

Earnings Announcement for First Quarter of FY2012 ending March 31, 2013 (JGAAP)

SMBC Nikko Securities Inc.

JULY 27, 2012



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The information contained in this document is based on data available as of July 27th, 2012 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 27th, 2012) 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 the 1Q of FY ending Mar. 2013

■ **Net operating revenue ¥ 55.2 B (-1% Y on Y, -15% Q on Q), Ordinary income ¥ 9.8 B (-3%, -37%), Net income ¥ 3.9 B (-1%, -62%).**

■ Aggregate sales of products was ¥ 1.6 trillion (-11% Y on Y, -3% Q on Q) comparable to the previous quarter.

Trading income was ¥ 27.1 B (+30%, +13%), underpinning the company's revenue for this quarter with a strong sales of bonds denominated in foreign currencies under the global monetary relaxation and the appreciation of the yen triggered by the resurgent euro uncertainty.

Nikko JF Asia Discovery Fund marked the sales amount of ¥ 170.1 B

Jun. 2012 distributed JGB for retail customers (Reconstruction Bonds/Reconstruction Supporters' Bonds) amounted to ¥ 180.7 B.

■ League table rankings for Apr.2012-Jun.2012:

the 5th place(*1) in Global Equity & Equity-Related-Japan,

the 5th place(*2) in All Bonds in Yen,

the 5th places(*3) in M&A announced deals in terms of both values and number of deals

■ **SG&A was ¥ 45.8 B (+0%, -8%).**

■ As of the end of June 2012, total assets was ¥ 8.7 trillion, net assets was ¥ 458.9 B, capital adequacy ratio (on a stand-alone basis) was 511%, representing a sound financial base of the company.

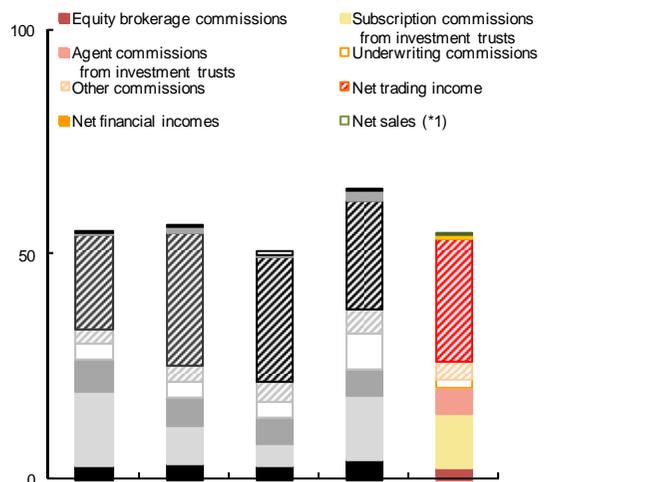
Billions of Yen	FY2011		FY2012	Q on Q (%)	Y on Y (%)
	1Q	4Q	1Q		
Operating revenue	61.1	70.5	60.5	-14%	-1%
Net operating revenue	55.5	65.0	55.2	-15%	-1%
SG&A	45.7	49.6	45.8	-8%	+0%
Ordinary income / loss	10.1	15.7	9.8	-37%	-3%
Income before tax	9.0	16.9	7.0	-58%	-23%
Net income / loss	4.0	10.3	3.9	-62%	-1%
	Jun.-end '11	Mar.-end '12	Jun.-end '12	Q on Q	Y on Y
Total assets (Trillions of yen)	7.1	8.2	8.7	+0.4	+1.5
Total net assets (Billions of yen)	443.1	458.6	458.9	+0.2	+15.8

Net operating revenue / Product sales

- ◇ Net operating revenue for this quarter was ¥ 55.2 B (-15% Q on Q). Trading income was ¥ 27.1 B (+13%) holding high performance, yet incomes on equity brokerage, investment trust subscription and underwriting declined. Aggregate sales of products was ¥ 1.6 trillion (-3%) comparable to the previous quarter.
- ◇ Y on Y, net operating revenue turned out to be down 1%, with trading incomes up 30% covering a dent in income on investment trusts according to their dropped subscriptions.

Net operating revenue

(Billions of yen)

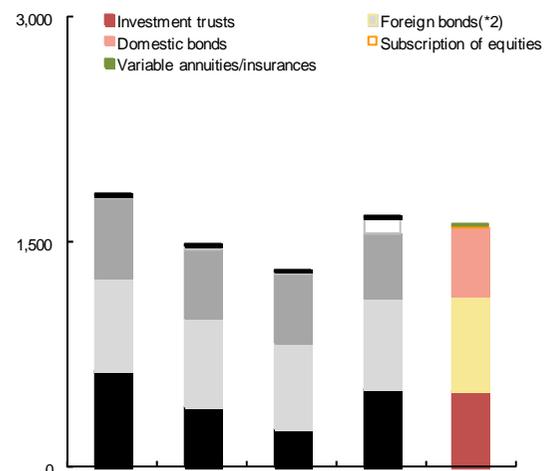


	FY2011 1Q	2Q	3Q	4Q	FY2012 1Q	Q on Q %	Y on Y %
Equity brokerage commissions	2.9	3.4	2.7	4.3	2.6	-38%	-9%
Subscription commissions from investment trusts	16.7	8.3	5.3	14.4	11.8	-18%	-29%
Agent commissions from investment trusts	7.1	6.5	5.7	5.9	5.6	-4%	-21%
Underwriting commissions	3.3	3.6	3.7	7.9	2.3	-71%	-30%
Other commissions	3.4	3.5	4.3	5.5	4.0	-26%	+20%
Net trading income	20.9	29.5	27.7	24.0	27.1	+13%	+30%
Net financial incomes	0.5	1.4	0.3	2.2	0.9	-59%	+72%
Net sales (*1)	0.4	0.4	1.1	0.5	0.5	+9%	+11%
Total	55.5	57.0	51.2	65.0	55.2	-15%	-1%

Product Sales

(Billions of yen)

