

# Earnings Announcement for the Second Quarter FY2013 ending March 31, 2014 (JGAAP)

SMBC Nikko Securities Inc.

October 30, 2013



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The information contained in this document is based on data available as of October 30th, 2013 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 (October 30th, 2013) 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 2Q of FY ending Mar. 2014

6 months to  
Sep.30 2013

- **Net operating revenue ¥ 180.6 B (+66% Y on Y), Ordinary income ¥ 65.3 B (3.8 times), Net income ¥ 41.2 B (6.2 times).**
- Aggregate sales of products was ¥ 5.0 trillion (+69%) due to an expansion of sales of investment trusts ¥ 1.8 trillion (+97%), foreign bonds ¥ 1.6 trillion (+42%), and domestic bonds ¥ 1.4 trillion (+75%).
- League table rankings for Apr. - Sep. 2013: Underwriting commission on equity expanded 2.1 times to ¥ 8.1 B due to servicing as a lead manager in large issues.  
3rd place in Global Equity & Equity-Related-Japan (\*1)  
4th place in All Bonds in Yen (\*2)  
6th place in terms of values and 3rd in terms of number of deals for M&A announced deals (\*3)
- SG&A was ¥ 116.1 B (+27%), fairly well contained in contrast to a significant increase in revenues as a result of cost control efforts.
- As of the end of September 2013, total assets was ¥ 6.9 trillion, net assets was ¥ 563.4 B, capital adequacy ratio (on a stand-alone basis) was 619%, reflecting a sound financial base of the company.

FY ending  
Mar. 2014 2Q

- **Net operating revenue ¥ 77.4 B (-25% Q on Q), Ordinary income ¥ 23.0 B (-46%), Net income ¥ 14.4 B (-46%).**
- Sales of foreign bond keep at high level while the aggregate sales of products declined to ¥ 2,083.3 B (-29%).

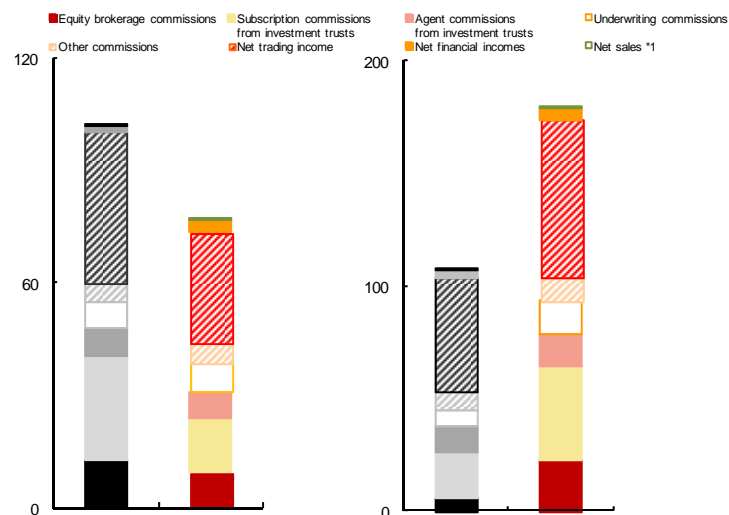
| Billions of Yen                    | FY 2013      |              | Q on Q                | 6 months to<br>Sep.30 2012 | 6 months to<br>Sep.30 2013 | Y on Y |
|------------------------------------|--------------|--------------|-----------------------|----------------------------|----------------------------|--------|
|                                    | 1Q           | 2Q           |                       |                            |                            |        |
| Operating revenue                  | 110.5        | 82.6         | -25%                  | 118.7                      | 193.1                      | +63%   |
| Net operating revenue              | 103.2        | 77.4         | -25%                  | 108.5                      | 180.6                      | +66%   |
| SG&A                               | 61.3         | 54.8         | -11%                  | 91.8                       | 116.1                      | +27%   |
| Ordinary income / loss             | 42.2         | 23.0         | -46%                  | 17.3                       | 65.3                       | 3.8x   |
| Income before taxes                | 42.1         | 22.8         | -46%                  | 12.7                       | 65.0                       | 5.1x   |
| Net income / loss                  | 26.7         | 14.4         | -46%                  | 6.6                        | 41.2                       | 6.2x   |
|                                    | Mar.-end '13 | Sep.-end '13 | from Mar.<br>-end '13 | Sep.-end '12               | Sep.-end '13               | Y on Y |
| Total assets (Trillions of yen)    | 6.7          | 6.9          | +0.2                  | 7.4                        | 6.9                        | -0.4   |
| Total net assets (Billions of yen) | 516.8        | 563.4        | +46.5                 | 462.0                      | 563.4                      | +101.4 |

# Net operating revenue / Product sales

- ◇ Net operating revenue for the quarter was ¥ 77.4 B (-25% Q on Q), including trading income ¥ 29.3 B (-28%) and subscription commissions on investment trusts ¥ 14.5 B (-48%) showing a decline from the previous quarter afflicted by static market. Net operating revenue ¥ 77.4 B for the quarter was, however, the third biggest mark ever after the two immediate past quarters.
- ◇ Net operating revenue for the 6 months ended Sep. 2013 climbed to ¥ 180.6 B (+66% Y on Y), including equity brokerage commission ¥ 22.2 B (3.9 times), subscription commissions on investment trusts ¥ 42.2 B (2.0 times), underwriting commission ¥ 14.7 B (+85%), and trading income ¥ 69.9 B (+38%).

## Net operating revenue

(Billions of yen)

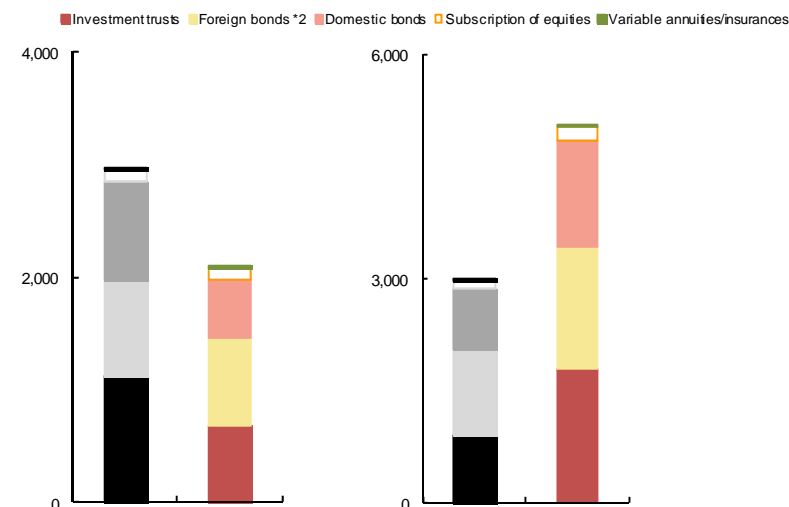


|   | FY2013 1Q    | 2Q          | Q on Q %    | 6 months to Sep. 30 2012 | 6 months to Sep. 30 2013 | Y on Y %    |
|---|--------------|-------------|-------------|--------------------------|--------------------------|-------------|
| Equity brokerage commissions                    | 13.1         | 9.1         | -31%        | 5.7                      | 22.2                     | 3.9x        |
| Subscription commissions from investment trusts | 27.7         | 14.5        | -48%        | 20.7                     | 42.2                     | 2.0x        |
| Agent commissions from investment trusts        | 7.2          | 7.2         | -0%         | 11.3                     | 14.5                     | +29%        |
| Underwriting commissions                        | 7.1          | 7.6         | +6%         | 7.9                      | 14.7                     | +85%        |
| Other commissions                               | 4.7          | 5.4         | +15%        | 7.5                      | 10.2                     | +35%        |
| Net trading income                              | 40.6         | 29.3        | -28%        | 50.7                     | 69.9                     | +38%        |
| Net financial incomes                           | 1.7          | 3.4         | +97%        | 3.4                      | 5.2                      | +53%        |
| Net sales *1                                    | 0.7          | 0.6         | -14%        | 1.0                      | 1.3                      | +30%        |
| <b>Total</b>                                    | <b>103.2</b> | <b>77.4</b> | <b>-25%</b> | <b>108.5</b>             | <b>180.6</b>             | <b>+66%</b> |

## Product Sales

(Billions of yen)

