



Date: January 27, 2017

SMBC NIKKO SECURITIES INC.

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

Consolidated Financial Results for the Nine Months ended December 31, 2016 (JGAAP)

(Amounts less than one million yen are omitted.)

1. Overall business performance for the Nine Months ended December 31, 2016

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

| Nine 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 | % |
| December 31, 2016 | 250,382 | (1.7) | 227,192 | (3.4) | 46,058 | (9.6) | 48,696 | (9.8) | 26,311 | (34.4) |
| December 31, 2015 | 254,716 | (1.1) | 235,231 | (1.8) | 50,959 | (25.3) | 54,010 | (22.6) | 40,137 | (12.8) |

Note : Comprehensive income December 31, 2016 22,821million yen <(41.5%)> December 31, 2015 39,037million yen <(31.1%)>

(2) Consolidated financial condition

| As of | Total assets | Net assets | Equity ratio |
|-------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| December 31, 2016 | 10,777,138 | 520,630 | 4.8 |
| March 31, 2016 | 10,479,163 | 697,808 | 6.7 |

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

As of December 31, 2016 520,477 million yen As of March 31, 2016 697,673 million yen

2. Others

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

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

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

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

(ii) Changes 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.

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 December 31, 2016 |
|---|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 761,834 | 972,458 |
| Cash segregated as deposits | 308,153 | 411,473 |
| Trading products | 3,673,124 | 2,841,021 |
| Trading securities and other | 3,111,007 | 2,233,390 |
| Derivatives | 562,117 | 607,630 |
| Trade date accrual | 80,138 | 197,614 |
| Margin transaction assets | 75,113 | 84,964 |
| Loans on margin transactions | 72,285 | 57,908 |
| Cash collateral pledged for securities borrowing on margin transactions | 2,827 | 27,055 |
| Loans secured by securities | 5,007,451 | 5,690,789 |
| Cash collateral pledged for securities borrowed | 5,000,521 | 5,632,578 |
| Loans on Gensaki transactions | 6,930 | 58,211 |
| Short-term guarantee deposits | 232,295 | 229,656 |
| Accrued income | 16,391 | 17,024 |
| Deferred tax assets | 10,556 | 12,772 |
| Other | 55,325 | 64,326 |
| Allowance for doubtful accounts | (2) | (3) |
| Total current assets | 10,220,382 | 10,522,099 |
| Noncurrent assets | | |
| Property and equipment | 26,713 | 25,781 |
| Intangible assets | 84,617 | 81,116 |
| Investments and other assets | 147,450 | 148,141 |
| Investment securities | 123,594 | 125,051 |
| Long-term loans receivable | 4,956 | 4,953 |
| Long-term guarantee deposits | 15,789 | 14,874 |
| Deferred tax assets | 189 | 204 |
| Other | 4,959 | 5,056 |
| Allowance for doubtful accounts | (2,039) | (1,998) |
| Total noncurrent assets | 258,781 | 255,038 |
| Total assets | 10,479,163 | 10,777,138 |

(Millions of yen)