【on a stand-alone basis】



	FY2011 1Q	2Q	3Q	4Q	FY2012 1Q	Q on Q %	Y on Y %
Investment trusts	646.7	403.7	266.9	533.7	521.2	-2%	-19%
Foreign bonds(*2)	614.9	597.0	575.3	596.4	622.0	+4%	+1%
Domestic bonds	534.6	451.1	447.6	424.8	460.9	+9%	-14%
(Retail - targeted JGBs)	(117.0)	(31.8)	(145.2)	(4.6)	(181.2)	(+39x)	(+55%)
Subscription of equities	22.5	28.0	20.8	117.3	11.4	-90%	-49%
Variable annuities/insurances	1.6	3.9	3.1	3.3	3.0	-10%	+81%
Total	1,820.5	1,483.8	1,313.6	1,675.5	1,618.5	-3%	-11%

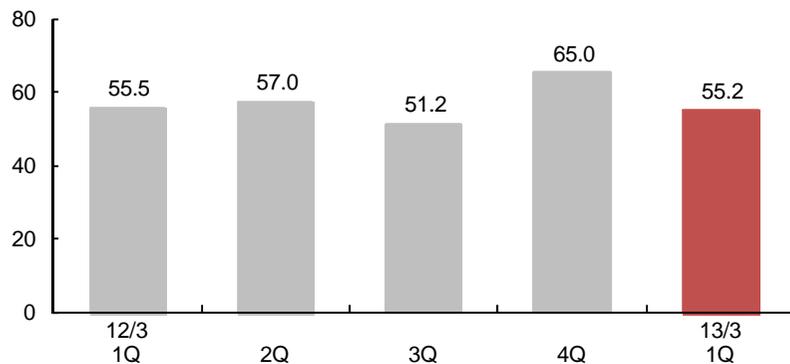
(*1) other sales minus cost of the sales

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

Quarterly Business Results (consolidation basis)

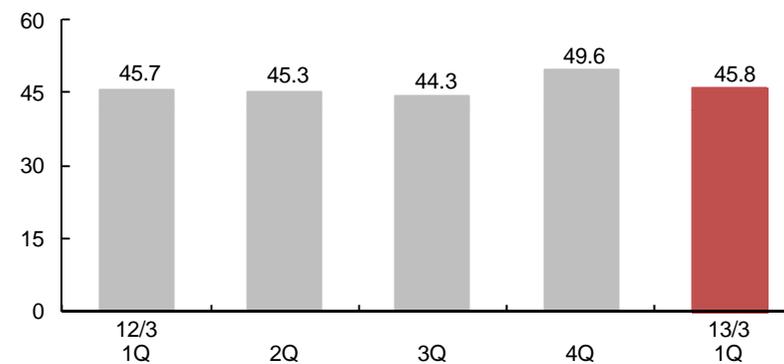
Net operating revenue

(Billions of yen)



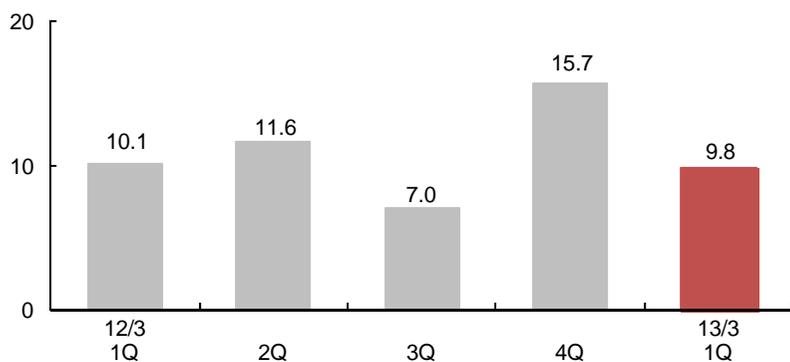
SG&A

(Billions of yen)



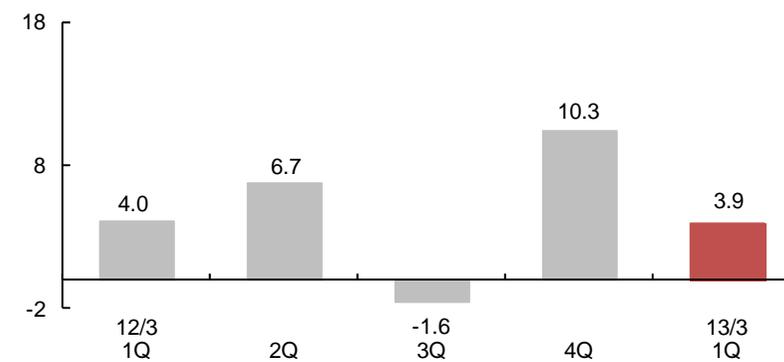
Ordinary income

(Billions of yen)



Net income

(Billions of yen)

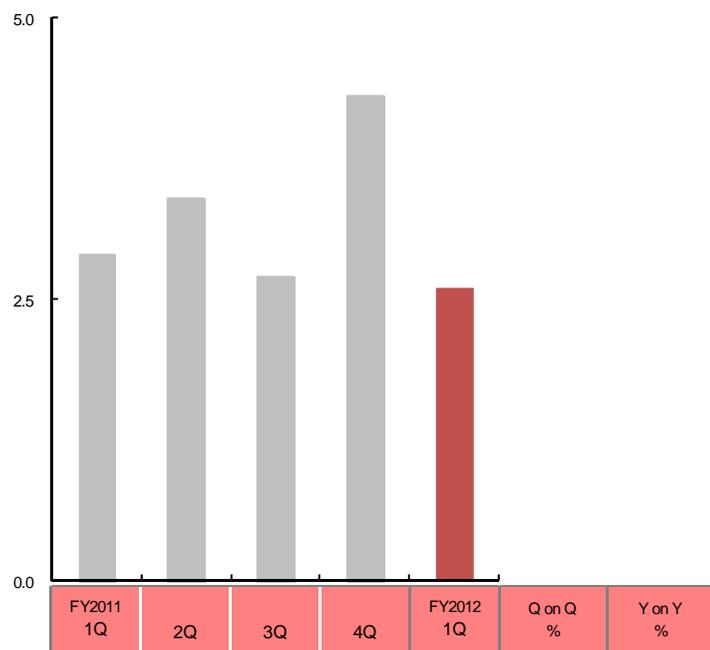


Equity brokerage commissions

- ◇ Equity brokerage commissions for this quarter was ¥ 2.6 B (-38% Q on Q) due to a shrinkage in brokerage amount from the stock market fall.
- ◇ Y on Y, equity brokerage commissions for this quarter was down 9% due to a decline in commission rate while brokerage amount was up 29%, due to an expansion in transactions with corporate clients.