【on a stand-alone basis】



|                               | FY2013 1Q      | 2Q             | Q on Q %    | 6 months to Sep. 30 2012 | 6 months to Sep. 30 2013 | Y on Y %    |
|-------------------------------|----------------|----------------|-------------|--------------------------|--------------------------|-------------|
| Investment trusts             | 1,131.9        | 671.8          | -41%        | 917.2                    | 1,803.7                  | +97%        |
| Foreign bonds *2              | 837.1          | 785.5          | -6%         | 1,139.9                  | 1,622.7                  | +42%        |
| Domestic bonds                | 879.9          | 522.1          | -41%        | 798.8                    | 1,402.0                  | +75%        |
| (Retail - targeted JGBs)      | (121.4)        | (95.1)         | (-22%)      | (205.9)                  | (216.5)                  | (+5%)       |
| Subscription of equities      | 100.0          | 102.0          | +2%         | 121.7                    | 202.0                    | +66%        |
| Variable annuities/insurances | 1.4            | 2.3            | +32%        | 5.3                      | 3.2                      | -40%        |
| <b>Total</b>                  | <b>2,950.3</b> | <b>2,083.3</b> | <b>-29%</b> | <b>2,982.9</b>           | <b>5,033.5</b>           | <b>+69%</b> |

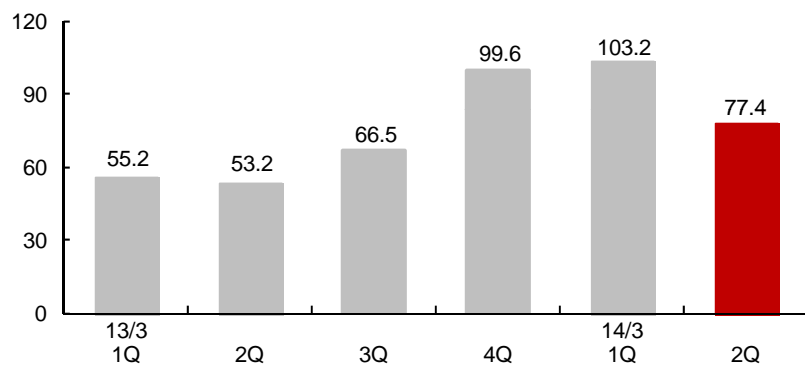
(\*1) Other sales minus cost of the sales

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

# Business Results (Quarterly Trend)

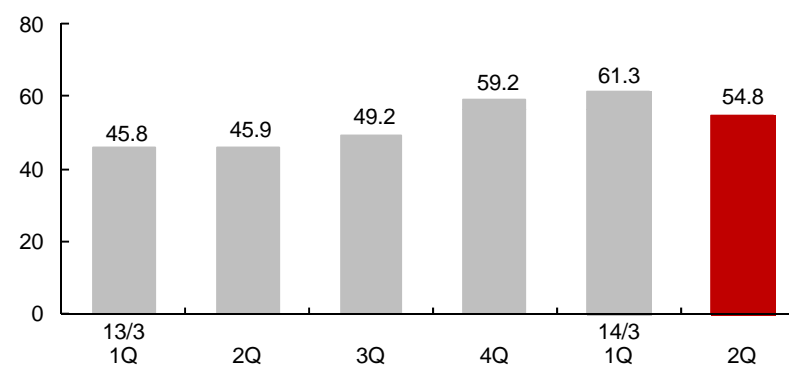
## Net operating revenue

(Billions of yen)



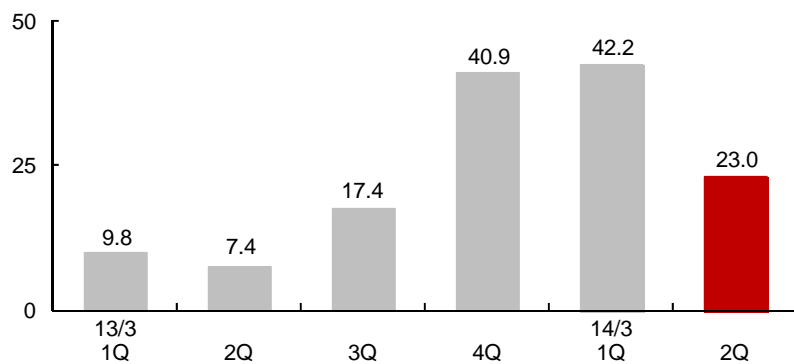
## SG&A

(Billions of yen)



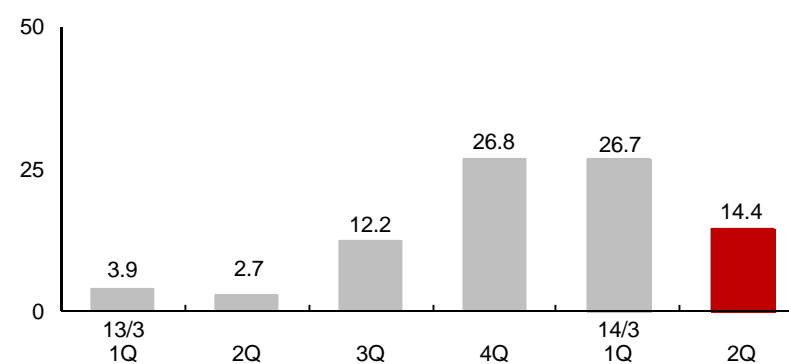
## Ordinary income

(Billions of yen)



## Net income

(Billions of yen)

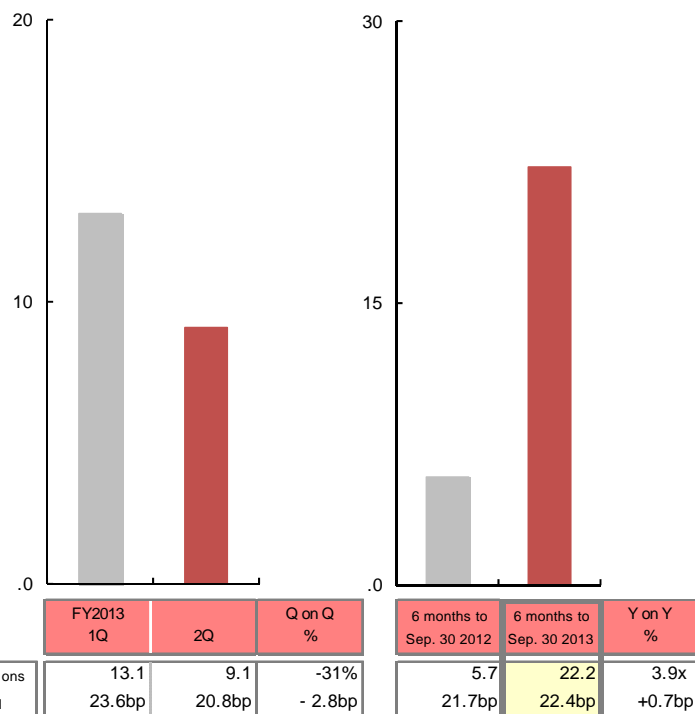


# Equity brokerage commissions

- ◇ Equity brokerage commissions for this quarter was ¥ 9.1 B (-31% Q on Q).  
Turnover share at Tokyo Stock Exchange went up to 1.21% (+0.15 pts) while turnover amount dropped to ¥ 4,093.5 B (-23%).
- ◇ For the 6 months ended Sep. 2013, brokerage commissions on equity jumped to ¥ 22.2 B (3.9 times Y on Y) boosted by the strong rally in domestic market, with our turnover share in TSE increased to 1.12% (+0.32pts).

