< (50.5) >
< Bonds >	< 14 >	< 15 >	< 1 >	< 10.8 >
< Investment trusts >	< 574 >	< 292 >	< (281) >	< (49.1) >
Underwriting and distribution commissions	7,173	8,611	1,438	20.0
< Equities >	< 3,448 >	< 4,844 >	< 1,396 >	< 40.5 >
< Bonds >	< 3,675 >	< 3,704 >	< 29 >	< 0.8 >
Flotation and distribution fees	28,370	12,858	(15,512)	(54.7)
< Investment trusts >	< 27,732 >	< 12,121 >	< (15,611) >	< (56.3) >
Other fees received	10,799	9,890	(909)	(8.4)
< Investment trusts >	< 7,281 >	< 7,404 >	< 123 >	< 1.7 >
Total	60,085	38,176	(21,909)	(36.5)

(2) Breakdown by Products

(Millions of yen, except for percentages)

	Three months ended June 30, 2013	Three months ended June 30, 2014	Increase/(Decrease)	
			Amount	Rate of change
Equities	16,925	11,742	(5,182)	(30.6) %
Bonds	4,417	4,382	(34)	(0.8)
Investment trusts	35,588	19,818	(15,769)	(44.3)
Other	3,154	2,232	(922)	(29.2)
Total	60,085	38,176	(21,909)	(36.5)

2. Net Trading Income

(Millions of yen, except for percentages)

	Three months ended June 30, 2013	Three months ended June 30, 2014	Increase/(Decrease)	
			Amount	Rate of change
Net trading income on equities	3,980	2,236	(1,744)	(43.8) %
Net trading income on bonds/foreign exchanges	36,673	25,263	(11,409)	(31.1)
< Bonds, etc. >	< 29,752 >	< 18,591 >	< (11,161) >	< (37.5) >
< Foreign exchanges, etc. >	< 6,920 >	< 6,672 >	< (248) >	< (3.6) >
Total	40,653	27,499	(13,153)	(32.4)

3. Quarterly Consolidated Statements of Income

(Millions of yen)

	FY2013 1Q (April 1 to June 30, 2013)	FY2013 2Q (July 1 to September 30, 2013)	FY2013 3Q (October 1 to December 31, 2013)	FY2013 4Q (January 1 to March 31, 2014)	FY2014 1Q (April 1 to June 30, 2014)
Operating revenue					
Commission received	60,085	44,004	45,028	41,226	38,176
Brokerage commissions	13,741	9,554	13,955	8,484	6,815
< Equities >	< 13,146 >	< 9,100 >	< 13,336 >	< 8,017 >	< 6,505 >
Underwriting and distribution commissions	7,173	7,611	9,923	9,842	8,611
< Equities >	< 3,448 >	< 4,702 >	< 7,149 >	< 7,261 >	< 4,844 >
< Bonds >	< 3,675 >	< 2,895 >	< 2,709 >	< 2,581 >	< 3,704 >
Flotation and distribution fees	28,370	15,490	11,172	10,450	12,858
< Investment trusts >	< 27,732 >	< 14,549 >	< 9,844 >	< 9,886 >	< 12,121 >
Other fees received	10,799	11,348	9,977	12,448	9,890
< Investment trusts >	< 7,281 >	< 7,261 >	< 7,529 >	< 7,287 >	< 7,404 >
Net trading income	40,653	29,303	30,449	26,448	27,499
Net trading income on equities	3,980	497	4,022	2,945	2,236
Net trading income on bonds/foreign exchanges	36,673	28,806	26,427	23,502	25,263
< Bonds, etc. >	< 29,752 >	< 26,336 >	< 34,512 >	< 17,682 >	< 18,591 >
< Foreign exchanges, etc. >	< 6,920 >	< 2,470 >	< (8,084) >	< 5,820 >	< 6,672 >
Financial revenue	7,071	6,695	5,341	4,612	5,593
Other sales	2,710	2,611	2,692	2,823	2,534
Total operating revenue	110,520	82,614	83,512	75,110	73,804
Financial expenses	5,295	3,203	4,569	2,920	4,302
Cost of other sales	2,008	2,008	2,277	1,474	1,839
Net operating revenue	103,215	77,402	76,664	70,715	67,662
Selling, general and administrative expenses					
Trading related expenses	10,178	9,168	10,119	10,464	7,585
Personal expenses	33,281	27,498	27,470	26,205	27,116
Real estate expenses	5,123	5,184	4,878	5,187	5,314
Office cost	4,659	5,233	5,174	5,883	5,440
Depreciation	4,063	4,117	4,193	4,317	4,344
Taxes and dues	861	623	681	420	710
Other	3,188	2,980	3,106	3,577	3,231
Total selling, general and administrative expenses	61,355	54,806	55,625	56,055	53,744
Operating income	41,859	22,596	21,039	14,660	13,918
Non-operating income	781	660	307	1,358	736
Non-operating expenses	363	233	191	356	105
Ordinary income	42,277	23,023	21,155	15,661	14,549
Extraordinary income	66	1	—	37	21
Extraordinary loss	145	167	118	129	139
Income before income taxes and minority interests	42,198	22,856	21,036	15,569	14,431
Income taxes - current	7,690	5,667	6,063	1,534	123
Income taxes - deferred	7,735	2,725	1,788	3,770	4,475
Income before minority interests	26,772	14,464	13,184	10,263	9,832
Minority interests in income (loss)	(1)	6	3	5	0
Net income	26,774	14,457	13,181	10,257	9,831