Equity brokerage commissions

(Billions of yen)

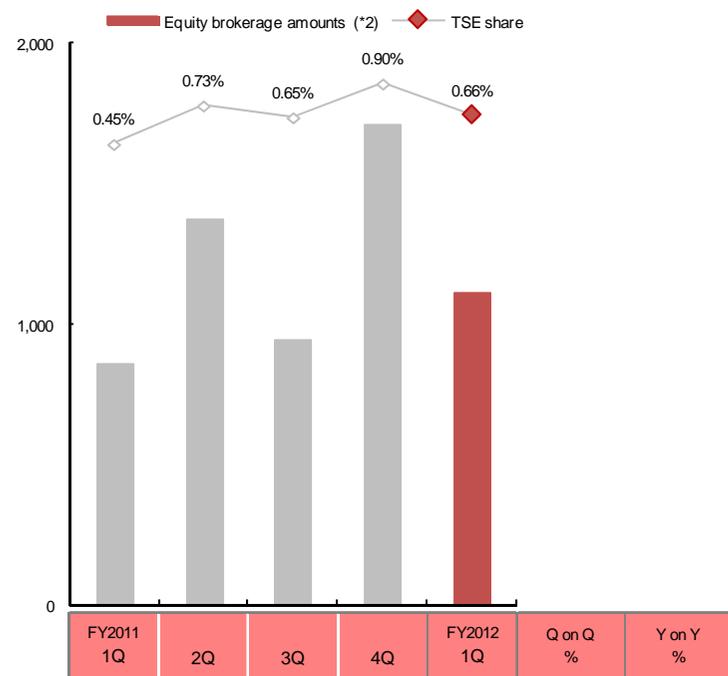


Equity brokerage Commissions	2.9	3.4	2.7	4.3	2.6	-38%	-9%
Equity commissions rate(*1)	33.0bp	22.6bp	24.7bp	22.8bp	22.5bp	- 0.4bp	- 10.6bp

Equity brokerage amount / TSE share

(Billions of yen)

【on a stand-alone basis】



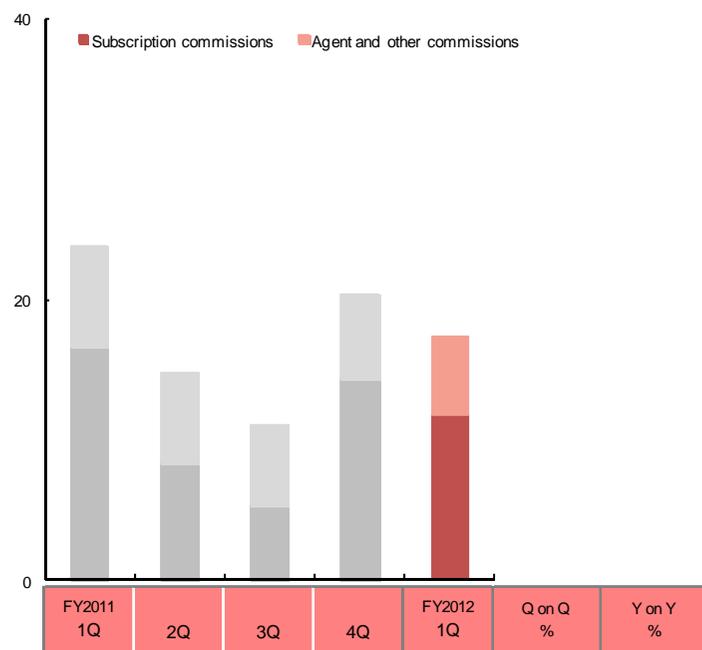
Equity brokerage amounts (*2)	860.3	1,375.7	945.1	1,711.9	1,108.4	-35%	+29%
TSE share	0.45%	0.73%	0.65%	0.90%	0.66%	-0.24pt	+0.21pt
Retail market share (*3)	1.67%	1.79%	1.73%	2.05%	2.08%	+0.03pt	+0.41pt

Commissions from investment trusts

- ◇ Sale of investment trusts was ¥ 521.2 B (-2% Q on Q). Subscription commissions on investment trusts was ¥ 11.8 B (-18%), with the adverse market conditions outstripping a successful distribution of a newly launched fund.
- ◇ Y on Y, sale of investment trusts was down 19%. Affected by the market fall in this quarter, drops in sales and asset values under management of investment trusts led to lowered subscription commissions and agency commissions down 29% and 21%, respectively.

Subscription commissions / Agent and other commissions

(Billions of yen)

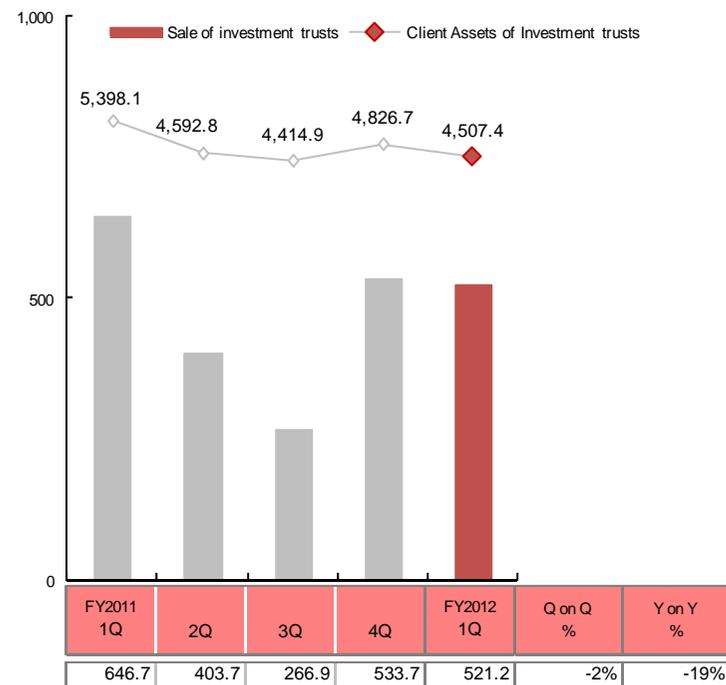


Agent and other commissions	7.1	6.5	5.7	5.9	5.6	-4%	-21%
Subscription commissions	16.7	8.3	5.3	14.4	11.8	-18%	-29%