## Equity brokerage commissions

(Billions of yen)

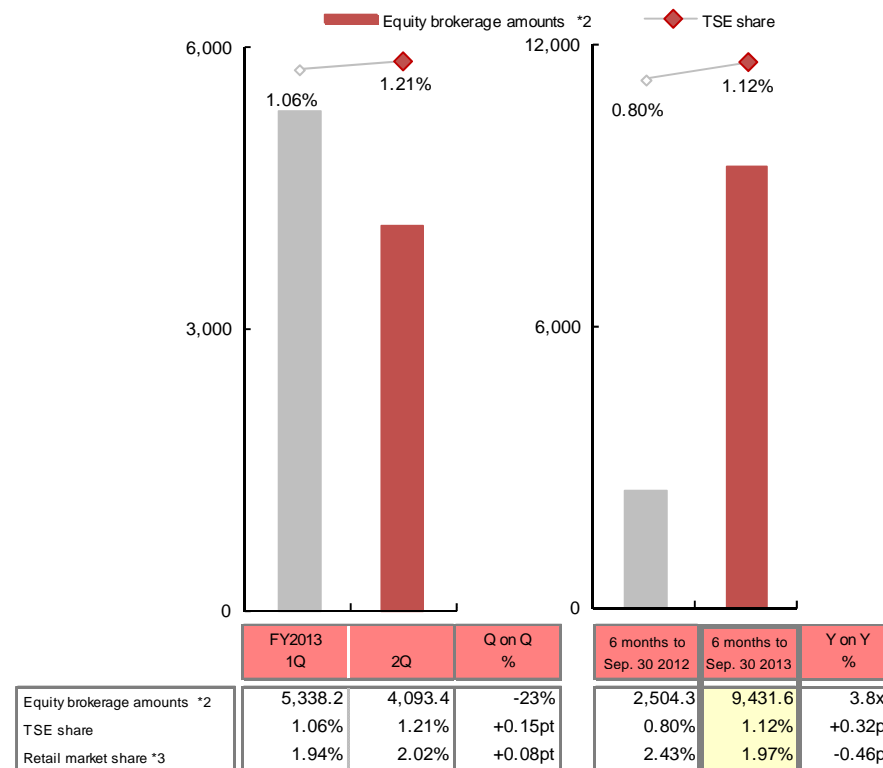


(\*1) Adjusted brokerage commissions / brokerage amounts  
(Scope: cash and margin transactions)

## Equity brokerage amount / TSE share

(Billions of yen)

【on a stand-alone basis】



(\*2) All stock exchanges

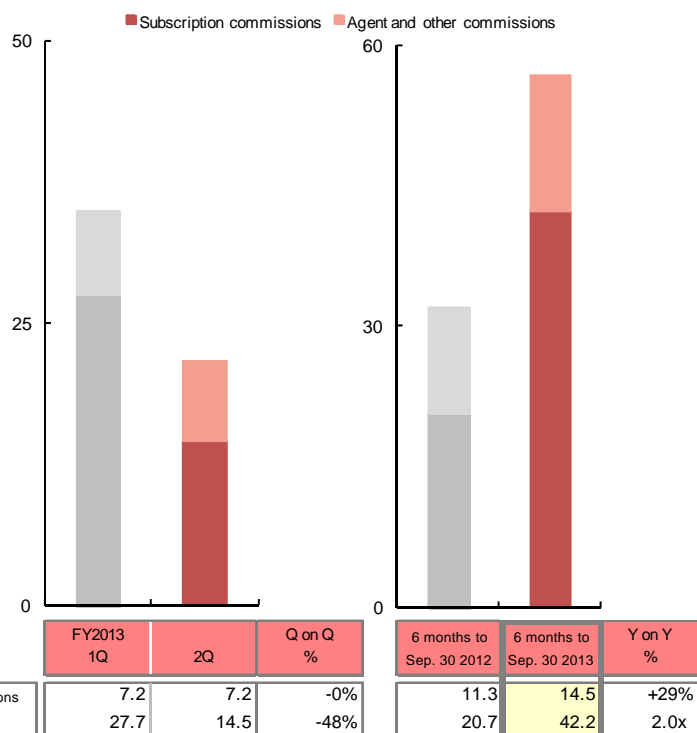
(\*3) Total of 1<sup>st</sup> and 2<sup>nd</sup> sections of Tokyo, Osaka and Nagoya stock exchanges

# Commissions on investment trusts

- ◇ Sale of investment trusts was ¥ 671.8 B (-41% Q on Q); subscription commissions on investment trusts was ¥ 14.5 B (-48%). Japan Reconstruction Strategic Fund (dubbed Tokyo Ondo) was established with the initial amount ¥ 79.8 B (\*1), and Nikko Gravity Global Fund (dubbed GG10+10) with the initial amount ¥72.1 B, both highly ranked in the size of establishment for this quarter.
- ◇ For the 6 months ended Sep. 2013 the sales of investment trusts, mainly those investing in domestic and overseas stocks, was ¥ 1,803.7 B (+97% Y on Y) and subscription commissions on them ¥ 42.2 B (2.0 times).

## Subscription commissions / Agent and other commissions

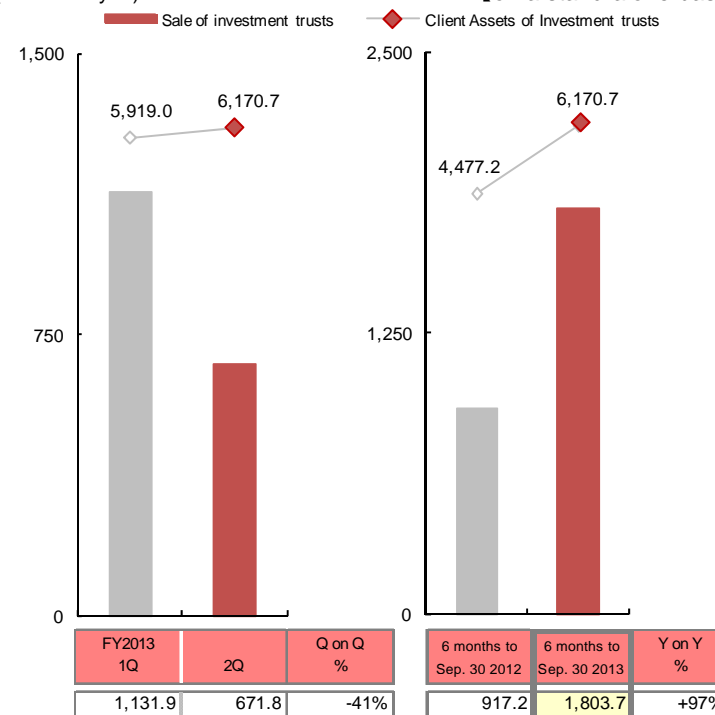
(Billions of yen)



## Sales / Client Assets of Invest. trust

(Billions of yen)

【on a stand-alone basis】



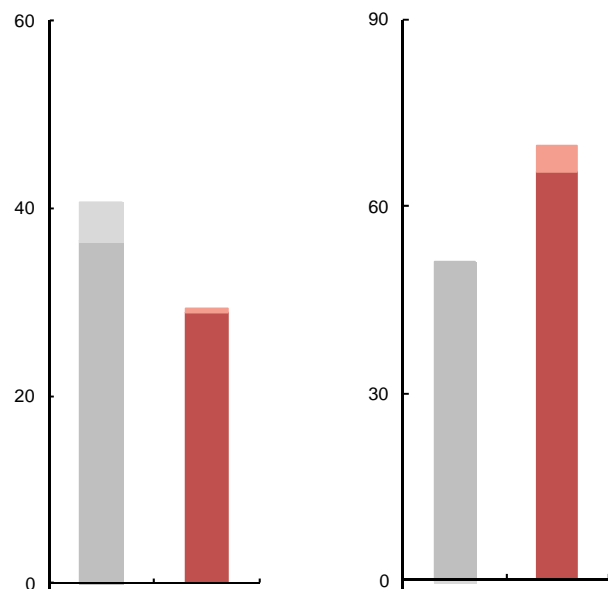
# Net trading income

- ◇ Net trading income for the quarter was ¥ 29.3 B (-28% Q on Q). Foreign bonds sold ¥ 785.5 B (-6%) still highly well.
- ◇ Net trading income for the 6 months ended Sep. 2013 extended to ¥ 69.9 B (+38% Y on Y) with foreign bonds sold ¥ 1,622.7 B (+42%).

## Net trading income

(Billions of yen)

■ Bonds, forex, etc. ■ Equities, etc.

