



Date: July 25, 2016

SMBC NIKKO SECURITIES INC.

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

Consolidated Financial Results for the Three Months ended June 30, 2016 (JGAAP)

(Amounts less than one million yen are omitted.)

1. Overall business performance for the Three Months ended June 30, 2016

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

Three 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	%
June 30, 2016	81,013	(15.5)	73,685	(16.9)	14,870	(39.4)	15,750	(38.2)	10,750	(50.2)
June 30, 2015	95,827	29.8	88,647	31.0	24,552	76.4	25,478	75.1	21,593	119.6

Note : Comprehensive income June 30, 2016 (1,337) million yen <- %> June 30, 2015 24,474 million yen <122.9%>

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2016	10,944,526	696,471	6.4
March 31, 2016	10,479,163	697,808	6.7

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

As of June 30, 2016 696,332 million yen As of March 31, 2016 697,673 million yen

2. Notes

- (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 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

Changes in accounting policies with accounting standards revisions

In accordance with the revision of the Corporation Tax Act, SMBC Nikko Securities Inc. adopted the "Practical Solution on Accounting for Changes in Depreciation Method due to Tax Reform 2016" (ASBJ Practical Issue Task Force (PITF) No. 32, issued June 17, 2016) from the first quarter in the period, and changed the depreciation method of facilities attached buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method. The impact of this change is immaterial on profit in the period.

4. Additional information

Effective from the first quarter in the period, SMBC Nikko Securities Inc. adopted the "Implementation Guidance on Recoverability of Deferred Tax Assets" (the Guidance No. 26, issued March 28, 2016).

II. Consolidated Financial Statements

1. Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	761,834	967,202
Cash segregated as deposits	308,153	351,534
Trading products	3,673,124	3,669,623
Trading securities and other	3,111,007	2,874,197
Derivatives	562,117	795,426
Trade date accrual	80,138	—
Margin transaction assets	75,113	73,496
Loans on margin transactions	72,285	70,860
Cash collateral pledged for securities borrowing on margin transactions	2,827	2,635
Loans secured by securities	5,007,451	5,296,702
Cash collateral pledged for securities borrowed	5,000,521	5,263,715
Loans on Gensaki transactions	6,930	32,987
Short-term guarantee deposits	232,295	259,738
Accrued income	16,391	13,934
Deferred tax assets	10,556	6,666
Other	55,325	59,873
Allowance for doubtful accounts	(2)	(7)
Total current assets	10,220,382	10,698,764
Noncurrent assets		
Property and equipment	26,713	26,700
Intangible assets	84,617	83,868
Investments and other assets	147,450	135,193
Investment securities	123,594	112,178
Long-term loans receivable	4,956	4,955
Long-term guarantee deposits	15,789	14,943
Deferred tax assets	189	194
Other	4,959	4,941
Allowance for doubtful accounts	(2,039)	(2,020)
Total noncurrent assets	258,781	245,761
Total assets	10,479,163	10,944,526

	(Millions of yen)	
	As of March 31, 2016	As of June 30, 2016
Liabilities		
Current liabilities		
Trading products	2,464,579	2,670,298
Trading securities and other	1,907,003	1,910,201
Derivatives	557,575	760,096
Trade date accrual	—	181,667
Margin transaction liabilities	8,098	5,042
Borrowings on margin transactions	390	337
Cash received for securities lending on margin transactions	7,708	4,705
Loans payable secured by securities	5,104,859	5,187,386
Cash received on debt credit transaction of securities	3,865,744	4,006,636
Borrowings on Gensaki transaction	1,239,114	1,180,750
Deposits received	293,458	351,514
Guarantee deposits received	86,738	103,292
Short-term loans payable	687,773	703,337
Commercial papers	367,000	291,800
Current portion of bonds payable	54,546	60,668
Income taxes payable	4,549	1,451
Other	75,737	73,580
Total current liabilities	9,147,342	9,630,040
Noncurrent liabilities		
Bonds payable	494,099	495,073
Long-term loans payable	124,100	108,700
Lease obligations	3,816	3,976
Deferred tax liabilities	5,445	3,722
Net defined benefit liabilities	2,495	2,711
Asset retirement obligations	2,256	2,240
Other	669	447
Total noncurrent liabilities	632,882	616,873
Reserves under the special laws		
Reserve for financial products transaction liabilities	1,129	1,141
Total reserves under the special laws	1,129	1,141
Total liabilities	9,781,355	10,248,055
Net assets		
Shareholder's equity		
Capital stock	10,000	10,000
Capital surplus	378,395	378,395
Retained earnings	290,883	301,634
Total shareholder's equity	679,278	690,029
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,195	8,023
Foreign currency translation adjustment	5,193	(1,728)
Remeasurements of defined benefit plans	5	7
Total accumulated other comprehensive income	18,394	6,302
Non-controlling interests	135	139
Total net assets	697,808	696,471
Total liabilities and net assets	10,479,163	10,944,526