Sales / Client Assets of Invest. trust

(Billions of yen)

【on a stand-alone basis】



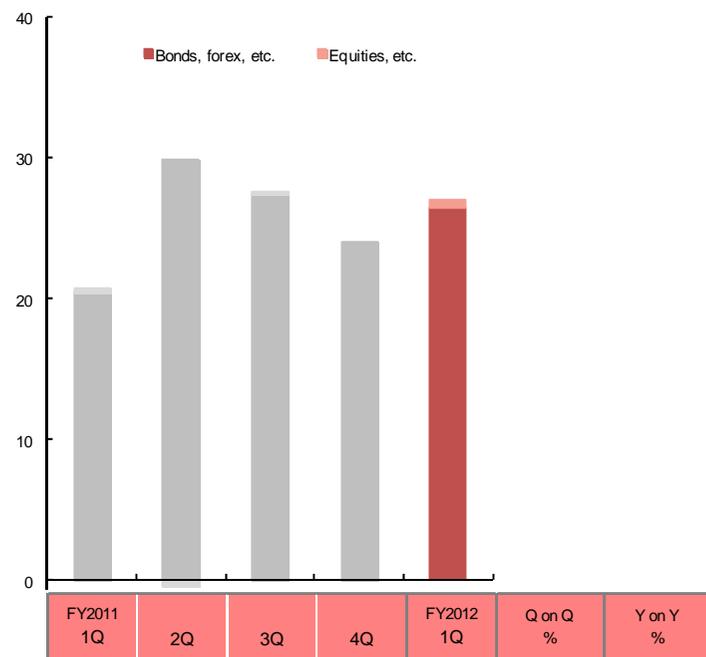
Sale of investment trusts	646.7	403.7	266.9	533.7	521.2	-2%	-19%
Client Assets of Investment trusts	5,398.1	4,592.8	4,414.9	4,826.7	4,507.4		

Net trading income

- ◇ Net trading income for the quarter posted ¥ 27.1 B (+13% Q on Q) due to strong sales of bonds in foreign currencies with relatively high yields.
- ◇ Y on Y, net trading income was up 30% due to a increase in sales of bonds in foreign currencies due to the monetary easing and the appreciated yen.

Net trading income

(Billions of yen)

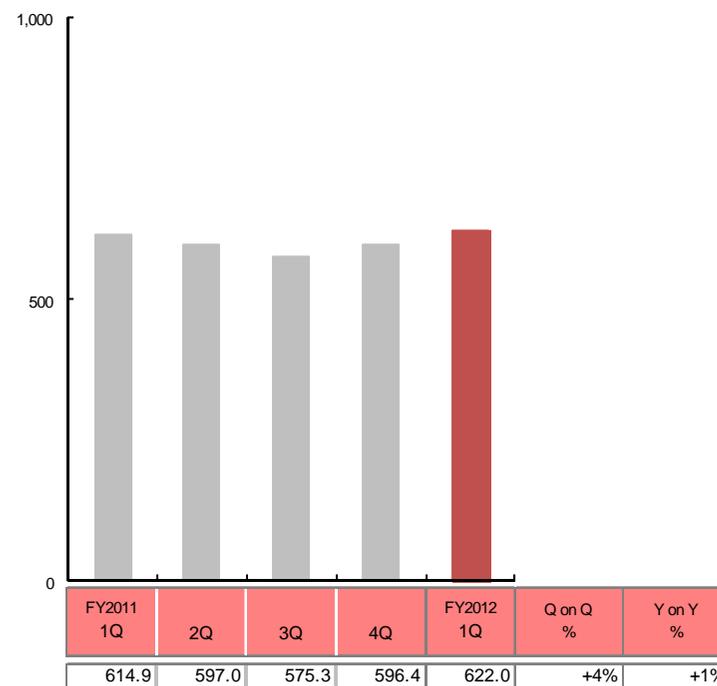


Equities, etc.	0.4	-0.3	0.1	0.0	0.6	+28x	+46%
Bonds, forex, etc.	20.4	29.9	27.5	24.0	26.5	+10%	+29%
Total	20.9	29.5	27.7	24.0	27.1	+13%	+30%

Sale of foreign bonds

(Billions of yen)

【on a stand-alone basis】



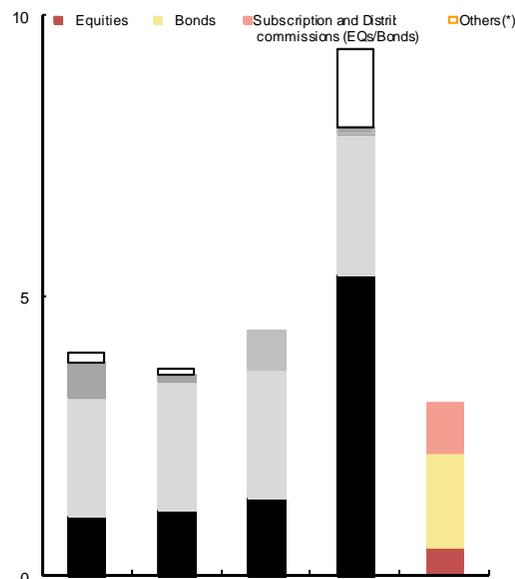
	FY2011 1Q	2Q	3Q	4Q	FY2012 1Q	Q on Q %	Y on Y %
	614.9	597.0	575.3	596.4	622.0	+4%	+1%

Underwriting commissions (Equities / Bonds)

- ◇ Underwriting commission revenue for the quarter was ¥ 2.3 B (-71% Q on Q, -30% Y on Y).
- ◇ For Apr.2012- Jun.2012, book runner in Global Equity & Equity-Related-Japan: share 5.7% in the 5th place; Lead manager in All Bonds in Yen: share 6.4% in the 5th place

Underwriting commissions (Equities / Bonds)

(Billions of yen)



	FY2011 1Q	2Q	3Q	4Q	FY2012 1Q	Q on Q %	Y on Y %
Underwriting commissions	3.3	3.6	3.7	7.9	2.3	-71%	-30%
Equities	1.1	1.2	1.4	5.4	0.5	-90%	-52%
Bonds	2.1	2.3	2.3	2.5	1.7	-32%	-19%
Subscription and Distribution commissions (EQs/Bonds)	0.6	0.1	0.7	0.1	0.9	+598%	+39%
Others(*)	0.2	0.1	0.0	1.4	0.0	-97%	-75%