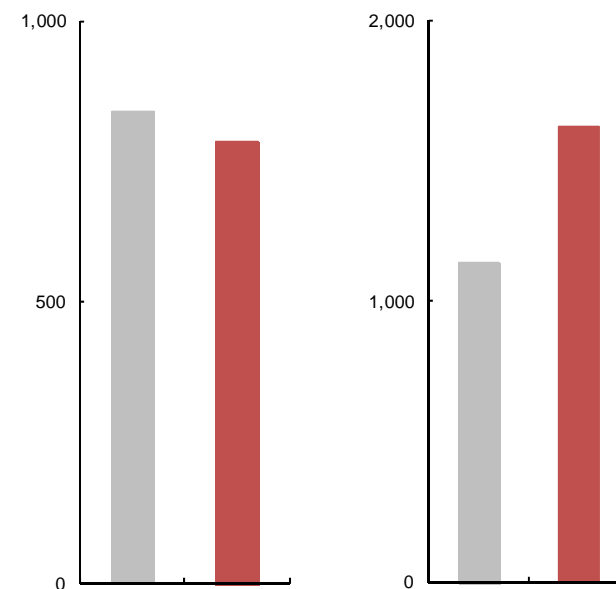


|                    | FY2013<br>1Q | 2Q   | Q on Q<br>% | 6 months to<br>Sep. 30 2012 | 6 months to<br>Sep. 30 2013 | Y on Y<br>% |
|--------------------|--------------|------|-------------|-----------------------------|-----------------------------|-------------|
| Equities, etc.     | 3.9          | 0.4  | -88%        | -0.1                        | 4.4                         | -           |
| Bonds, forex, etc. | 36.6         | 28.8 | -21%        | 50.9                        | 65.4                        | +29%        |
| Total              | 40.6         | 29.3 | -28%        | 50.7                        | 69.9                        | +38%        |

## Sale of foreign bonds

(Billions of yen)

【on a stand-alone basis】



|  | FY2013<br>1Q | 2Q    | Q on Q<br>% | 6 months to<br>Sep. 30 2012 | 6 months to<br>Sep. 30 2013 | Y on Y<br>% |
|--|--------------|-------|-------------|-----------------------------|-----------------------------|-------------|
|  | 837.1        | 785.5 | -6%         | 1,139.9                     | 1,622.7                     | +42%        |

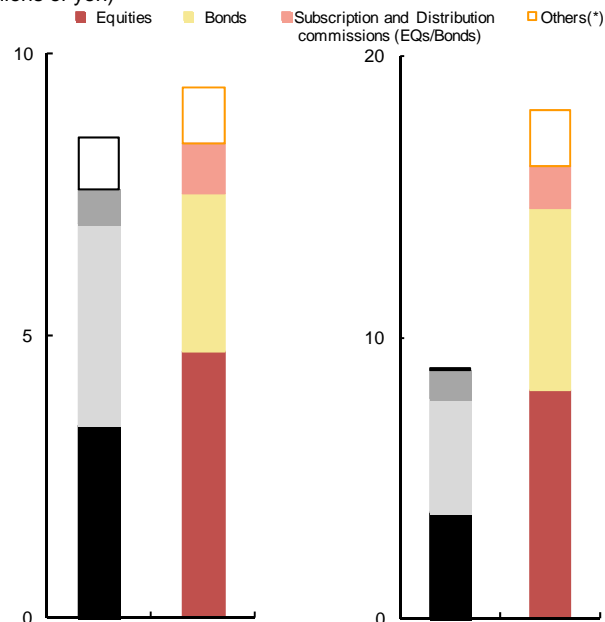


# Underwriting commissions (Equities / Bonds)

- ◇ Underwriting commission revenue for the quarter was ¥ 7.6 B (+6% Q on Q); The commission on equity increased to ¥ 4.7 B (+36%) due to servicing as a lead manager in large issues and involvement in global offerings.
- ◇ For Apr. - Sep. 2013, book runner in Global Equity & Equity-Related-Japan: share 12.8 % in 3rd place; Lead manager in All Bonds in Yen: share 15.6% in 4th place, pushing rankings upward.

## Underwriting commissions (Equities / Bonds)

(Billions of yen)



|   | FY2013 1Q | 2Q  | Q on Q % | 6 months to Sep. 30 2012 | 6 months to Sep. 30 2013 | Y on Y % |
|---|-----------|-----|----------|--------------------------|--------------------------|----------|
| Underwriting commissions                              | 7.1       | 7.6 | +6%      | 7.9                      | 14.7                     | +85%     |
| Equities  | 3.4       | 4.7 | +36%     | 3.8                      | 8.1                      | 2.1x     |
| Bonds   | 3.6       | 2.8 | -21%     | 4.0                      | 6.5                      | +62%     |
| Subscription and Distribution commissions (EQs/Bonds) | 0.6       | 0.9 | +47%     | 1.0                      | 1.5                      | +50%     |
| Others *  | 0.9       | 1.0 | +9%      | 0.1                      | 2.0                      | 11.1x    |

## Global Equity & Equity-Related-Japan Apr. - Sep. 2013

| Rank | Book runner                   | Proceeds (bill of yen) | Mkt.Share (%) |
|------|-------------------------------|------------------------|---------------|
| 1    | Nomura Securities             | 787.4                  | 35.3%         |
| 2    | Mitsubishi UFJ Morgan Stanley | 311.9                  | 14.0%         |
| 3    | SMBC Nikko Securities         | 285.8                  | 12.8%         |
| 4    | Daiwa Securities              | 230.6                  | 10.3%         |
| 5    | Mizuho Securities             | 174.6                  | 7.8%          |

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

## All Bonds in Yen Apr. - Sep. 2013

【on a stand-alone basis】

| Rank | Manager                       | Proceeds (bill of yen) | Mkt.Share (%) |
|------|-------------------------------|------------------------|---------------|
| 1    | Nomura Securities             | 1,906.4                | 21.2%         |
| 2    | Mitsubishi UFJ Morgan Stanley | 1,605.5                | 17.8%         |
| 3    | Mizuho Securities             | 1,512.2                | 16.8%         |
| 4    | SMBC Nikko Securities         | 1,409.3                | 15.6%         |
| 5    | Daiwa Securities              | 1,387.9                | 15.4%         |

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

(\*) Revenues related to securitization arrangements included

◇ For Apr. 2013 - Sep. 2013 in the league table of M&A financial advisor for any Japanese involvement announced deals:  
With total 33 deals acquired, ranked 6th or 16.0% in terms of deal values, and 3rd or 2.6% in terms of number of deals.

## Financial Advisor Rank value basis Apr. - Sep. 2013

| Rank | Advisor                       | Rank value<br>(bill of yen) | Mkt.Share<br>(%) |
|------|-------------------------------|-----------------------------|------------------|
| 1    | Mitsubishi UFJ Morgan Stanley | 2,709.5                     | 43.5%            |
| 2    | Bank Of Amerika Merrill Lynch | 1,448.4                     | 23.2%            |
| 3    | Goldman Sachs                 | 1,401.3                     | 22.5%            |
| 4    | Nomura Securities             | 1,334.4                     | 21.4%            |
| 6    | SMBC Nikko Securities         | 996.3                       | 16.0%            |

## Financial Advisor No. of deals Apr. - Sep. 2013

| Rank | Advisor               | No. Deals | Mkt.Share<br>(%) |
|------|-----------------------|-----------|------------------|
| 1    | Mizuho Securities     | 50        | 3.9%             |
| 2    | Nomura Securities     | 47        | 3.7%             |
| 3    | SMBC Nikko Securities | 33        | 2.6%             |
| 4    | Daiwa Securities      | 27        | 2.1%             |
| 5    | Deloitte Tohmatsu     | 25        | 2.0%             |

## Major announced deals Apr. - Sep. 2013

**LIXIL Group Corporation, Development Bank of Japan Inc./ GROHE Group S.à r.l.**  
LIXIL Group Corporation and DBJ jointly agreed to take over 87.5 % of the issued shares of and all the debts of GROHE Group S.à r.l.  
(SMBC Nikko serves as an advisor for LIXIL Group Corporation)

**Nippon Telegraph and Telephone Corporation/Solutionary, Inc.**  
Nippon Telegraph and Telephone Corporation is to acquire all the shares of Solutionary, Inc., a managed security services provider based in the U.S. (a privately held company)  
(SMBC Nikko served as an advisor for Nippon Telegraph and Telephone Corporation)

**Jining Ruyi Investment Co., Ltd. /Renown Incorporated**  
Renown Incorporated resolved to execute an agreement concerning capital alliance with Shandong Ruyi Technology Group Co., Ltd. and Jining Ruyi Investment Co., Ltd., and allocate new shares to Jining Ruyi Investment Co., Ltd.  
(SMBC Nikko serves as an advisor for Renown Incorporated)

**SEGA Dream (SEGA SAMMY HOLDINGS INC.) /Index Corporation**  
SEGA Dream which was 100% funded by SEGA, concluded the business transfer agreement with Index Corporation which had applied for civil rehabilitation proceedings, aimed at revitalizing the businesses of Index Corporation effectively.  
(SMBC Nikko serves as an advisor for SEGA.)