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

Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Operating revenue		
Commission received	46,160	35,335
Brokerage commissions	11,435	7,390
Underwriting and distribution commissions	8,962	7,518
Flotation and distribution fees	12,223	7,529
Other fees received	13,539	12,898
Net trading income	40,067	36,757
Financial revenue	7,120	5,385
Other sales	2,479	3,534
Total operating revenue	95,827	81,013
Financial expenses	5,241	4,653
Cost of other sales	1,938	2,674
Net operating revenue	88,647	73,685
Selling, general and administrative expenses		
Trading related expenses	11,821	8,835
Personnel expenses	30,853	27,715
Real estate expenses	5,718	5,405
Office cost	5,795	6,064
Depreciation	5,183	5,844
Taxes and dues	1,211	1,317
Other	3,511	3,630
Total selling, general and administrative expenses	64,095	58,814
Operating income	24,552	14,870
Non-operating income		
Dividends income	298	261
Equity in earnings of affiliates	508	485
Foreign exchange gains	146	182
Other	191	117
Total non-operating income	1,144	1,046
Non-operating expenses		
Interest expenses	39	39
Bond issuance cost	63	49
Other	116	78
Total non-operating expenses	218	167
Ordinary income	25,478	15,750

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Extraordinary income		
Gain on sales of stocks of subsidiaries and affiliates	6,504	—
Total extraordinary income	6,504	—
Extraordinary loss		
Impairment loss	136	—
Loss on valuation of investment securities	—	485
Provision of reserve for financial products transaction liabilities	122	11
Total extraordinary loss	258	497
Income before income taxes and non-controlling interests	31,724	15,252
Income taxes - current	708	585
Income taxes - deferred	9,418	3,913
Total income taxes	10,126	4,499
Profit	21,597	10,753
Profit attributable to non-controlling interests	4	3
Profit attributable to owners of parent	21,593	10,750

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Profit	21,597	10,753
Other comprehensive income		
Valuation difference on available-for-sale securities	1,575	(5,180)
Foreign currency translation adjustment	1,311	(3,410)
Remesurements of defined benefit plans	0	—
Share of other comprehensive income of affiliates accounted for using equity method	(10)	(3,501)
Total other comprehensive income	2,876	(12,091)
Comprehensive income	24,474	(1,337)
Comprehensive income attributable to:		
Owners of parent	24,469	(1,341)
Non-controlling interests	4	3

3. Notes on Going Concern Assumption

Not applicable

4. Notes on Significant Changes in Shareholder's Equity

Not applicable

5. Additional information

(Memorandum of understanding on the merger between SMBC Nikko and SMBC Friend Securities Co., Ltd.)

SMBC Nikko approved at the meeting of the Board of directors held on May 12, 2016, the basic policies for conducting a merger with SMBC Friend Securities Co., Ltd. ("SMBC Friend"; President: Koichi Danno) (the "Merger") subject to approvals and authorizations from the relevant authorities, and entered into a memorandum of understanding (the "MoU") with SMBC Friend in order to proceed with further considerations and discussions regarding the Merger. In this regard, please refer to Press Release on May 12, 2016.

III. Supplementary Information

1. Commission Received

(1) Breakdown by Categories

(Millions of yen, except for percentages)