| | As of March 31, 2016 | As of December 31, 2016 |
|---|----------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Trading products | 2,464,579 | 2,582,402 |
| Trading securities and other | 1,907,003 | 1,973,088 |
| Derivatives | 557,575 | 609,314 |
| Margin transaction liabilities | 8,098 | 17,832 |
| Borrowings on margin transactions | 390 | 0 |
| Cash received for securities lending on margin transactions | 7,708 | 17,831 |
| Loans payable secured by securities | 5,104,859 | 5,221,822 |
| Cash received on debt credit transaction of securities | 3,865,744 | 3,849,143 |
| Borrowings on Gensaki transaction | 1,239,114 | 1,372,679 |
| Deposits received | 293,458 | 443,795 |
| Guarantee deposits received | 86,738 | 117,029 |
| Short-term loans payable | 687,773 | 797,200 |
| Commercial papers | 367,000 | 155,200 |
| Current portion of bonds payable | 54,546 | 82,244 |
| Income taxes payable | 4,549 | 8,865 |
| Other | 75,737 | 87,015 |
| Total current liabilities | 9,147,342 | 9,513,406 |
| Noncurrent liabilities | | |
| Bonds payable | 494,099 | 490,925 |
| Long-term loans payable | 124,100 | 234,150 |
| Lease obligations | 3,816 | 3,500 |
| Deferred tax liabilities | 5,445 | 7,838 |
| Net defined benefit liabilities | 2,495 | 2,622 |
| Asset retirement obligations | 2,256 | 2,254 |
| Other | 669 | 477 |
| Total noncurrent liabilities | 632,882 | 741,769 |
| Reserves under the special laws | | |
| Reserve for financial products transaction liabilities | 1,129 | 1,332 |
| Total reserves under the special laws | 1,129 | 1,332 |
| Total liabilities | 9,781,355 | 10,256,508 |
| Net assets | | |
| Shareholder's equity | | |
| Capital stock | 10,000 | 10,000 |
| Capital surplus | 378,395 | 378,395 |
| Retained earnings | 290,883 | 117,195 |
| Total shareholder's equity | 679,278 | 505,590 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 13,195 | 18,445 |
| Deferred gains or losses on hedges | — | (29) |
| Foreign currency translation adjustment | 5,193 | (3,538) |
| Remeasurements of defined benefit plans | 5 | 8 |
| Total accumulated other comprehensive income | 18,394 | 14,887 |
| Non-controlling interests | 135 | 152 |
| Total net assets | 697,808 | 520,630 |
| Total liabilities and net assets | 10,479,163 | 10,777,138 |

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

Consolidated Statements of Income

(Millions of yen)

| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 |
|--|--|--|
| Operating revenue | | |
| Commission received | 136,717 | 118,179 |
| Brokerage commissions | 31,335 | 24,311 |
| Underwriting and distribution commissions | 29,763 | 25,937 |
| Flotation and distribution fees | 33,737 | 25,576 |
| Other fees received | 41,880 | 42,354 |
| Net trading income | 87,960 | 99,758 |
| Financial revenue | 21,584 | 21,531 |
| Other sales | 8,455 | 10,914 |
| Total operating revenue | 254,716 | 250,382 |
| Financial expenses | 13,066 | 15,024 |
| Cost of other sales | 6,419 | 8,165 |
| Net operating revenue | 235,231 | 227,192 |
| Selling, general and administrative expenses | | |
| Trading related expenses | 32,637 | 29,789 |
| Personnel expenses | 86,987 | 84,722 |
| Real estate expenses | 16,525 | 15,696 |
| Office cost | 18,422 | 18,345 |
| Depreciation | 16,029 | 17,835 |
| Taxes and dues | 2,952 | 3,798 |
| Other | 10,717 | 10,945 |
| Total selling, general and administrative expenses | 184,272 | 181,134 |
| Operating income | 50,959 | 46,058 |
| Non-operating income | | |
| Dividends income | 860 | 819 |
| Equity in earnings of affiliates | 1,741 | 1,566 |
| Foreign exchange gains | 520 | 484 |
| Other | 457 | 298 |
| Total non-operating income | 3,581 | 3,169 |
| Non-operating expenses | | |
| Interest expenses | 121 | 117 |
| Bond issuance cost | 195 | 155 |
| Other | 213 | 259 |
| Total non-operating expenses | 530 | 531 |
| Ordinary income | 54,010 | 48,696 |