**Seiwa Sanko Co., Ltd. /Taiyo Co., Ltd.**  
Seiwa Sanko Co. Ltd. determined to delist Taiyo Co., Ltd. through MBO (SMBC Nikko serves as an advisor and takeover bid agent for Seiwa Sanko Co. Ltd.)

**SCK Holdings Co., Ltd. /Simplex Holdings, Inc.**  
SCK Holdings Co., Ltd. decided to execute TOB to make Simplex Holdings, Inc. into a wholly owned subsidiary by means of MBO.  
(SMBC Nikko serves as an advisor for Simplex Holdings, Inc.)

**Nippon Steel & Sumitomo Metal Corporation /Sumitomo Pipe & Tube Co., Ltd.**  
Nippon Steel & Sumitomo Metal Corporation is to turn Sumitomo Pipe & Tube Co., Ltd. into a wholly owned subsidiary via stock exchange.  
(SMBC Nikko served as an advisor for Sumitomo Pipe & Tube Co., Ltd.)

**Sumikin Bussan Corporation /Nippon Steel Trading Co., Ltd.**  
Execution of merger agreement on business integration between Sumikin Bussan Corporation/Nippon Steel Trading Co., Ltd.  
(SMBC Nikko serves as an advisor for Sumikin Bussan Corporation)

# Business collaboration with Sumitomo Mitsui Banking Corporation

【on a stand-alone basis】

- ◇ Collaboration with SMBC, namely intermediary services (\*1) and referral services provided by SMBC in favor us, has been stably growing.
- ◇ Human resource exchange and aggressive referrals between the designated branches of SMBC and us initiated in the 1st quarter of FY 2013 are remarkably growing.

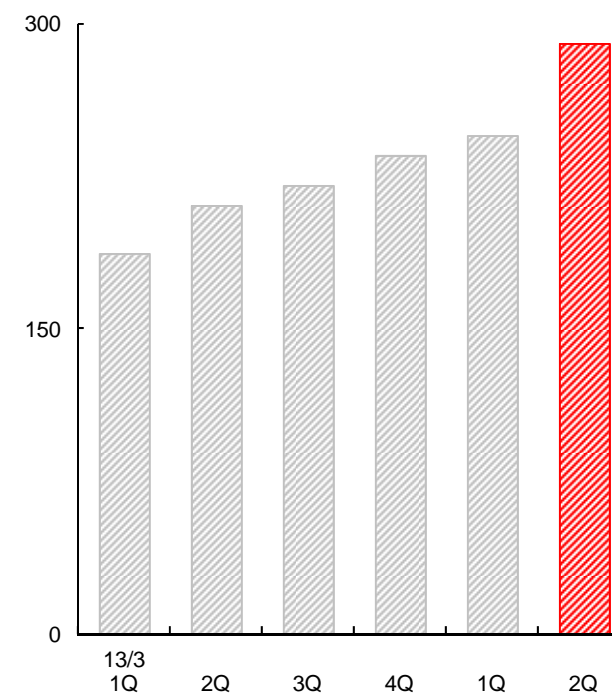
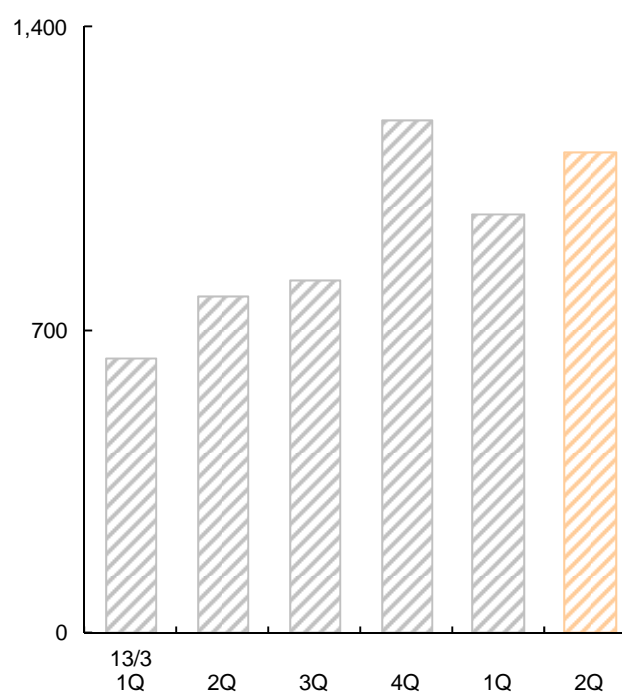
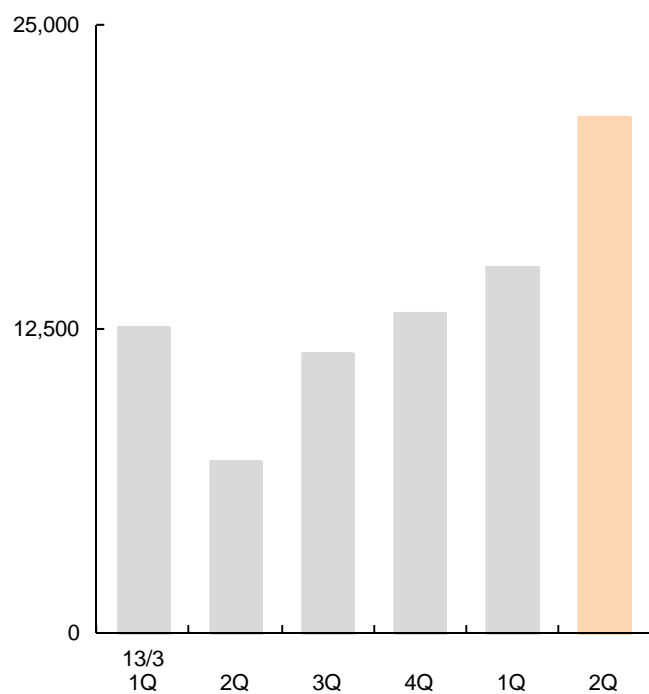
## Asset management

## Investment banking

Financial product intermediary service (No. of deals)

Referral service in asset management (No. of deals) (\*2)

Referral service in investment banking (No. of deals)

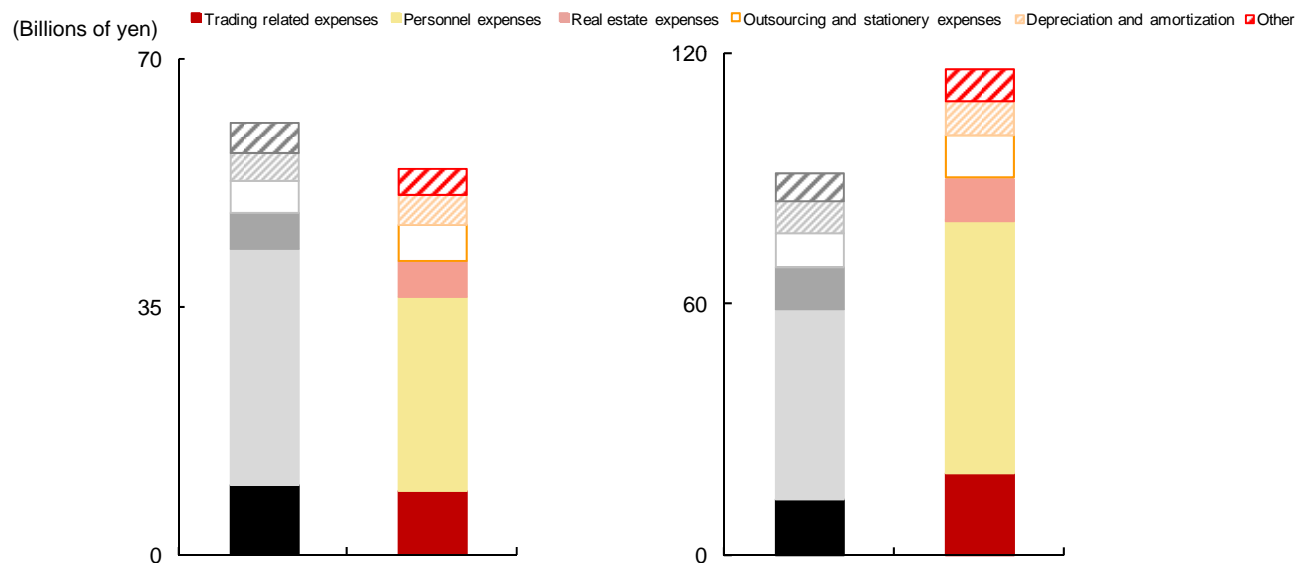


(\*1) Intermediary services: SMBC is commissioned by us to invite and/or mediate securities trading with customers.