(*)Revenues related to securitization arrangements included

Global Equity & Equity-Related-Japan Apr. - Jun. 2012

Rank	Book runner	Proceeds (bill of yen)	Mkt.Share (%)
1	Mitsubishi UFJ Morgan Stanley	30.1	24.0%
2	Nomura Securities	30.1	23.9%
3	Mizuho Securities	24.4	19.4%
4	Daiwa Securities	16.2	12.9%
5	SMBC Nikko Securities	7.2	5.7%

Source: prepared by the SMBC Nikko based on the information published by THOMSON REUTERS (including overseas entities)

All Bonds in Yen Apr. - Jun. 2012

Rank	Manager	【on a stand-alone basis】	
		Proceeds (bill of yen)	Mkt.Share (%)
1	Mitsubishi UFJ Morgan Stanley	979.3	23.9%
2	Mizuho Securities	819.0	20.0%
3	Nomura Securities	741.5	18.1%
4	Daiwa Securities	605.3	14.8%
5	SMBC Nikko Securities	262.7	6.4%

Source: prepared by SMBC Nikko (corporate bonds, FILP agency/municipality bonds(proportional shares as lead manager) samurai bonds)

◇ For Apr.2012- Jun.2012 in the league table of M&A financial advisor for any Japanese involvement announced deals: With total 13 deals acquired, ranked 5th or 33.0% in terms of deal values, and 5th or 2.0% in terms of number of deals.

(Source: THOMSON REUTERS)

Financial Advisor Rank value basis Apr. - Jun. 2012

Rank	Advisor	Rank value (bill of yen)	Mkt.Share (%)
1	Nomura Securities	1,884.7	58.3%
2	J.P. Morgan	1,296.4	40.1%
3	Mizuho Securities	1,246.0	38.6%
4	Mitsubishi UFJ Morgan Stanley	1,109.9	34.4%
5	SMBC Nikko Securities	1,066.9	33.0%

Financial Advisor No. of deals Apr. - Jun. 2012

Rank	Advisor	No. Deals	Mkt.Share (%)
1	KPMG Tax Corporation	42	6.3%
2	Barclays	40	6.0%
3	Nomura Securities	30	4.5%
4	Mizuho Securities	27	4.1%
5	SMBC Nikko Securities	13	2.0%

Major announced deals Apr. - Jun. 2012

TOKO ELECTRIC CORPORATION/TAKAOKA ELECTRIC MFG. Co., LTD.
The two companies established a joint holding company by transferring their respective shares.

Taisho Pharmaceutical Co., Ltd./TOKUHON Corporation
Taisho Pharmaceutical Co., Ltd. resolved to acquire TOKUHON Corporation into a wholly owned subsidiary through a triangular share exchange.

SHINMEI CO.,LTD./GENKI SUSHI CO.,LTD.
GOURMET KINEYA CO.,LTD., GENKI SUSHI CO.,LTD. and SHINMEI CO.,LTD. concluded a strategic basic agreement in capital and operations.

BIC CAMERA INC./Kojima Co., Ltd.
Kojima Co., Ltd. allocated its new shares to BIC CAMERA INC. and concluded a capital and business tie-up.

Nuclear Damage Liability Facilitation Fund/Tokyo Electric Power Company, Incorporated
TEPCO issued preferred stocks totaled ¥1 trillion to Nuclear Damage Liability Facilitation Fund.

Nabtesco Corporation/Nabuco Door Ltd.
Nabtesco Corporation turned Nabuco Door Ltd. into a wholly owned subsidiary by means of a share exchange.

Business collaboration with Sumitomo Mitsui Banking Corporation

【on a stand-alone basis】

◇ Collaboration with SMBC has been stably growing. Intermediary services(*) as well as referral services provided by SMBC to us stay in an uptrend.

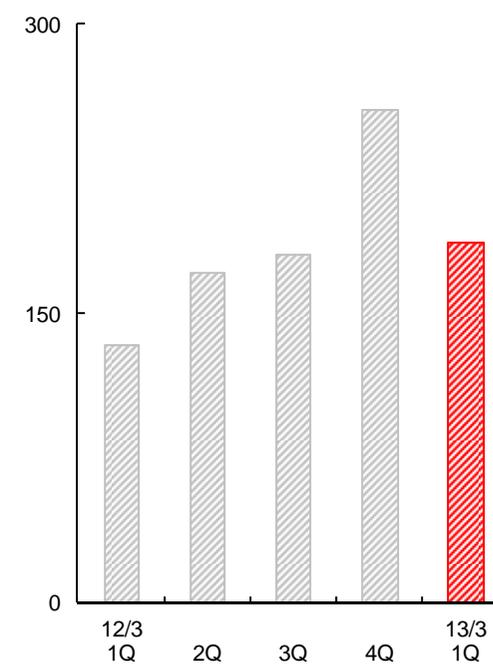
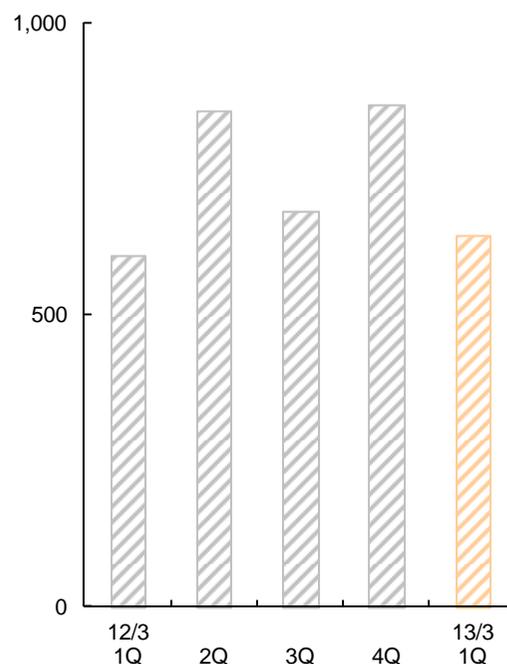
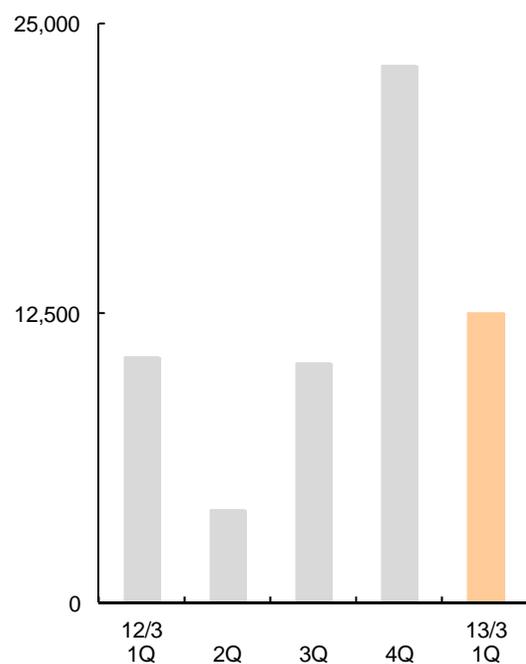
Asset management