IV. Non-consolidated Financial Statements

1. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Assets		
Current assets		
Cash and deposits	508,556	611,000
Cash segregated as deposits	262,797	243,251
Trading products	3,053,662	3,449,464
Trading securities and other	2,901,840	3,276,078
Derivatives	151,822	173,386
Trade date accrual	—	216,070
Margin transaction assets	83,414	64,828
Loans on margin transactions	80,509	62,832
Cash collateral pledged for securities borrowing on margin transactions	2,904	1,995
Loans secured by securities	2,864,875	3,432,513
Cash collateral pledged for securities borrowed	2,864,875	3,416,970
Loans on Gensaki transactions	—	15,543
Cash paid for offering	20,262	11,959
Short-term guarantee deposits	73,301	66,278
Short-term loans receivable	29,513	32,577
Accrued income	14,255	14,371
Deferred tax assets	20,118	16,153
Other	6,325	14,011
Allowance for doubtful accounts	(11)	(3)
Total current assets	6,937,073	8,172,479
Noncurrent assets		
Property and equipment	6,794	6,738
Intangible assets	32,301	31,185
Investments and other assets	149,407	151,779
Investment securities	59,597	62,370
Stocks of subsidiaries and affiliates	60,063	59,528
Long-term loans receivable	13,609	13,608
Long-term guarantee deposits	14,733	14,833
Other	7,076	7,094
Allowance for doubtful accounts	(5,672)	(5,656)
Total noncurrent assets	188,503	189,702
Total assets	7,125,577	8,362,182

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Liabilities		
Current liabilities		
Trading products	1,871,360	2,191,263
Trading securities and other	1,713,083	2,012,752
Derivatives	158,277	178,511
Trade date accrual	49,272	—
Margin transaction liabilities	6,182	9,095
Borrowings on margin transactions	1,519	1,786
Cash received for securities lending on margin transactions	4,662	7,309
Loans payable secured by securities	2,526,101	3,526,073
Cash received on debt credit transaction of securities	1,912,459	2,486,506
Borrowings on Gensaki transaction	613,641	1,039,566
Deposits received	181,338	204,100
Guarantee deposits received	45,604	43,599
Short-term loans payable	1,033,000	963,800
Commercial papers	277,500	293,000
Current portion of bonds payable	14,550	13,000
Income taxes payable	16,598	267
Other	47,356	23,230
Total current liabilities	6,068,865	7,267,431
Noncurrent liabilities		
Bonds payable	274,280	301,179
Long-term loans payable	198,000	198,000
Lease obligations	124	169
Deferred tax liabilities	5,780	6,380
Provision for retirement benefits	1,330	2,292
Asset retirement obligations	1,932	1,979
Other	356	356
Total noncurrent liabilities	481,804	510,358
Reserves under the special laws		
Reserve for financial products transaction liabilities	402	474
Total reserves under the special laws	402	474
Total liabilities	6,551,071	7,778,263
Net assets		
Shareholder's equity		
Capital stock	10,000	10,000
Capital surplus	378,395	378,395
Other capital surplus	378,395	378,395
Retained earnings	173,310	180,831
Other retained earnings	173,310	180,831
Retained earnings brought forward	173,310	180,831
Total shareholder's equity	561,705	569,226
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	12,799	14,691
Total valuation and translation adjustments	12,799	14,691
Total net assets	574,505	583,918
Total liabilities and net assets	7,125,577	8,362,182

2. Non-consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Operating revenue		
Commission received	58,718	36,395
Brokerage commissions	13,329	6,300
Underwriting and distribution commissions	7,173	8,611
Flotation and distribution fees	28,337	12,628
Other fees received	9,877	8,854
Net trading income	40,653	27,499
Net trading income on equities	3,980	2,236
Net trading income on bonds/foreign exchanges	36,673	25,263
Financial revenue	6,742	5,295
Total operating revenue	106,114	69,191
Financial expenses	4,982	4,031
Net operating revenue	101,131	65,159
Selling, general and administrative expenses		
Trading related expenses	10,163	7,665
Personal expenses	30,469	24,331
Real estate expenses	4,667	4,759
Office cost	9,426	11,136
Depreciation	1,710	1,612
Taxes and dues	737	591
Other	2,957	2,872
Total selling, general and administrative expenses	60,131	52,970
Operating income	40,999	12,189
Non-operating income		
Dividends income	205	227
Other	129	120
Total non-operating income	334	348
Non-operating expenses		
Bond issuance cost	220	22
Other	43	25
Total non-operating expenses	263	47
Ordinary income	41,070	12,490

