



Date: October 30, 2017

SMBC NIKKO SECURITIES INC.

URL: <http://www.smbcnikko.co.jp/en/index.html>

Consolidated Financial Results for the Six Months ended September 30, 2017 (JGAAP)

(Amounts less than one million yen are omitted.)

1. Overall business performance for the Six Months September 30, 2017

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

Six months ended	Operating revenue		Net operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2017	183,027	12.2	164,880	10.6	40,108	35.6	41,898	33.0	28,857	31.0
September 30, 2016	163,084	(6.9)	149,107	(8.2)	29,572	(22.1)	31,501	(22.3)	22,031	(25.3)

Note : Comprehensive income September 30, 2017 31,968million yen <246.7%> Septemeber 30, 2016 9,222million yen <(67.0%)>

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2017	12,433,293	564,387	4.5
March 31, 2017	11,687,428	544,248	4.7

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

As of September 30, 2017 564,234 million yen As of March 31, 2017 544,096 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 : None

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

(iii) Changes in accounting estimates : None

(iv) Retrospective restatements : None

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I. Summary information (Notes)

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

Not applicable

4. Additional information

Adoption of the Consolidated Taxation System

Effective from the first quarter, SMBC Nikko and some of its consolidated domestic subsidiaries have adopted the Consolidated Taxation System as a consolidated entity of Sumitomo Mitsui Financial Group, Inc.

II. Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	1,357,486	923,426
Cash segregated as deposits	357,453	419,836
Trading products	4,058,321	3,855,522
Trading securities and other	3,487,348	3,353,349
Derivatives	570,972	502,172
Trade date accrual	—	238,794
Margin transaction assets	112,440	131,140
Loans on margin transactions	73,522	95,740
Cash collateral pledged for securities borrowing on margin transactions	38,918	35,400
Loans secured by securities	5,233,175	6,297,347
Cash collateral pledged for securities borrowed	5,162,722	6,128,429
Loans on Gensaki transactions	70,453	168,917
Short-term guarantee deposits	237,136	217,473
Accrued income	21,263	22,886
Deferred tax assets	15,798	6,999
Other	36,043	57,810
Allowance for doubtful accounts	(3)	(10)
Total current assets	11,429,116	12,171,228
Noncurrent assets		
Property and equipment	25,366	24,767
Intangible assets	78,493	76,365
Investments and other assets	154,451	160,931
Investment securities	129,688	135,178
Long-term loans receivable	4,951	4,955
Long-term guarantee deposits	14,977	15,865
Deferred tax assets	210	218
Other	6,232	6,218
Allowance for doubtful accounts	(1,608)	(1,505)
Total noncurrent assets	258,312	262,064
Total assets	11,687,428	12,433,293

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
Trading products	2,571,544	2,662,855
Trading securities and other	1,993,135	2,132,670
Derivatives	578,409	530,185
Trade date accrual	217,811	—
Margin transaction liabilities	17,435	20,155
Borrowings on margin transactions	473	1,164
Cash received for securities lending on margin transactions	16,962	18,990
Loans payable secured by securities	5,444,149	6,511,506
Cash received on debt credit transaction of securities	4,279,411	5,535,705
Borrowings on Gensaki transaction	1,164,738	975,801
Deposits received	394,904	479,791
Guarantee deposits received	89,921	107,307
Short-term loans payable	1,284,182	1,021,200
Current portion of long-term loans payable	2,050	102,050
Commercial papers	152,200	101,200
Current portion of bonds payable	74,973	82,617
Income taxes payable	21,206	3,389
Other	84,568	52,670
Total current liabilities	10,354,949	11,144,744
Noncurrent liabilities		
Bonds payable	520,385	553,180
Long-term loans payable	250,600	152,000
Lease obligations	3,669	3,402
Deferred tax liabilities	6,724	8,396
Net defined benefit liabilities	2,681	2,827
Asset retirement obligations	2,229	2,148
Other	481	438
Total noncurrent liabilities	786,771	722,395
Reserves under the special laws		
Reserve for financial products transaction liabilities	1,459	1,764
Total reserves under the special laws	1,459	1,764
Total liabilities	11,143,179	11,868,905
Net assets		
Shareholder's equity		
Capital stock	10,000	10,000
Capital surplus	378,395	378,395
Retained earnings	137,826	154,854
Total shareholder's equity	526,221	543,249
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15,708	18,980
Deferred gains or losses on hedges	(24)	5
Foreign currency translation adjustment	2,195	2,007
Remeasurements of defined benefit plans	(4)	(8)
Total accumulated other comprehensive income	17,875	20,984
Non-controlling interests	151	153
Total net assets	544,248	564,387
Total liabilities and net assets	11,687,428	12,433,293