(\*2) Not including referrals conducted between the designated branches of SMBC and us

# SG&A

- ◇ SG&A for the quarter was ¥ 54.8 B (-11% Q on Q) due to a decrease in expenses linked to transaction volume and performance as net operating revenue for the quarter decreased.
- ◇ SG&A for the 6 months ended Sep. 2013 was ¥ 116.1 B (+27% Y on Y). Persistent efforts for cost control succeeded in curbing an increase in overall expenses relative to that in revenues, though all items of expense are rising from building up wholesale functions and active market during the period.



| (Billions of yen)                   | FY2013<br>1Q | 2Q   | Q on Q | 6 months to<br>Sep. 30 2012 | 6 months to<br>Sep. 30 2013 | Y on Y |
|-------------------------------------|--------------|------|--------|-----------------------------|-----------------------------|--------|
| Trading related expenses            | 10.1         | 9.1  | -10%   | 13.4                        | 19.3                        | +44%   |
| Personnel expenses                  | 33.2         | 27.4 | -17%   | 45.7                        | 60.7                        | +33%   |
| Real estate expenses                | 5.1          | 5.1  | +1%    | 10.2                        | 10.3                        | +1%    |
| Outsourcing and stationery expenses | 4.6          | 5.2  | +12%   | 7.8                         | 9.8                         | +27%   |
| Depreciation and amortization       | 4.0          | 4.1  | +1%    | 7.9                         | 8.1                         | +2%    |
| Other                               | 4.0          | 3.6  | -11%   | 6.6                         | 7.6                         | +16%   |
| SG&A/ Fixed expense                 | 61.3         | 54.8 | -11%   | 91.8                        | 116.1                       | +27%   |
| SG&A/ Net operating revenue         | 59%          | 71%  | +11pt  | 85%                         | 64%                         | - 20pt |

# Balance sheet / Capital Adequacy Ratio

| (Billions of Yen)   | Mar.13         | Sep.13         | Variance      |
|---|----------------|----------------|---------------|
|   |                |                |               |
| Current assets  | 6,561.3        | 6,794.8        | +233.4        |
| Trading products  | 2,913.5        | 2,804.4        | -109.1        |
| Loans secured by securities                                 | 2,752.6        | 2,951.0        | +198.4        |
| Other current assets  | 895.1          | 1,039.3        | +144.2        |
| Noncurrent assets   | 191.7          | 198.2          | +6.4          |
| Tangible assets   | 26.4           | 25.5           | -0.9          |
| Intangible assets   | 66.4           | 69.3           | +2.9          |
| Investments and other assets                                | 98.8           | 103.3          | +4.4          |
| <b>Total assets</b>   | <b>6,753.0</b> | <b>6,993.0</b> | <b>+239.9</b> |
| Current liabilities   | 5,936.2        | 6,062.8        | +126.6        |
| Trading products  | 1,863.0        | 2,040.5        | +177.5        |
| Loans payable secured by securities                         | 2,049.1        | 2,153.3        | +104.2        |
| Short-term loans payable / Commercial papers                | 1,673.1        | 1,399.6        | -273.5        |
| Other current liabilities                                   | 350.9          | 469.3          | +118.3        |
| Noncurrent liabilities /<br>Reserves under the special laws | 299.9          | 366.7          | +66.8         |
| <b>Total liabilities</b>                                    | <b>6,236.1</b> | <b>6,429.6</b> | <b>+193.4</b> |
| <b>Total net assets</b>                                     | <b>516.8</b>   | <b>563.4</b>   | <b>+46.5</b>  |
| <b>Total liabilities and net assets</b>                     | <b>6,753.0</b> | <b>6,993.0</b> | <b>+239.9</b> |

【on a stand-alone basis】

| (Billions of Yen)             | Mar.13      | Sep.13      | Variance      |
|-------------------------------|-------------|-------------|---------------|
|                               |             |             |               |
| Basic items                   | 500.2       | 539.3       | +39.0         |
| Supplementary items           | 209.5       | 213.0       | +3.4          |
| Deductible assets             | 151.4       | 145.5       | -5.8          |
| Net capital                   | 558.3       | 606.8       | +48.4         |
| Risk total                    | 100.1       | 98.0        | -2.0          |
| Market Risk                   | 35.1        | 32.1        | -3.0          |
| Counterparty Risk             | 17.6        | 13.7        | -3.8          |
| Basic Risk                    | 47.3        | 52.2        | +4.8          |
| <b>Capital Adequacy Ratio</b> | <b>558%</b> | <b>619%</b> | <b>+61 pt</b> |

【on a stand-alone basis】

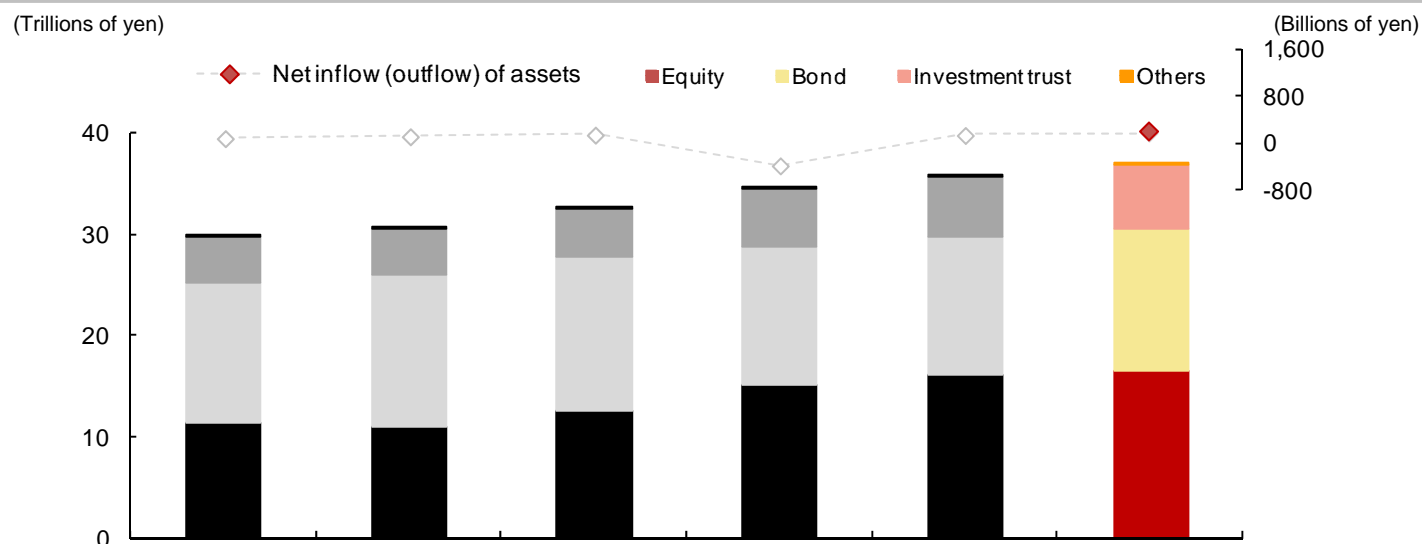
Credit ratings on Long Term (as of October 30th, 2013)

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

# Client Assets / Net Inflow (Outflow) of Assets

[on a stand-alone basis]

- ◇ Overall client assets at the end of Sep. 2013 was ¥ 37.1 trillion (+3% Q on Q).
- ◇ Net inflow of retail client assets for this quarter increased by ¥ 150.1 B.