(Millions of yen)

| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 |
|---|--|--|
| Extraordinary income | | |
| Gain on sales of stocks of subsidiaries and affiliates | 6,504 | — |
| Total extraordinary income | 6,504 | — |
| Extraordinary loss | | |
| Impairment loss | 235 | 27 |
| Loss on sales of investment securities | 2,300 | — |
| Amount on restructuring and liquidation of business alliance | — | 11,246 |
| Provision of reserve for financial products transaction liabilities | 247 | 202 |
| Total extraordinary loss | 2,783 | 11,475 |
| Income before income taxes and non-controlling interests | 57,731 | 37,220 |
| Income taxes - current | 13,051 | 12,803 |
| Income taxes - deferred | 4,520 | (1,911) |
| Total income taxes | 17,572 | 10,891 |
| Profit | 40,159 | 26,328 |
| Profit attributable to non-controlling interests | 22 | 16 |
| Profit attributable to owners of parent | 40,137 | 26,311 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 |
|---|--|--|
| Profit | 40,159 | 26,328 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (2,224) | 5,249 |
| Foreign currency translation adjustment | 173 | (124) |
| Remesurements of defined benefit plans | 0 | — |
| Share of other comprehensive income of affiliates accounted for using equity method | 928 | (8,631) |
| Total other comprehensive income | (1,121) | (3,507) |
| Comprehensive income | 39,037 | 22,821 |
| Comprehensive income attributable to: | | |
| Owners of parent | 39,015 | 22,804 |
| Non-controlling interests | 22 | 16 |

3. Notes on Going Concern Assumption

Not applicable

4. Notes on Significant Changes in Shareholder's Equity

Appropriation of surplus was resolved at the extraordinary meeting of shareholders held on September 27, 2016. As a result, retained earnings decreased by 200,000 million yen in the third quarter of the period, and outstanding amount of retained earnings at the end of third quarter of the period was 117,195 million yen.

• Dividends information

- (1) Total amount of dividends: 200,000 million yen (Dividends per share is the quotient of total amount of dividends and the number of outstanding shares)
- (2) Effective date: September 30, 2016
- (3) Dividend resource: Retained earnings

5. Additional information

(Execution of the Merger Agreement with SMBC Friend Securities)

SMBC Nikko, having approved the proposed merger with SMBC Friend Securities(President: Koichi Danno), entered into a memorandum of understanding, and proceeded with further considerations and discussions regarding the Merger, as announced in the press release "Memorandum of Understanding on the Merger between SMBC Nikko Securities and SMBC Friend Securities" dated May 12, 2016, hereby announce, as of September 30, that Two Securities Companies have executed a merger agreement. In this regard, please refer to Press Release "Execution of the Merger Agreement between SMBC Nikko Securities and SMBC Friend Securities" on September 30, 2016.

III. Supplementary Information

1. Commission Received

(1) Breakdown by Categories

(Millions of yen, except for percentages)

| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 | Increase/(Decrease) | |
|---|--|--|---------------------|----------------|
| | | | Amount | Rate of change |
| Brokerage commissions | 31,335 | 24,311 | (7,024) | (22.4) % |
| < Equities > | < 28,470 > | < 22,416 > | < (6,054) > | < (21.3) > |
| < Bonds > | < 259 > | < 236 > | < (22) > | < (8.7) > |
| < Investment trusts > | < 2,451 > | < 1,530 > | < (921) > | < (37.6) > |
| Underwriting and distribution commissions | 29,763 | 25,937 | (3,825) | (12.9) |
| < Equities > | < 16,012 > | < 10,972 > | < (5,039) > | < (31.5) > |
| < Bonds > | < 13,490 > | < 14,542 > | < 1,051 > | < 7.8 > |
| Flotation and distribution fees | 33,737 | 25,576 | (8,161) | (24.2) |
| < Investment trusts > | < 31,386 > | < 22,769 > | < (8,616) > | < (27.5) > |
| Other fees received | 41,880 | 42,354 | 473 | 1.1 |
| < Investment trusts > | < 23,583 > | < 21,634 > | < (1,948) > | < (8.3) > |
| Total | 136,717 | 118,179 | (18,537) | (13.6) |