	Three months ended June 30, 2015	Three months ended June 30, 2016	Increase/(Decrease)	
			Amount	Rate of change
Brokerage commissions	11,435	7,390	(4,045)	(35.4) %
< Equities >	< 10,711 >	< 6,661 >	< (4,049) >	< (37.8) >
< Bonds >	< 21 >	< 113 >	< 91 >	< 435.4 >
< Investment trusts >	< 644 >	< 578 >	< (65) >	< (10.2) >
Underwriting and distribution commissions	8,962	7,518	(1,444)	(16.1)
< Equities >	< 5,478 >	< 2,869 >	< (2,608) >	< (47.6) >
< Bonds >	< 3,350 >	< 4,543 >	< 1,192 >	< 35.6 >
Flotation and distribution fees	12,223	7,529	(4,694)	(38.4)
< Investment trusts >	< 11,360 >	< 6,729 >	< (4,631) >	< (40.8) >
Other fees received	13,539	12,898	(640)	(4.7)
< Investment trusts >	< 8,093 >	< 7,037 >	< (1,056) >	< (13.0) >
Total	46,160	35,335	(10,824)	(23.5)

(2) Breakdown by Products

(Millions of yen, except for percentages)

	Three months ended June 30, 2015	Three months ended June 30, 2016	Increase/(Decrease)	
			Amount	Rate of change
Equities	16,621	9,705	(6,915)	(41.6) %
Bonds	4,262	5,780	1,518	35.6
Investment trusts	20,098	14,345	(5,753)	(28.6)
Other	5,178	5,503	325	6.3
Total	46,160	35,335	(10,824)	(23.5)

2. Net Trading Income

(Millions of yen, except for percentages)

	Three months ended June 30, 2015	Three months ended June 30, 2016	Increase/(Decrease)	
			Amount	Rate of change
Net trading income on equities	3,684	4,313	628	17.1 %
Net trading income on bonds and others	36,382	32,444	(3,937)	(10.8)
Total	40,067	36,757	(3,309)	(8.3)

3. Quarterly Consolidated Statements of Income

(Millions of yen)

	FY2015 1Q (April 1 to June 30, 2015)	FY2015 2Q (July 1 to September 30, 2015)	FY2015 3Q (October 1 to December 31, 2015)	FY2015 4Q (January 1 to March 31, 2016)	FY2016 1Q (April 1 to June 30, 2016)
Operating revenue					
Commission received	46,160	46,153	44,403	29,787	35,335
Brokerage commissions	11,435	10,297	9,602	7,859	7,390
< Equities >	< 10,711 >	< 8,983 >	< 8,776 >	< 7,000 >	< 6,661 >
Underwriting and distribution commissions	8,962	10,799	10,001	4,237	7,518
< Equities >	< 5,478 >	< 4,783 >	< 5,750 >	< 1,519 >	< 2,869 >
< Bonds >	< 3,350 >	< 6,015 >	< 4,124 >	< 2,717 >	< 4,543 >
Flotation and distribution fees	12,223	11,023	10,490	4,692	7,529
< Investment trusts >	< 11,360 >	< 10,133 >	< 9,892 >	< 3,937 >	< 6,729 >
Other fees received	13,539	14,032	14,309	12,996	12,898
< Investment trusts >	< 8,093 >	< 7,794 >	< 7,694 >	< 7,037 >	< 7,037 >
Net trading income	40,067	22,079	25,813	23,263	36,757
Financial revenue	7,120	7,914	6,549	7,607	5,385
Other sales	2,479	3,172	2,803	3,416	3,534
Total operating revenue	95,827	79,319	79,570	64,074	81,013
Financial expenses	5,241	3,303	4,520	3,604	4,653
Cost of other sales	1,938	2,306	2,174	2,801	2,674
Net operating revenue	88,647	73,708	72,875	57,667	73,685
Selling, general and administrative expenses					
Trading related expenses	11,821	10,579	10,236	10,496	8,835
Personnel expenses	30,853	28,130	28,004	24,961	27,715
Real estate expenses	5,718	5,538	5,268	5,288	5,405
Office cost	5,795	6,285	6,340	6,606	6,064
Depreciation	5,183	5,315	5,530	5,757	5,844
Taxes and dues	1,211	847	893	535	1,317
Other	3,511	3,601	3,604	3,630	3,630
Total selling, general and administrative expenses	64,095	60,298	59,878	57,276	58,814
Operating income	24,552	13,410	12,996	390	14,870
Non-operating income	1,144	1,808	628	1,764	1,046
Non-operating expenses	218	142	169	339	167
Ordinary income	25,478	15,076	13,456	1,816	15,750
Extraordinary income	6,504	—	—	—	—
Extraordinary loss	258	2,506	18	253	497
Income before income taxes and non-controlling interests	31,724	12,569	13,438	1,563	15,252
Income taxes - current	708	6,464	5,878	398	585
Income taxes - deferred	9,418	(1,808)	(3,089)	(804)	3,913
Profit	21,597	7,912	10,648	1,969	10,753
Profit attributable to non-controlling interests	4	8	9	0	3
Profit attributable to owners of parent	21,593	7,904	10,639	1,969	10,750