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

Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Operating revenue		
Commission received	77,917	85,222
Brokerage commissions	14,143	17,987
Underwriting and distribution commissions	19,700	12,480
Flotation and distribution fees	16,722	20,961
Other fees received	27,351	33,793
Net trading income	64,051	72,778
Financial revenue	13,897	20,588
Other sales	7,217	4,436
Total operating revenue	163,084	183,027
Financial expenses	8,754	14,232
Cost of other sales	5,222	3,914
Net operating revenue	149,107	164,880
Selling, general and administrative expenses		
Trading related expenses	19,425	19,273
Personnel expenses	55,909	59,829
Real estate expenses	10,563	10,932
Office cost	12,125	13,264
Depreciation	11,841	12,066
Taxes and dues	2,487	2,292
Other	7,182	7,112
Total selling, general and administrative expenses	119,534	124,771
Operating income	29,572	40,108
Non-operating income		
Dividends income	769	816
Equity in earnings of affiliates	1,005	889
Foreign exchange gains	331	280
Other	240	184
Total non-operating income	2,347	2,169
Non-operating expenses		
Interest expenses	79	74
Bond issuance cost	92	126
Loss on disposal of noncurrent assets	118	45
Other	128	133
Total non-operating expenses	419	380
Ordinary income	31,501	41,898

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Extraordinary income		
Total extraordinary income	—	—
Extraordinary loss		
Impairment loss	27	122
Loss on valuation of investment securities	112	—
Provision of reserve for financial products transaction liabilities	58	305
Integration related costs	—	462
Total extraordinary loss	198	890
Income before income taxes and non-controlling interests	31,302	41,008
Income taxes - current	5,857	3,179
Income taxes - deferred	3,401	8,968
Total income taxes	9,259	12,148
Profit	22,043	28,859
Profit attributable to non-controlling interests	11	1
Profit attributable to owners of parent	22,031	28,857

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit	22,043	28,859
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,063)	3,259
Foreign currency translation adjustment	(3,926)	1,896
Share of other comprehensive income of affiliates accounted for using equity method	(7,831)	(2,045)
Total other comprehensive income	(12,821)	3,109
Comprehensive income	9,222	31,968
Comprehensive income attributable to:		
Owners of parent	9,210	31,967
Non-controlling interests	11	1

3. Notes on Going Concern Assumption

Not applicable

4. Notes on Significant Changes in Shareholder's Equity

Appropriation of surplus was resolved at the ordinary general meeting of shareholders held on June 26, 2017. As a result, retained earnings decreased by 11,830 million yen in the six months ended September 30, 2017, and outstanding amount of retained earnings at the end of second quarter of the period was 154,854 million yen.

• Dividends information

- (1) Total amount of dividends: 11,830 million yen (Dividends per share is an amount derived by dividing the total amount of dividends by the total number of issued shares(200,001 shares))
- (2) Effective date: June 30, 2017
- (3) Dividend resource: Retained earnings

III. Supplementary Information

1. Commission Received

(1) Breakdown by Categories

(Millions of yen, except for percentages)

	Six months ended September 30, 2016	Six months ended September 30, 2017	Increase/(Decrease)	
			Amount	Rate of change
Brokerage commissions	14,143	17,987	3,843	27.2 %
< Equities >	< 12,963 >	< 17,200 >	< 4,236 >	< 32.7 >
< Bonds >	< 171 >	< 55 >	< (115) >	< (67.5) >
< Investment trusts >	< 942 >	< 658 >	< (283) >	< (30.1) >
Underwriting and distribution commissions	19,700	12,480	(7,219)	(36.6)
< Equities >	< 7,789 >	< 5,528 >	< (2,261) >	< (29.0) >
< Bonds >	< 11,652 >	< 6,635 >	< (5,016) >	< (43.1) >
Flotation and distribution fees	16,722	20,961	4,239	25.4
< Investment trusts >	< 14,880 >	< 19,571 >	< 4,690 >	< 31.5 >
Other fees received	27,351	33,793	6,441	23.6
Total	77,917	85,222	7,304	9.4