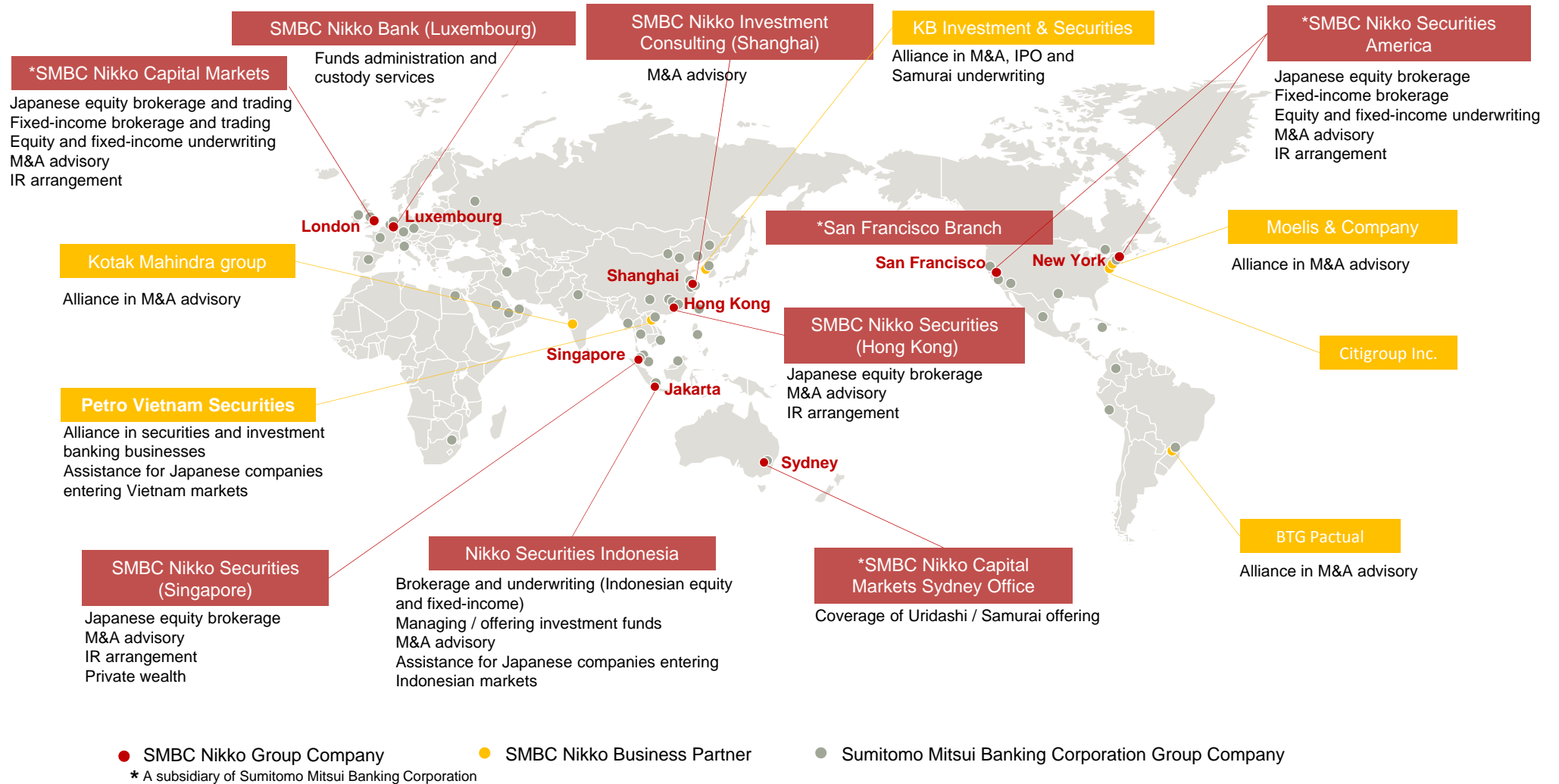
(Trillions of yen)

|                  | FY2012 Jun. | Sep. | Dec. | Mar. | FY2013 Jun. | Sep. |
|------------------|-------------|------|------|------|-------------|------|
| Equity           | 11.5        | 11.2 | 12.7 | 15.2 | 16.3        | 16.6 |
| Bond             | 13.9        | 14.9 | 15.1 | 13.7 | 13.6        | 14.1 |
| Investment trust | 4.5         | 4.5  | 4.9  | 5.7  | 5.9         | 6.2  |
| Others           | 0.1         | 0.1  | 0.1  | 0.2  | 0.2         | 0.2  |
| Client assets    | 30.0        | 30.7 | 32.8 | 34.7 | 36.0        | 37.1 |

(Billions of yen)

|   | 1Q      | 2Q       | 3Q       | 4Q       | 1Q       | 2Q       |
|---|---------|----------|----------|----------|----------|----------|
| Net inflow (outflow) of assets <Retail> | 93.2    | 123.9    | 152.8    | -370.4   | 145.7    | 150.1    |
| Inflow of assets                        | 1,084.4 | 1,191.3  | 1,188.6  | 1,433.6  | 1,781.3  | 1,673.3  |
| Outflow of assets                       | -991.2  | -1,067.4 | -1,035.8 | -1,803.9 | -1,635.6 | -1,523.2 |

# Overseas Network Extended



## Extension of overseas network

- Branch established in San Francisco, the U.S.  
Began securities business on Oct. 1, 2013 in San Francisco by opening a branch of New York-based SMBC Nikko Securities America.

## Social contribution bonds "Green Bonds" and "Agri-bonds"

- As a part of SRI (socially responsible investment) activity, distributed social contribution bonds:  
"Green Bonds" in Sep. 2013 for addressing global warming and contributing to the fields of environment and agriculture.  
"Agri-bonds" in Oct. 2013 for promoting agri-businesses in developing countries through investment

## Analyst Rankings

- Ranked 5th in Brokers Ranking of 2013 Analyst Ranking for Japanese Stocks with THOMSON REUTERS "Star Mainz Analyst Awards" in Sep. 2013.

## Commendation

- Received award for excellence at "Best Contact Center of The Year 2013" - the commendation system hosted by a public interest incorporated association Japan Institute of Information Technology. Being awarded for an excellence or the highest every year since our first entry in the system in 2010 made us the first firm on its record to be honored for four consecutive years.
- Obtained the certificate with full score of 3,000 points for an international quality standards for contact center operations, namely the COPC® CSP's latest standards Release 5.1 version. No firm in the world has been accredited for the certificate with full score since its revision to Release 5.0. We have been obtaining the certificates of the COPC® CSP standards for these six years.



# Reference Data

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# Consolidated Business Results (Quarterly Trend)

| (Millions of yen)                         | FY2012 |        |        |         | FY2013  |        |
|---|--------|--------|--------|---------|---------|--------|
|   | 1Q     | 2Q     | 3Q     | 4Q      | 1Q      | 2Q     |
| Operating revenue                         | 60,584 | 58,189 | 72,872 | 104,977 | 110,520 | 82,614 |
| Commissions received                      | 26,598 | 26,747 | 35,528 | 54,234  | 60,085  | 44,004 |
| Brokerage commissions                     | 2,773  | 3,191  | 4,638  | 8,641   | 13,741  | 9,554  |
| Underwriting and distribution commissions | 2,313  | 5,667  | 4,849  | 5,531   | 7,173   | 7,611  |
| Flotation and distribution fees           | 12,734 | 9,055  | 16,787 | 27,799  | 28,370  | 15,490 |
| Other commissions                         | 8,776  | 8,833  | 9,252  | 12,262  | 10,799  | 11,348 |
| Net trading income                        | 27,177 | 23,562 | 28,038 | 40,985  | 40,653  | 29,303 |
| Equities                                  | 664    | -859   | 1,307  | 2,219   | 3,980   | 497    |
| Bonds / Foreign exchange                  | 26,513 | 24,421 | 26,730 | 38,766  | 36,673  | 28,806 |
| Financial revenue                         | 4,569  | 5,670  | 6,583  | 6,848   | 7,071   | 6,695  |
| Other sales                               | 2,239  | 2,209  | 2,721  | 2,908   | 2,710   | 2,611  |
| Financial expenses                        | 3,640  | 3,157  | 4,257  | 2,993   | 5,295   | 3,203  |
| Cost of sales                             | 1,694  | 1,752  | 2,061  | 2,302   | 2,008   | 2,008  |
| Net operating revenue                     | 55,249 | 53,279 | 66,553 | 99,680  | 103,215 | 77,402 |
| SG&A                                      | 45,833 | 45,990 | 49,249 | 59,206  | 61,355  | 54,806 |
| Operating income / loss                   | 9,415  | 7,288  | 17,304 | 40,474  | 41,859  | 22,596 |
| Ordinary income / loss                    | 9,880  | 7,495  | 17,457 | 40,917  | 42,277  | 23,023 |
| Extraordinary income / loss               | -2,840 | -1,758 | 1,289  | 1,370   | -79     | -166   |
| Net income before income taxes            | 7,039  | 5,736  | 18,746 | 42,288  | 42,198  | 22,856 |
| Income taxes-current                      | 163    | 242    | 608    | 5,574   | 7,690   | 5,667  |
| Income taxes-deferred                     | 2,895  | 2,781  | 5,923  | 9,848   | 7,735   | 2,725  |
| Minority interests in income/(losses)     | 1      | 0      | 6      | 6       | -1      | 6      |
| Net income / loss                         | 3,978  | 2,711  | 12,208 | 26,859  | 26,774  | 14,457 |