(2) Breakdown by Products

(Millions of yen, except for percentages)

| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 | Increase/(Decrease) | |
|-------------------|--|--|---------------------|----------------|
| | | | Amount | Rate of change |
| Equities | 45,330 | 34,032 | (11,297) | (24.9) % |
| Bonds | 16,862 | 18,840 | 1,978 | 11.7 |
| Investment trusts | 57,420 | 45,934 | (11,485) | (20.0) |
| Other | 17,103 | 19,371 | 2,267 | 13.3 |
| Total | 136,717 | 118,179 | (18,537) | (13.6) |

2. Net Trading Income

(Millions of yen, except for percentages)

| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 | Increase/(Decrease) | |
|--|--|--|---------------------|----------------|
| | | | Amount | Rate of change |
| Net trading income on equities | 7,666 | 10,230 | 2,564 | 33.4 % |
| Net trading income on bonds and others | 80,294 | 89,527 | 9,233 | 11.5 |
| Total | 87,960 | 99,758 | 11,797 | 13.4 |

3. Quarterly Consolidated Statements of Income

(Millions of yen)

| | FY2015 3Q (October 1 to December 31, 2015) | FY2015 4Q (January 1 to March 31, 2016) | FY2016 1Q (April 1 to June 30, 2016) | FY2016 2Q (July 1 to September 30, 2016) | FY2016 3Q (October 1 to December 31, 2016) |
|--|--|---|--|--|--|
| Operating revenue | | | | | |
| Commission received | 44,403 | 29,787 | 35,335 | 42,582 | 40,261 |
| Brokerage commissions | 9,602 | 7,859 | 7,390 | 6,753 | 10,167 |
| < Equities > | < 8,776 > | < 7,000 > | < 6,661 > | < 6,302 > | < 9,452 > |
| Underwriting and distribution commissions | 10,001 | 4,237 | 7,518 | 12,182 | 6,237 |
| < Equities > | < 5,750 > | < 1,519 > | < 2,869 > | < 4,920 > | < 3,182 > |
| < Bonds > | < 4,124 > | < 2,717 > | < 4,543 > | < 7,109 > | < 2,889 > |
| Flotation and distribution fees | 10,490 | 4,692 | 7,529 | 9,192 | 8,854 |
| < Investment trusts > | < 9,892 > | < 3,937 > | < 6,729 > | < 8,151 > | < 7,889 > |
| Other fees received | 14,309 | 12,996 | 12,898 | 14,452 | 15,002 |
| < Investment trusts > | < 7,694 > | < 7,037 > | < 7,037 > | < 7,070 > | < 7,526 > |
| Net trading income | 25,813 | 23,263 | 36,757 | 27,294 | 35,706 |
| Financial revenue | 6,549 | 7,607 | 5,385 | 8,511 | 7,633 |
| Other sales | 2,803 | 3,416 | 3,534 | 3,683 | 3,696 |
| Total operating revenue | 79,570 | 64,074 | 81,013 | 82,070 | 87,298 |
| Financial expenses | 4,520 | 3,604 | 4,653 | 4,101 | 6,269 |
| Cost of other sales | 2,174 | 2,801 | 2,674 | 2,547 | 2,943 |
| Net operating revenue | 72,875 | 57,667 | 73,685 | 75,422 | 78,085 |
| Selling, general and administrative expenses | | | | | |
| Trading related expenses | 10,236 | 10,496 | 8,835 | 10,589 | 10,364 |
| Personnel expenses | 28,004 | 24,961 | 27,715 | 28,193 | 28,813 |
| Real estate expenses | 5,268 | 5,288 | 5,405 | 5,158 | 5,133 |
| Office cost | 6,340 | 6,606 | 6,064 | 6,060 | 6,220 |
| Depreciation | 5,530 | 5,757 | 5,844 | 5,996 | 5,993 |
| Taxes and dues | 893 | 535 | 1,317 | 1,170 | 1,311 |
| Other | 3,604 | 3,630 | 3,630 | 3,551 | 3,763 |
| Total selling, general and administrative expenses | 59,878 | 57,276 | 58,814 | 60,720 | 61,599 |
| Operating income | 12,996 | 390 | 14,870 | 14,701 | 16,485 |
| Non-operating income | 628 | 1,764 | 1,046 | 1,300 | 822 |
| Non-operating expenses | 169 | 339 | 167 | 251 | 112 |
| Ordinary income | 13,456 | 1,816 | 15,750 | 15,750 | 17,195 |
| Extraordinary income | — | — | — | — | — |
| Extraordinary loss | 18 | 253 | 497 | (298) | 11,277 |
| Income before income taxes and non-controlling interests | 13,438 | 1,563 | 15,252 | 16,049 | 5,917 |
| Income taxes - current | 5,878 | 398 | 585 | 5,272 | 6,945 |
| Income taxes - deferred | (3,089) | (804) | 3,913 | (512) | (5,312) |
| Profit | 10,648 | 1,969 | 10,753 | 11,289 | 4,285 |
| Profit attributable to non-controlling interests | 9 | 0 | 3 | 8 | 5 |
| Profit attributable to owners of parent | 10,639 | 1,969 | 10,750 | 11,281 | 4,279 |