IV. Non-consolidated Financial Statements

1. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	667,574	862,119
Cash segregated as deposits	308,132	351,515
Trading products	3,673,124	3,669,623
Trading securities and other	3,111,007	2,874,197
Derivatives	562,117	795,426
Trade date accrual	80,138	—
Margin transaction assets	75,113	73,496
Loans on margin transactions	72,285	70,860
Cash collateral pledged for securities borrowing on margin transactions	2,827	2,635
Loans secured by securities	5,007,451	5,296,702
Cash collateral pledged for securities borrowed	5,000,521	5,263,715
Loans on Gensaki transactions	6,930	32,987
Short-term guarantee deposits	232,291	259,738
Short-term loans receivable	39,355	41,291
Accrued income	15,121	12,579
Deferred tax assets	6,405	2,876
Other	34,164	47,121
Allowance for doubtful accounts	(2)	(7)
Total current assets	10,138,870	10,617,056
Noncurrent assets		
Property and equipment	6,662	6,589
Intangible assets	24,710	23,783
Investments and other assets	175,984	167,757
Investment securities	60,678	53,239
Stocks of subsidiaries and affiliates	94,372	94,372
Long-term loans receivable	4,938	4,938
Long-term guarantee deposits	15,004	14,165
Other	2,973	3,011
Allowance for doubtful accounts	(1,983)	(1,970)
Total noncurrent assets	207,358	198,130
Total assets	10,346,228	10,815,187

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Liabilities		
Current liabilities		
Trading products	2,464,579	2,670,298
Trading securities and other	1,907,003	1,910,201
Derivatives	557,575	760,096
Trade date accrual	—	181,667
Margin transaction liabilities	8,098	5,042
Borrowings on margin transactions	390	337
Cash received for securities lending on margin transactions	7,708	4,705
Loans payable secured by securities	5,104,859	5,187,386
Cash received on debt credit transaction of securities	3,865,744	4,006,636
Borrowings on Gensaki transaction	1,239,114	1,180,750
Deposits received	231,438	274,175
Guarantee deposits received	86,738	103,292
Short-term loans payable	690,500	707,400
Commercial papers	367,000	291,800
Current portion of bonds payable	54,546	60,668
Income taxes payable	1,341	970
Other	37,613	45,664
Total current liabilities	9,046,716	9,528,367
Noncurrent liabilities		
Bonds payable	494,099	495,073
Long-term loans payable	124,100	108,700
Lease obligations	544	483
Deferred tax liabilities	4,476	2,675
Provision for retirement benefits	2,227	2,436
Asset retirement obligations	2,011	1,999
Other	422	282
Total noncurrent liabilities	627,881	611,651
Reserves under the special laws		
Reserve for financial products transaction liabilities	1,129	1,141
Total reserves under the special laws	1,129	1,141
Total liabilities	9,675,727	10,141,159
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	268,294	277,003
Other retained earnings	268,294	277,003
Retained earnings brought forward	268,294	277,003
Total shareholder's equity	656,689	665,398
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	13,811	8,628
Total valuation and translation adjustments	13,811	8,628
Total net assets	670,500	674,027
Total liabilities and net assets	10,346,228	10,815,187

2. Non-consolidated Statements of Income

	(Millions of yen)	
	Three months ended June 30, 2015	Three months ended June 30, 2016
Operating revenue		
Commission received	44,041	33,132
Brokerage commissions	10,636	6,679
Underwriting and distribution commissions	8,962	7,518
Flotation and distribution fees	12,037	7,459
Other fees received	12,405	11,475
Net trading income	40,067	36,757
Financial revenue	6,813	5,228
Total operating revenue	90,922	75,119
Financial expenses	4,962	4,535
Net operating revenue	85,959	70,584
Selling, general and administrative expenses		
Trading related expenses	11,676	8,392
Personnel expenses	27,965	24,862
Real estate expenses	5,007	4,841
Office cost	12,366	13,405
Depreciation	1,624	1,648
Taxes and dues	1,084	1,173
Other	3,092	3,438
Total selling, general and administrative expenses	62,816	57,762
Operating income	23,143	12,821
Non-operating income		
Dividends income	248	257
Other	115	106
Total non-operating income	363	363
Non-operating expenses		
Bond issuance cost	63	49
Other	53	38
Total non-operating expenses	116	87
Ordinary income	23,390	13,097