(2) Breakdown by Products

(Millions of yen, except for percentages)

	Six months ended September 30, 2016	Six months ended September 30, 2017	Increase/(Decrease)	
			Amount	Rate of change
Equities	21,137	23,034	1,897	9.0 %
Bonds	14,423	9,163	(5,260)	(36.5)
Investment trusts	29,931	36,304	6,373	21.3
Other	12,425	16,719	4,294	34.6
Total	77,917	85,222	7,304	9.4

2. Net Trading Income

(Millions of yen, except for percentages)

	Six months ended September 30, 2016	Six months ended September 30, 2017	Increase/(Decrease)	
			Amount	Rate of change
Net trading income on equities	4,474	14,138	9,664	216.0 %
Net trading income on bonds and others	59,577	58,640	(937)	(1.6)
Total	64,051	72,778	8,727	13.6

3. Quarterly Consolidated Statements of Income

(Millions of yen)

	FY2016 2Q (July 1 to September 30, 2016)	FY2016 3Q (October 1 to December 31, 2016)	FY2016 4Q (January 1 to March 31, 2017)	FY2017 1Q (April 1 to June 30, 2017)	FY2017 2Q (July 1 to September 30, 2017)
Operating revenue					
Commission received	42,582	40,261	58,983	41,726	43,495
Brokerage commissions	6,753	10,167	9,136	9,165	8,821
< Equities >	< 6,302 >	< 9,452 >	< 8,773 >	< 8,693 >	< 8,506 >
Underwriting and distribution commissions	12,182	6,237	18,061	5,659	6,820
< Equities >	< 4,920 >	< 3,182 >	< 13,625 >	< 1,619 >	< 3,908 >
< Bonds >	< 7,109 >	< 2,889 >	< 4,316 >	< 3,892 >	< 2,742 >
Flotation and distribution fees	9,192	8,854	14,687	10,656	10,304
< Investment trusts >	< 8,151 >	< 7,889 >	< 12,839 >	< 10,052 >	< 9,518 >
Other fees received	14,452	15,002	17,098	16,243	17,549
Net trading income	27,294	35,706	35,621	38,008	34,770
Financial revenue	8,511	7,633	10,731	9,600	10,988
Other sales	3,683	3,696	5,512	2,148	2,288
Total operating revenue	82,070	87,298	110,849	91,483	91,543
Financial expenses	4,101	6,269	6,506	7,462	6,769
Cost of other sales	2,547	2,943	4,767	1,856	2,057
Net operating revenue	75,422	78,085	99,576	82,164	82,716
Selling, general and administrative expenses					
Trading related expenses	10,589	10,364	13,827	9,380	9,893
Personnel expenses	28,193	28,813	32,109	29,583	30,245
Real estate expenses	5,158	5,133	5,601	5,552	5,379
Office cost	6,060	6,220	6,809	6,640	6,624
Depreciation	5,996	5,993	6,010	5,979	6,087
Taxes and dues	1,170	1,311	1,419	1,563	728
Other	3,551	3,763	4,052	3,653	3,459
Total selling, general and administrative expenses	60,720	61,599	69,830	62,353	62,418
Operating income	14,701	16,485	29,745	19,811	20,297
Non-operating income	1,300	822	1,854	1,344	825
Non-operating expenses	251	112	231	194	185
Ordinary income	15,750	17,195	31,368	20,960	20,938
Extraordinary income	—	—	—	—	—
Extraordinary loss	(298)	11,277	2,103	372	517
Income before income taxes and non-controlling interests	16,049	5,917	29,265	20,587	20,420
Income taxes - current	5,272	6,945	11,659	5,909	(2,729)
Income taxes - deferred	(512)	(5,312)	(3,024)	184	8,784
Profit	11,289	4,285	20,630	14,493	14,365
Profit attributable to non-controlling interests	8	5	(1)	2	(0)
Profit attributable to owners of parent	11,281	4,279	20,631	14,491	14,365