IV. Non-consolidated Financial Statements

1. Non-consolidated Balance Sheets

| | (Millions of yen) | |
|---|----------------------|-------------------------|
| | As of March 31, 2016 | As of December 31, 2016 |
| Assets | | |
| Current assets | | |
| Cash and deposits | 667,574 | 846,420 |
| Cash segregated as deposits | 308,132 | 411,450 |
| Trading products | 3,673,124 | 2,841,021 |
| Trading securities and other | 3,111,007 | 2,233,390 |
| Derivatives | 562,117 | 607,630 |
| Trade date accrual | 80,138 | 197,614 |
| Margin transaction assets | 75,113 | 84,964 |
| Loans on margin transactions | 72,285 | 57,908 |
| Cash collateral pledged for securities borrowing on margin transactions | 2,827 | 27,055 |
| Loans secured by securities | 5,007,451 | 5,690,789 |
| Cash collateral pledged for securities borrowed | 5,000,521 | 5,632,578 |
| Loans on Gensaki transactions | 6,930 | 58,211 |
| Short-term guarantee deposits | 232,291 | 229,656 |
| Short-term loans receivable | 39,355 | 41,473 |
| Accrued income | 15,121 | 15,596 |
| Deferred tax assets | 6,405 | 9,326 |
| Other | 34,164 | 41,269 |
| Allowance for doubtful accounts | (2) | (3) |
| Total current assets | 10,138,870 | 10,409,579 |
| Noncurrent assets | | |
| Property and equipment | 6,662 | 6,249 |
| Intangible assets | 24,710 | 22,057 |
| Investments and other assets | 175,984 | 182,686 |
| Investment securities | 60,678 | 68,212 |
| Stocks of subsidiaries and affiliates | 94,372 | 94,372 |
| Long-term loans receivable | 4,938 | 4,937 |
| Long-term guarantee deposits | 15,004 | 14,082 |
| Other | 2,973 | 3,026 |
| Allowance for doubtful accounts | (1,983) | (1,944) |
| Total noncurrent assets | 207,358 | 210,993 |
| Total assets | 10,346,228 | 10,620,573 |

(Millions of yen)