# Stand-alone Business Results (Quarterly Trend)

【on a stand-alone basis】

| (Millions of yen)                         | FY2012 |        |        |         | FY2013  |        |
|---|--------|--------|--------|---------|---------|--------|
|   | 1Q     | 2Q     | 3Q     | 4Q      | 1Q      | 2Q     |
| Operating revenue                         | 56,947 | 54,699 | 68,478 | 100,377 | 106,114 | 77,921 |
| Commissions received                      | 25,602 | 25,842 | 34,337 | 52,926  | 58,718  | 42,208 |
| Brokerage commissions                     | 2,679  | 3,085  | 4,445  | 8,323   | 13,329  | 9,132  |
| Underwriting and distribution commissions | 2,313  | 5,663  | 4,849  | 5,531   | 7,173   | 7,611  |
| Flotation and distribution fees           | 12,734 | 9,041  | 16,785 | 27,741  | 28,337  | 15,025 |
| Other commissions                         | 7,874  | 8,053  | 8,257  | 11,330  | 9,877   | 10,439 |
| Net trading income                        | 27,177 | 23,562 | 28,038 | 40,985  | 40,653  | 29,303 |
| Equities                                  | 664    | -859   | 1,307  | 2,219   | 3,980   | 497    |
| Bonds / Foreign exchange                  | 26,513 | 24,421 | 26,730 | 38,766  | 36,673  | 28,806 |
| Financial revenue                         | 4,167  | 5,294  | 6,101  | 6,465   | 6,742   | 6,409  |
| Financial expenses                        | 3,260  | 2,802  | 3,801  | 2,642   | 4,982   | 2,937  |
| Net operating revenue                     | 53,687 | 51,897 | 64,676 | 97,735  | 101,131 | 74,984 |
| SG&A                                      | 45,067 | 44,986 | 47,993 | 57,237  | 60,131  | 54,039 |
| Operating income / loss                   | 8,619  | 6,911  | 16,682 | 40,497  | 40,999  | 20,944 |
| Ordinary income / loss                    | 8,895  | 7,015  | 16,615 | 40,910  | 41,070  | 21,245 |
| Extraordinary income / loss               | -2,533 | -1,696 | 924    | 1,414   | -136    | -326   |
| Net income before income taxes            | 6,361  | 5,318  | 17,540 | 42,324  | 40,933  | 20,919 |
| Income taxes-current                      | 23     | 34     | 35     | 5,016   | 6,967   | 4,978  |
| Income taxes-deferred                     | 2,606  | 2,711  | 5,976  | 10,205  | 7,955   | 2,875  |
| Net income / loss                         | 3,732  | 2,572  | 11,528 | 27,103  | 26,011  | 13,065 |

# Operational Indicators -1

【on a stand-alone basis】

## ◇ Sales of Products

| (Billions of yen)                      | FY2012         |                |                |                | FY2013         |                |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
|  | 1Q             | 2Q             | 3Q             | 4Q             | 1Q             | 2Q             |
| Investment trusts                      | 521.2          | 395.9          | 649.7          | 1,053.2        | 1,131.9        | 671.8          |
| (Equity investment trusts)             | ( 350.9 )      | ( 252.3 )      | ( 476.1 )      | ( 741.4 )      | ( 822.6 )      | ( 497.9 )      |
| (Foreign registered investment trusts) | ( 123.6 )      | ( 103.0 )      | ( 126.9 )      | ( 256.5 )      | ( 247.3 )      | ( 119.1 )      |
| Foreign bonds (*)                      | 622.0          | 517.9          | 547.8          | 700.0          | 837.1          | 785.5          |
| (Foreign currency bonds)               | ( 224.2 )      | ( 218.3 )      | ( 223.2 )      | ( 239.0 )      | ( 250.9 )      | ( 200.7 )      |
| Domestic bond                          | 460.9          | 338.0          | 612.8          | 474.7          | 879.9          | 522.1          |
| (Retail target JGBs)                   | ( 181.2 )      | ( 24.7 )       | ( 88.4 )       | ( 45.3 )       | ( 121.4 )      | ( 95.1 )       |
| Public offering                        | 11.4           | 110.3          | 48.7           | 124.0          | 100.0          | 102.0          |
| Annuity / insurance                    | 3.0            | 2.3            | 1.5            | 1.5            | 1.4            | 1.8            |
| <b>Total</b>                           | <b>1,618.5</b> | <b>1,364.4</b> | <b>1,860.7</b> | <b>2,353.5</b> | <b>2,950.3</b> | <b>2,083.3</b> |

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

## ◇ Underwriting Share (Book runner)

|                          | FY2012 |       |       |       | FY2013 |       |
|--------------------------|--------|-------|-------|-------|--------|-------|
|                          | 1Q     | 2Q    | 3Q    | 4Q    | 1Q     | 2Q    |
| ECM Global Equity (*1)   | 5.7%   | 14.6% | 24.0% | 13.2% | 8.4%   | 12.8% |
| DCM All bond in Yen (*2) | 6.4%   | 8.3%  | 14.3% | 8.3%  | 15.4%  | 15.6% |
| M&A Japan related (*3)   | 32.6%  | 22.2% | 6.4%  | 13.2% | 12.5%  | 16.0% |

(\*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)

|  | FY2012            |                   |                   |                   | FY2013            |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | 1Q                | 2Q                | 3Q                | 4Q                | 1Q                | 2Q                |
| Based on number of transaction<br>(Nikko EZ Trade) | 92.4%<br>( 85.0%) | 88.4%<br>( 81.7%) | 90.0%<br>( 82.9%) | 89.7%<br>( 81.4%) | 90.0%<br>( 81.3%) | 89.4%<br>( 81.9%) |
| Based on commissions<br>(Nikko EZ trade)           | 56.4%<br>( 34.1%) | 28.1%<br>( 16.6%) | 41.0%<br>( 25.4%) | 49.8%<br>( 32.1%) | 54.4%<br>( 35.0%) | 44.8%<br>( 28.1%) |

(\*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)                 | FY2012  |         |         |         | FY2013  |         |
|-----------------------------------|---------|---------|---------|---------|---------|---------|
|                                   | 1Q      | 2Q      | 3Q      | 4Q      | 1Q      | 2Q      |
| Equity brokerage amounts          | 1,108.4 | 1,396.0 | 1,897.3 | 3,369.3 | 5,338.2 | 4,093.4 |
| Equity brokerage commissions (*3) | 2.6     | 3.0     | 4.5     | 8.4     | 13.1    | 9.1     |
| Equity commissions rate           | 22.5bp  | 21.0bp  | 22.4bp  | 23.7bp  | 23.6bp  | 20.8bp  |

(\*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)

|                          | FY2012 |        |        |        | FY2013 |        |
|--------------------------|--------|--------|--------|--------|--------|--------|
|                          | Jun.12 | Sep.12 | Dec.12 | Mar.13 | Jun.13 | Sep.13 |
| Total accounts           | 2,461  | 2,419  | 2,386  | 2,390  | 2,419  | 2,447  |
| Cash management accounts | 2,091  | 2,069  | 2,053  | 2,060  | 2,091  | 2,120  |
| Newly opened accounts    | 27     | 22     | 24     | 32     | 47     | 46     |

【on a stand-alone basis】

## ◇ Number of Branches

Number of branches

|                    | FY2012 |        |        |        | FY2013 |        |
|--------------------|--------|--------|--------|--------|--------|--------|
|                    | Jun.12 | Sep.12 | Dec.12 | Mar.13 | Jun.13 | Sep.13 |
| Number of branches | 109    | 109    | 109    | 109    | 109    | 109    |

## ◇ Number of Employees

Number of employees

|                     | FY2012 |        |        |        | FY2013 |        |
|---------------------|--------|--------|--------|--------|--------|--------|
|                     | Jun.12 | Sep.12 | Dec.12 | Mar.13 | Jun.13 | Sep.13 |
| Number of employees | 8,872  | 8,803  | 8,703  | 8,634  | 9,032  | 8,996  |