IV. Non-consolidated Financial Statements

1. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	1,231,433	803,209
Cash segregated as deposits	357,430	419,814
Trading products	4,058,321	3,855,522
Trading securities and other	3,487,348	3,353,349
Derivatives	570,972	502,172
Trade date accrual	—	238,794
Margin transaction assets	112,440	131,140
Loans on margin transactions	73,522	95,740
Cash collateral pledged for securities borrowing on margin transactions	38,918	35,400
Loans secured by securities	5,233,175	6,297,347
Cash collateral pledged for securities borrowed	5,162,722	6,128,429
Loans on Gensaki transactions	70,453	168,917
Short-term guarantee deposits	237,136	217,473
Short-term loans receivable	40,399	41,047
Accrued income	19,611	21,179
Deferred tax assets	12,166	4,041
Other	28,049	47,969
Allowance for doubtful accounts	(3)	(10)
Total current assets	11,330,161	12,077,530
Noncurrent assets		
Property and equipment	5,915	5,952
Intangible assets	20,729	18,935
Investments and other assets	180,131	186,699
Investment securities	64,473	69,855
Stocks of subsidiaries and affiliates	94,372	94,372
Long-term loans receivable	4,936	4,941
Long-term guarantee deposits	14,194	15,046
Other	3,709	3,930
Allowance for doubtful accounts	(1,556)	(1,446)
Total noncurrent assets	206,776	211,587
Total assets	11,536,937	12,289,118

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
Trading products	2,571,544	2,662,855
Trading securities and other	1,993,135	2,132,670
Derivatives	578,409	530,185
Trade date accrual	217,811	—
Margin transaction liabilities	17,435	20,155
Borrowings on margin transactions	473	1,164
Cash received for securities lending on margin transactions	16,962	18,990
Loans payable secured by securities	5,444,149	6,511,506
Cash received on debt credit transaction of securities	4,279,411	5,535,705
Borrowings on Gensaki transaction	1,164,738	975,801
Deposits received	299,819	391,856
Guarantee deposits received	89,921	107,307
Short-term loans payable	1,288,600	1,026,200
Current portion of long-term loans payable	2,050	102,050
Commercial papers	152,200	101,200
Current portion of bonds payable	74,973	82,617
Income taxes payable	20,385	2,398
Other	62,637	32,517
Total current liabilities	10,241,530	11,040,665
Noncurrent liabilities		
Bonds payable	520,385	553,180
Long-term loans payable	250,600	152,000
Lease obligations	318	467
Deferred tax liabilities	5,329	6,820
Provision for retirement benefits	2,374	2,509
Asset retirement obligations	1,982	1,897
Other	320	237
Total noncurrent liabilities	781,310	717,113
Reserves under the special laws		
Reserve for financial products transaction liabilities	1,459	1,764
Total reserves under the special laws	1,459	1,764
Total liabilities	11,024,299	11,759,543
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	107,727	121,447
Legal retained earnings	2,500	2,500
Other retained earnings	105,227	118,947
Retained earnings brought forward	105,227	118,947
Total shareholder's equity	496,122	509,842
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	16,515	19,731
Total valuation and translation adjustments	16,515	19,731
Total net assets	512,638	529,574
Total liabilities and net assets	11,536,937	12,289,118

2. Non-consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Operating revenue		
Commission received	73,467	79,981
Brokerage commissions	12,761	16,598
Underwriting and distribution commissions	19,700	12,480
Flotation and distribution fees	16,637	20,876
Other fees received	24,368	30,026
Net trading income	64,051	72,777
Financial revenue	13,577	20,174
Total operating revenue	151,096	172,933
Financial expenses	8,522	13,925
Net operating revenue	142,574	159,008
Selling, general and administrative expenses		
Trading related expenses	18,387	17,889
Personnel expenses	50,277	54,041
Real estate expenses	9,428	9,692
Office cost	26,595	28,356
Depreciation	3,317	3,565
Taxes and dues	2,217	2,039
Other	6,638	6,583
Total selling, general and administrative expenses	116,862	122,168
Operating income	25,712	36,840
Non-operating income		
Dividends income	764	811
Other	181	133
Total non-operating income	946	945
Non-operating expenses		
Bond issuance cost	92	126
Other	66	82
Total non-operating expenses	158	208
Ordinary income	26,499	37,577