Investment banking

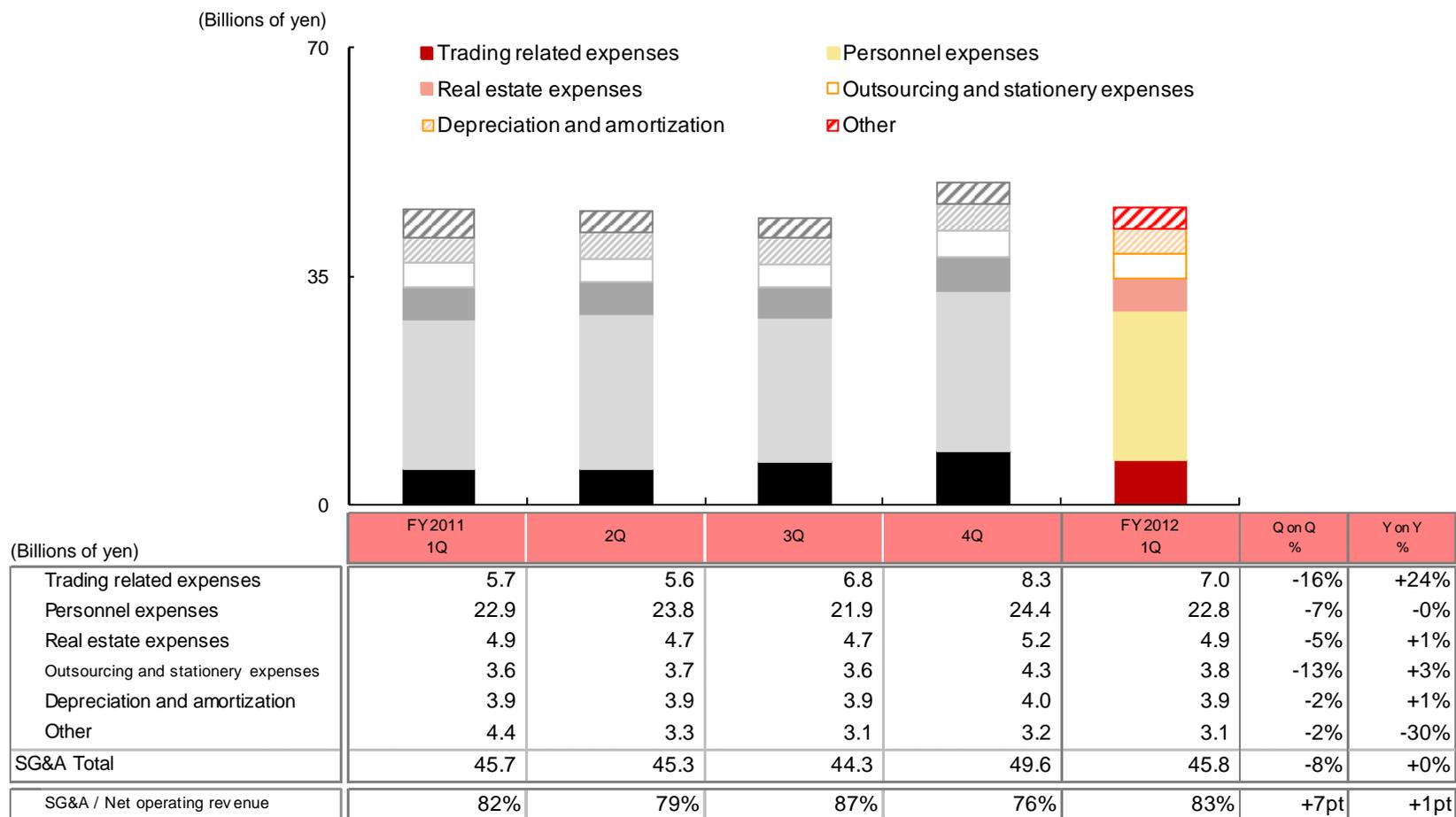
Financial product intermediary service (No. of deals)

Referral service (No. of deals)

Referral service (No. of deals)



◇ SG&A for the quarter was ¥ 45.8 B (-8% Q on Q, +0% Y on Y) as a result of a decrease in performance-linked expenses offsetting an increase in fixed expenses aimed at growing into a full-fledged securities firm.



Balance sheet (consolidation basis) / Capital Adequacy Ratio

(Billions of Yen)	Mar.12	Jun.12	Variance
Current assets	8,058.2	8,521.9	+463.7
Trading products	3,723.4	3,942.9	+219.4
Loans secured by securities	3,766.8	3,968.6	+201.7
Other current assets	567.8	610.3	+42.4
Noncurrent assets	218.5	210.1	-8.3
Tangible assets	27.5	27.5	-0.0
Intangible assets	67.6	67.4	-0.2
Investments and other assets	123.3	115.1	-8.1
Total assets	8,276.7	8,732.0	+455.3
Current liabilities	7,409.8	7,850.8	+440.9
Trading products	1,987.3	2,311.7	+324.4
Loans payable secured by securities	2,320.4	2,031.2	-289.2
Short-term loans payable / Commercial papers	2,768.9	3,099.7	+330.8
Other current liabilities	333.2	408.1	+74.9
Noncurrent liabilities / Reserves under the special laws	408.1	422.2	+14.1
Total liabilities	7,818.0	8,273.0	+455.0
Total net assets	458.6	458.9	+0.2
Total liabilities and net assets	8,276.7	8,732.0	+455.3