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Extraordinary income		
Gain on sales of investment securities	6	—
Total extraordinary income	6	—
Extraordinary loss		
Loss on sales of noncurrent assets	—	0
Loss on retirement of noncurrent assets	11	4
Impairment loss	—	50
Loss on sales of investment securities	—	0
Loss on sales of stocks of subsidiaries and affiliates	—	67
Loss on valuation of investment securities	25	11
Provision of reserve for financial products transaction liabilities	106	72
Total extraordinary loss	143	206
Income before income taxes	40,933	12,283
Income taxes - current	6,967	19
Income taxes - deferred	7,955	4,052
Total income taxes	14,922	4,071
Net income	26,011	8,212

3. Capital Adequacy Ratio on a stand-alone basis

(Millions of yen)

		As of March 31, 2014	As of June 30, 2014	
Basic items	(A)	561,705	569,226	
Supplementary items	Valuation difference on available-for-sale securities, etc.	12,799	14,691	
	Reserves under the special laws	402	474	
	Allowance for doubtful accounts	11	3	
	Short-term subordinated debt	80,000	80,000	
Total		(B)	93,212	95,169
Deductible assets	(C)	143,744	143,069	
Net capital	(A) + (B) - (C)	(D)	511,173	521,326
Risk items	Market Risk	36,065	42,784	
	Counterparty Risk	14,816	16,641	
	Basic Risk	55,085	56,803	
Total		(E)	105,966	116,228
Capital adequacy ratio	(D) / (E)*100	482.3%	448.5%	

4. Quarterly Non-consolidated Statements of Income

	FY2013 1Q (April 1 to June 30, 2013)	FY2013 2Q (July 1 to September 30, 2013)	FY2013 3Q (October 1 to December 31, 2013)	FY2013 4Q (January 1 to March 31, 2014)	FY2014 1Q (April 1 to June 30, 2014)
Operating revenue					
Commission received	58,718	42,208	43,374	39,768	36,395
Brokerage commissions	13,329	9,132	13,431	8,054	6,300
< Equities >	< 12,735 >	< 8,679 >	< 12,813 >	< 7,586 >	< 5,990 >
Underwriting and distribution commissions	7,173	7,611	9,921	9,841	8,611
< Equities >	< 3,448 >	< 4,702 >	< 7,149 >	< 7,261 >	< 4,844 >
< Bonds >	< 3,675 >	< 2,895 >	< 2,708 >	< 2,580 >	< 3,704 >
Flotation and distribution fees	28,337	15,025	11,120	10,438	12,628
< Investment trusts >	< 27,732 >	< 14,549 >	< 9,844 >	< 9,886 >	< 12,121 >
Other fees received	9,877	10,439	8,900	11,434	8,854
< Investment trusts >	< 6,651 >	< 6,614 >	< 6,792 >	< 6,597 >	< 6,680 >
Net trading income	40,653	29,303	30,449	26,448	27,499
Net trading income on equities	3,980	497	4,022	2,945	2,236
Net trading income on bonds/foreign exchanges	36,673	28,806	26,427	23,502	25,263
< Bonds, etc. >	< 29,752 >	< 26,336 >	< 34,512 >	< 17,682 >	< 18,591 >
< Foreign exchanges, etc. >	< 6,920 >	< 2,470 >	< (8,084) >	< 5,820 >	< 6,672 >
Financial revenue	6,742	6,409	4,970	4,382	5,295
Total operating revenue	106,114	77,921	78,794	70,599	69,191
Financial expenses	4,982	2,937	4,224	2,714	4,031
Net operating revenue	101,131	74,984	74,569	67,885	65,159
Selling, general and administrative expenses					
Trading related expenses	10,163	9,220	10,162	10,489	7,665
Personal expenses	30,469	25,074	24,744	23,259	24,331
Real estate expenses	4,667	4,703	4,366	4,574	4,759
Office cost	9,426	10,061	10,064	10,122	11,136
Depreciation	1,710	1,698	1,644	1,632	1,612
Taxes and dues	737	521	544	319	591
Other	2,957	2,758	2,836	2,963	2,872
Total selling, general and administrative expenses	60,131	54,039	54,362	53,361	52,970
Operating income	40,999	20,944	20,207	14,523	12,189
Non-operating income	334	474	122	614	348
Non-operating expenses	263	172	285	310	47
Ordinary income	41,070	21,245	20,044	14,827	12,490
Extraordinary income	6	1	—	37	—
Extraordinary loss	143	328	(32)	171	206
Income before income taxes	40,933	20,919	20,076	14,694	12,283
Income taxes - current	6,967	4,978	5,531	727	19
Income taxes - deferred	7,955	2,875	1,867	4,258	4,052
Net income	26,011	13,065	12,678	9,708	8,212