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Extraordinary income		
Total extraordinary income	—	—
Extraordinary loss		
Impairment loss	27	122
Loss on valuation of investment securities	112	—
Provision of reserve for financial products transaction liabilities	58	305
Integration related costs	—	462
Total extraordinary loss	198	890
Income before income taxes	26,301	36,686
Income taxes - current	5,379	2,982
Income taxes - deferred	2,743	8,154
Total income taxes	8,122	11,136
Profit	18,179	25,549

3. Capital Adequacy Ratio on a stand-alone basis

(Millions of yen)

		As of March 31, 2017	As of September 30, 2017
Basic items	(A)	496,122	509,842
Supplementary items	Valuation difference on available-for-sale securities and others	16,515	19,731
	Reserve for financial products transaction liabilities	1,459	1,764
	Allowance for doubtful accounts	3	2
	Short-term subordinated debt	100,000	100,000
Total		(B) 117,977	121,498
Deductible assets	(C)	158,665	158,574
Net capital	(A) + (B) - (C) (D)	455,435	472,766
Risk items	Market Risk	57,100	60,146
	Counterparty Risk	21,316	20,391
	Basic Risk	59,251	63,534
Total		(E) 137,668	144,072
Capital adequacy ratio	(D) / (E)*100	330.8%	328.1%

4. Quarterly Non-consolidated Statements of Income

(Millions of yen)

	FY2016 2Q (July 1 to September 30, 2016)	FY2016 3Q (October 1 to December 31, 2016)	FY2016 4Q (January 1 to March 31, 2017)	FY2017 1Q (April 1 to June 30, 2017)	FY2017 2Q (July 1 to September 30, 2017)
Operating revenue					
Commission received	40,334	37,326	56,737	39,243	40,737
Brokerage commissions	6,081	9,155	8,606	8,449	8,149
< Equities >	< 5,629 >	< 8,440 >	< 8,243 >	< 7,975 >	< 7,833 >
Underwriting and distribution commissions	12,182	6,237	18,061	5,659	6,820
< Equities >	< 4,920 >	< 3,182 >	< 13,625 >	< 1,619 >	< 3,908 >
< Bonds >	< 7,109 >	< 2,889 >	< 4,316 >	< 3,892 >	< 2,742 >
Flotation and distribution fees	9,178	8,834	14,633	10,594	10,281
< Investment trusts >	< 8,151 >	< 7,889 >	< 12,839 >	< 10,052 >	< 9,518 >
Other fees received	12,892	13,098	15,435	14,540	15,485
Net trading income	27,294	35,706	35,619	38,006	34,770
Financial revenue	8,349	7,416	10,556	9,401	10,773
Total operating revenue	75,977	80,448	102,913	86,651	86,282
Financial expenses	3,987	6,123	6,342	7,315	6,609
Net operating revenue	71,990	74,325	96,570	79,336	79,672
Selling, general and administrative expenses					
Trading related expenses	9,995	9,771	14,341	8,704	9,184
Personal expenses	25,414	25,706	29,195	26,745	27,295
Real estate expenses	4,587	4,460	4,879	4,939	4,753
Office cost	13,190	12,976	13,401	14,267	14,088
Depreciation	1,668	1,685	1,729	1,753	1,811
Taxes and dues	1,043	1,190	1,288	1,369	669
Other	3,199	3,415	3,512	3,408	3,174
Total selling, general and administrative expenses	59,099	59,207	68,349	61,189	60,978
Operating income	12,890	15,118	28,221	18,146	18,693
Non-operating income	582	82	910	312	632
Non-operating expenses	70	85	195	111	97
Ordinary income	13,402	15,115	28,937	18,348	19,228
Extraordinary income	—	—	—	—	—
Extraordinary loss	(302)	11,277	1,926	372	517
Income before income taxes	13,704	3,837	27,010	17,975	18,710
Income taxes - current	4,957	6,891	11,392	5,460	(2,478)
Income taxes - deferred	(723)	(5,682)	(3,008)	—	8,154
Profit	9,470	2,628	18,625	12,515	13,034