【on a stand-alone basis】

(Billions of Yen)	Mar.12	Jun.12	Variance
Basic items	455.3	457.1	+1.8
Supplementary items	200.4	200.1	-0.2
Deductible assets	191.2	186.2	-5.0
Net capital	464.4	471.0	+6.5
Risk total	92.1	92.1	+0.0
Market Risk	34.4	34.7	+0.3
Counterparty Risk	12.5	11.4	-1.1
Basic Risk	45.1	45.9	+0.8
Capital Adequacy Ratio	504%	511%	+7 pt

【on a stand-alone basis】

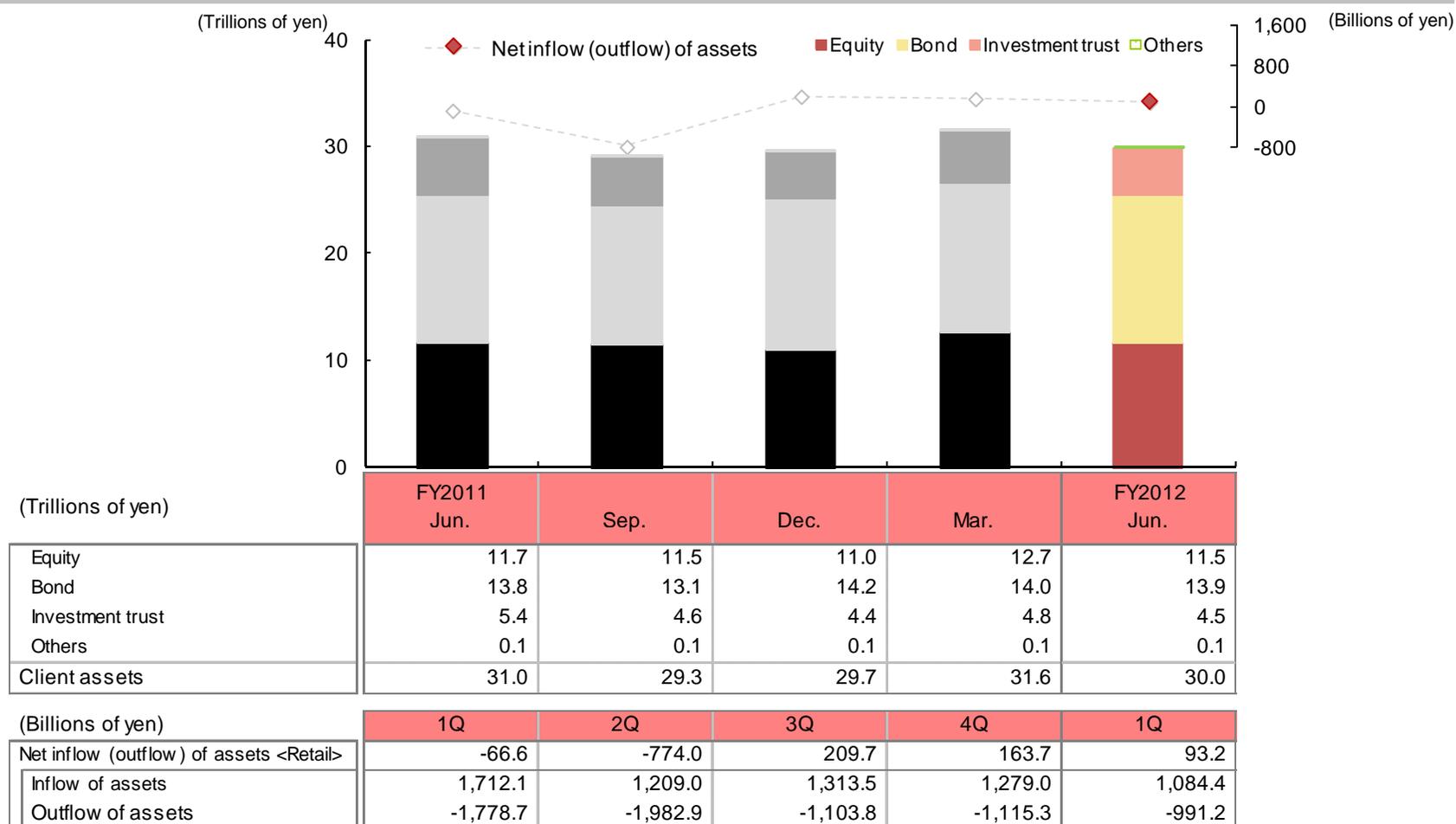
Credit ratings on Long Term (as of July 27th, 2012)

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

Client Assets / Net Inflow (Outflow) of Assets

[on a stand-alone basis]

- ◇ Overall client assets at the end of June 2012 was ¥ 30.0 trillion (-5% Q on Q).
- ◇ Net inflow of retail client assets for this quarter increased by ¥ 93.2 B mainly from an increase in bond sales.



JGB Reconstruction /Reconstruction Supporters' Bonds for retail customers

- We offered ¥ 180.7 B or 35% of all the issued amount for JGB Reconstruction Bonds/Reconstruction Supporters' Bonds for retail customers of Jul. 2012 issue (subscribed in Jun. 2012).

Volunteer activities for reconstruction from the earthquake disaster

- Around 300 persons consisting of management and employees participated in July 2012 in recovery volunteer work in Minamisanriku-cho, Miyagi prf, one of the areas affected by the Great East Japan Earthquake, to support the revival of the damaged fishery through making sandbags for oyster farming.

Nikko JF Asia Discovery Fund

- Nikko JF Asia Discovery Fund recorded the initial setting value of ¥131.3 B in this quarter to become the largest fund of all the domestic funds launched since the financial crisis triggered by Lehman Shock.