| | As of March 31, 2016 | As of December 31, 2016 |
|---|----------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Trading products | 2,464,579 | 2,582,402 |
| Trading securities and other | 1,907,003 | 1,973,088 |
| Derivatives | 557,575 | 609,314 |
| Margin transaction liabilities | 8,098 | 17,832 |
| Borrowings on margin transactions | 390 | 0 |
| Cash received for securities lending on margin transactions | 7,708 | 17,831 |
| Loans payable secured by securities | 5,104,859 | 5,221,822 |
| Cash received on debt credit transaction of securities | 3,865,744 | 3,849,143 |
| Borrowings on Gensaki transaction | 1,239,114 | 1,372,679 |
| Deposits received | 231,438 | 348,641 |
| Guarantee deposits received | 86,738 | 117,029 |
| Short-term loans payable | 690,500 | 802,100 |
| Commercial papers | 367,000 | 155,200 |
| Current portion of bonds payable | 54,546 | 82,244 |
| Income taxes payable | 1,341 | 8,233 |
| Other | 37,613 | 50,410 |
| Total current liabilities | 9,046,716 | 9,385,916 |
| Noncurrent liabilities | | |
| Bonds payable | 494,099 | 490,925 |
| Long-term loans payable | 124,100 | 234,150 |
| Lease obligations | 544 | 332 |
| Deferred tax liabilities | 4,476 | 6,589 |
| Provision for retirement benefits | 2,227 | 2,334 |
| Asset retirement obligations | 2,011 | 2,005 |
| Other | 422 | 316 |
| Total noncurrent liabilities | 627,881 | 736,653 |
| Reserves under the special laws | | |
| Reserve for financial products transaction liabilities | 1,129 | 1,332 |
| Total reserves under the special laws | 1,129 | 1,332 |
| Total liabilities | 9,675,727 | 10,123,901 |
| 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 | 89,102 |
| Legal retained earnings | — | 2,500 |
| Other retained earnings | 268,294 | 86,602 |
| Retained earnings brought forward | 268,294 | 86,602 |
| Total shareholder's equity | 656,689 | 477,497 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 13,811 | 19,174 |
| Total valuation and translation adjustments | 13,811 | 19,174 |
| Total net assets | 670,500 | 496,672 |
| Total liabilities and net assets | 10,346,228 | 10,620,573 |

2. Non-consolidated Statements of Income

(Millions of yen)

| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 |
|--|--|--|
| Operating revenue | | |
| Commission received | 130,467 | 110,793 |
| Brokerage commissions | 29,007 | 21,916 |
| Underwriting and distribution commissions | 29,763 | 25,937 |
| Flotation and distribution fees | 33,509 | 25,472 |
| Other fees received | 38,187 | 37,466 |
| Net trading income | 87,959 | 99,758 |
| Financial revenue | 20,868 | 20,993 |
| Total operating revenue | 239,295 | 231,545 |
| Financial expenses | 12,434 | 14,645 |
| Net operating revenue | 226,861 | 216,899 |
| Selling, general and administrative expenses | | |
| Trading related expenses | 31,799 | 28,159 |
| Personnel expenses | 78,456 | 75,983 |
| Real estate expenses | 14,507 | 13,888 |
| Office cost | 37,908 | 39,572 |
| Depreciation | 4,943 | 5,002 |
| Taxes and dues | 2,592 | 3,408 |
| Other | 9,763 | 10,054 |
| Total selling, general and administrative expenses | 179,971 | 176,069 |
| Operating income | 46,890 | 40,830 |
| Non-operating income | | |
| Dividends income | 808 | 815 |
| Other | 335 | 214 |
| Total non-operating income | 1,144 | 1,029 |
| Non-operating expenses | | |
| Bond issuance cost | 195 | 155 |
| Other | 136 | 89 |
| Total non-operating expenses | 332 | 244 |
| Ordinary income | 47,702 | 41,614 |

(Millions of yen)

| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 |
|---|--|--|
| Extraordinary income | | |
| Gain on sales of stocks of subsidiaries and affiliates | 4,869 | — |
| Total extraordinary income | 4,869 | — |
| Extraordinary loss | | |
| Impairment loss | 235 | 27 |
| Loss related to liquidation of subsidiaries | 4,379 | — |
| Amount on restructuring and liquidation of business alliance | — | 11,246 |
| Provision of reserve for financial products transaction liabilities | 247 | 202 |
| Total extraordinary loss | 4,862 | 11,475 |
| Income before income taxes | 47,709 | 30,139 |
| Income taxes - current | 12,012 | 12,270 |
| Income taxes - deferred | 3,644 | (2,939) |
| Total income taxes | 15,656 | 9,331 |
| Profit | 32,053 | 20,807 |