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Extraordinary income		
Gain on sales of stocks of subsidiaries and affiliates	4,869	—
Total extraordinary income	4,869	—
Extraordinary loss		
Impairment loss	136	—
Loss on valuation of investment securities	—	488
Provision of reserve for financial products transaction liabilities	122	11
Total extraordinary loss	258	500
Income before income taxes	28,001	12,596
Income taxes - current	561	421
Income taxes - deferred	8,548	3,466
Total income taxes	9,109	3,887
Profit	18,892	8,709

3. Capital Adequacy Ratio on a stand-alone basis

		(Millions of yen)	
		As of March 31, 2016	As of June 30, 2016
Basic items (A)		656,689	665,398
Supplementary items	Valuation difference on available-for-sale securities and others	13,811	8,628
	Reserves under the special laws	1,129	1,141
	Allowance for doubtful accounts	2	2
	Short-term subordinated debt	—	—
Total (B)		14,942	9,771
Deductible assets (C)		162,350	161,469
Net capital (A) + (B) - (C) (D)		509,281	513,700
Risk items	Market Risk	43,886	44,588
	Counterparty Risk	22,948	20,807
	Basic Risk	61,780	59,438
Total (E)		128,614	124,834
Capital adequacy ratio (D) / (E)*100		395.9%	411.5%

4. Quarterly Non-consolidated Statements of Income

(Millions of yen)

	FY2015 1Q (April 1 to June 30, 2015)	FY2015 2Q (July 1 to September 30, 2015)	FY2015 3Q (October 1 to December 31, 2015)	FY2015 4Q (January 1 to March 31, 2016)	FY2016 1Q (April 1 to June 30, 2016)
Operating revenue					
Commission received	44,041	44,169	42,256	27,913	33,132
Brokerage commissions	10,636	9,516	8,854	7,191	6,679
< Equities >	< 9,911 >	< 8,202 >	< 8,027 >	< 6,332 >	< 5,951 >
Underwriting and distribution commissions	8,962	10,799	10,001	4,237	7,518
< Equities >	< 5,478 >	< 4,783 >	< 5,750 >	< 1,519 >	< 2,869 >
< Bonds >	< 3,350 >	< 6,015 >	< 4,124 >	< 2,717 >	< 4,543 >
Flotation and distribution fees	12,037	10,982	10,489	4,665	7,459
< Investment trusts >	< 11,360 >	< 10,133 >	< 9,892 >	< 3,937 >	< 6,729 >
Other fees received	12,405	12,870	12,911	11,818	11,475
< Investment trusts >	< 7,401 >	< 7,048 >	< 6,903 >	< 6,265 >	< 6,102 >
Net trading income	40,067	22,079	25,813	23,263	36,757
Financial revenue	6,813	7,693	6,361	7,456	5,228
Total operating revenue	90,922	73,941	74,431	58,633	75,119
Financial expenses	4,962	3,111	4,360	3,483	4,535
Net operating revenue	85,959	70,830	70,070	55,149	70,584
Selling, general and administrative expenses					
Trading related expenses	11,676	10,156	9,967	10,054	8,392
Personal expenses	27,965	25,321	25,169	22,256	24,862
Real estate expenses	5,007	4,860	4,639	4,638	4,841
Office cost	12,366	12,804	12,738	12,797	13,405
Depreciation	1,624	1,643	1,675	1,711	1,648
Taxes and dues	1,084	727	779	383	1,173
Other	3,092	3,372	3,299	3,215	3,438
Total selling, general and administrative expenses	62,816	58,885	58,269	55,057	57,762
Operating income	23,143	11,945	11,801	91	12,821
Non-operating income	363	663	117	754	363
Non-operating expenses	116	101	114	234	87
Ordinary income	23,390	12,507	11,804	611	13,097
Extraordinary income	4,869	—	—	—	—
Extraordinary loss	258	4,588	15	243	500
Income before income taxes	28,001	7,919	11,788	367	12,596
Income taxes - current	561	5,932	5,518	(2,086)	421
Income taxes - deferred	8,548	(3,201)	(1,703)	1,390	3,466
Profit	18,892	5,187	7,973	1,064	8,709