Reference Data



Consolidated Business Results (Quarterly Trend)

(Millions of yen)	FY2011				FY2012
	1Q	2Q	3Q	4Q	1Q
Operating revenue	61,180	62,464	57,053	70,593	60,584
Commissions received	33,573	25,605	22,003	38,249	26,598
Brokerage commissions	3,045	3,610	2,831	4,410	2,773
Underwriting and distribution commissions	3,320	3,679	3,782	7,976	2,313
Flotation and distribution fees	17,417	8,524	6,141	14,615	12,734
Other commissions	9,790	9,790	9,247	11,247	8,776
Net trading income	20,935	29,591	27,716	24,054	27,177
Equities	455	-313	144	23	664
Bonds / Foreign exchange	20,479	29,905	27,572	24,031	26,513
Financial revenue	4,335	4,947	3,920	5,677	4,569
Net sales	2,336	2,319	3,412	2,610	2,239
Financial expenses	3,795	3,528	3,562	3,433	3,640
Cost of sales	1,845	1,892	2,241	2,109	1,694
Net operating revenue	55,539	57,042	51,249	65,049	55,249
SG&A	45,717	45,339	44,394	49,676	45,833
Operating income / loss	9,822	11,703	6,855	15,373	9,415
Ordinary income / loss	10,137	11,691	7,035	15,734	9,880
Extraordinary income / loss	-1,037	36	-1,398	1,180	-2,840
Net income before income taxes	9,099	11,727	5,636	16,915	7,039
Income taxes-current	161	241	777	598	163
Income taxes-deferred	4,908	4,755	6,463	5,967	2,895
Minority interests in income/(losses)	8	3	1	-4	1
Net income / loss	4,021	6,727	-1,606	10,353	3,978

Stand-alone Business Results (Quarterly Trend)

【on a stand-alone basis】

(Millions of yen)	FY2011				FY2012
	1Q	2Q	3Q	4Q	1Q
Operating revenue	57,093	58,806	51,944	65,773	56,947
Commissions received	32,336	24,718	20,834	36,680	25,602
Brokerage commissions	2,991	3,509	2,691	4,215	2,679
Underwriting and distribution commissions	3,320	3,674	3,781	7,976	2,313
Flotation and distribution fees	17,357	8,508	6,140	14,597	12,734
Other commissions	8,666	9,026	8,220	9,890	7,874
Net trading income	20,935	29,591	27,716	24,054	27,177
Equities	455	-313	144	23	664
Bonds / Foreign exchange	20,479	29,905	27,572	24,031	26,513
Financial revenue	3,822	4,496	3,393	5,037	4,167
Financial expenses	3,311	3,100	3,061	2,823	3,260
Net operating revenue	53,782	55,706	48,883	62,949	53,687
SG&A	44,760	44,676	43,771	48,142	45,067
Operating income / loss	9,021	11,030	5,111	14,806	8,619
Ordinary income / loss	8,982	11,166	5,207	14,945	8,895
Extraordinary income / loss	-876	179	-971	210	-2,533
Net income before income taxes	8,105	11,346	4,235	15,156	6,361
Income taxes-current	10	39	64	30	23
Income taxes-deferred	4,661	4,554	6,669	6,175	2,606
Net income / loss	3,434	6,753	-2,497	8,951	3,732

Operational Indicators -1

【on a stand-alone basis】

◇ Sales of Products

(Billions of yen)	FY2011				FY2012
	1Q	2Q	3Q	4Q	1Q
Investment trusts	646.7	403.7	266.9	533.7	521.2
(Equity investment trusts)	(466.9)	(244.5)	(134.6)	(286.5)	(350.9)
(Foreign registered investment trusts)	(130.9)	(113.3)	(90.8)	(207.3)	(123.6)
Foreign bonds (*)	614.9	597.0	575.3	596.4	622.0
(Foreign currency bonds)	(136.7)	(239.6)	(223.1)	(159.3)	(224.2)
Domestic bond	534.6	451.1	447.6	424.8	460.9
(Retail target JGBs)	(117.0)	(31.8)	(145.2)	(4.6)	(181.2)
Public offering	22.5	28.0	20.8	117.3	11.4
Annuity / insurance	1.6	3.9	3.1	3.3	3.0
Total	1,820.5	1,483.8	1,313.6	1,675.5	1,618.5

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

◇ Underwriting Share (Book runner)

	FY2011				FY2012
	1Q	2Q	3Q	4Q	1Q
ECM Global Equity (*1)	27.2%	14.3%	4.8%	27.1%	5.7%
DCM All bond in Yen (*2)	11.5%	22.8%	12.5%	12.8%	6.4%
M&A Japan related (*3)	0.8%	58.0%	12.4%	9.0%	33.0%

(*1) Global Equity & Equity-Related - Japan : Book runner

(*2) All Bonds in Yen, Lead manager

(*3) Any Japanese involvement announced excluding real property deals : Rank value

source: prepared by SMBC Nikko based on the information published by THOMSON REUTERS

source: prepared by SMBC Nikko

source: prepared by THOMSON REUTERS

Operational Indicators -2

【on a stand-alone basis】

◇ Direct Channel Ratio(*1)

	FY2011				FY2012
	1Q	2Q	3Q	4Q	1Q
Based on number of transaction	86.6%	88.2%	89.3%	88.0%	92.4%
(Nikko EZ Trade)	(73.1%)	(77.3%)	(80.7%)	(79.5%)	(85.0%)
Based on commissions	52.6%	50.8%	49.5%	27.5%	56.4%
(Nikko EZ trade)	(29.6%)	(29.9%)	(29.6%)	(17.1%)	(34.1%)

(*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)	FY2011				FY2012
	1Q	2Q	3Q	4Q	1Q
Equity brokerage amounts	860.3	1,375.7	945.1	1,711.9	1,108.4
Equity brokerage commissions (*3)	2.9	3.4	2.7	4.3	2.6
Equity commissions rate	33.0bp	22.6bp	24.7bp	22.8bp	22.5bp

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

(*3) On a consolidated basis

Operational Indicators -3

【on a stand-alone basis】

◇ Number of Accounts

(Thousands of accounts)

	FY2011				FY2012
	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12
Total accounts	2,604	2,562	2,531	2,501	2,461
Cash management accounts	2,128	2,120	2,111	2,102	2,091
Newly opened accounts	28	24	31	35	27

【on a stand-alone basis】

◇ Number of Branches

Number of branches

	FY2011				FY2012
	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12
Number of branches	109	109	109	109	109

◇ Number of Employees

Number of Employees

	FY2011				FY2012
	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12
Number of Employees	8,556	8,557	8,510	8,445	8,872