3. Capital Adequacy Ratio on a stand-alone basis

(Millions of yen)

| | | As of March 31, 2016 | As of December 31, 2016 |
|------------------------|--|-------------------------|----------------------------|
| Basic items | (A) | 656,689 | 477,497 |
| Supplementary items | Valuation difference on available-for-sale securities and others | 13,811 | 19,174 |
| | Reserves under the special laws | 1,129 | 1,332 |
| | Allowance for doubtful accounts | 2 | 2 |
| | Short-term subordinated debt | — | 100,000 |
| Total (B) | | 14,942 | 120,508 |
| Deductible assets | (C) | 162,350 | 159,614 |
| Net capital | (A) + (B) - (C) (D) | 509,281 | 438,391 |
| Risk items | Market Risk | 43,886 | 49,969 |
| | Counterparty Risk | 22,948 | 17,442 |
| | Basic Risk | 61,780 | 58,054 |
| Total (E) | | 128,614 | 125,466 |
| Capital adequacy ratio | (D) / (E)*100 | 395.9% | 349.4% |

4. Quarterly Non-consolidated Statements of Income

(Millions of yen)

| | FY2015 3Q (October 1 to December 31, 2015) | FY2015 4Q (January 1 to March 31, 2016) | FY2016 1Q (April 1 to June 30, 2016) | FY2016 2Q (July 1 to September 30, 2016) | FY2016 3Q (October 1 to December 31, 2016) |
|--|--|---|--|--|--|
| Operating revenue | | | | | |
| Commission received | 42,256 | 27,913 | 33,132 | 40,334 | 37,326 |
| Brokerage commissions | 8,854 | 7,191 | 6,679 | 6,081 | 9,155 |
| < Equities > | < 8,027 > | < 6,332 > | < 5,951 > | < 5,629 > | < 8,440 > |
| Underwriting and distribution commissions | 10,001 | 4,237 | 7,518 | 12,182 | 6,237 |
| < Equities > | < 5,750 > | < 1,519 > | < 2,869 > | < 4,920 > | < 3,182 > |
| < Bonds > | < 4,124 > | < 2,717 > | < 4,543 > | < 7,109 > | < 2,889 > |
| Flotation and distribution fees | 10,489 | 4,665 | 7,459 | 9,178 | 8,834 |
| < Investment trusts > | < 9,892 > | < 3,937 > | < 6,729 > | < 8,151 > | < 7,889 > |
| Other fees received | 12,911 | 11,818 | 11,475 | 12,892 | 13,098 |
| < Investment trusts > | < 6,903 > | < 6,265 > | < 6,102 > | < 6,141 > | < 6,337 > |
| Net trading income | 25,813 | 23,263 | 36,757 | 27,294 | 35,706 |
| Financial revenue | 6,361 | 7,456 | 5,228 | 8,349 | 7,416 |
| Total operating revenue | 74,431 | 58,633 | 75,119 | 75,977 | 80,448 |
| Financial expenses | 4,360 | 3,483 | 4,535 | 3,987 | 6,123 |
| Net operating revenue | 70,070 | 55,149 | 70,584 | 71,990 | 74,325 |
| Selling, general and administrative expenses | | | | | |
| Trading related expenses | 9,967 | 10,054 | 8,392 | 9,995 | 9,771 |
| Personal expenses | 25,169 | 22,256 | 24,862 | 25,414 | 25,706 |
| Real estate expenses | 4,639 | 4,638 | 4,841 | 4,587 | 4,460 |
| Office cost | 12,738 | 12,797 | 13,405 | 13,190 | 12,976 |
| Depreciation | 1,675 | 1,711 | 1,648 | 1,668 | 1,685 |
| Taxes and dues | 779 | 383 | 1,173 | 1,043 | 1,190 |
| Other | 3,299 | 3,215 | 3,438 | 3,199 | 3,415 |
| Total selling, general and administrative expenses | 58,269 | 55,057 | 57,762 | 59,099 | 59,207 |
| Operating income | 11,801 | 91 | 12,821 | 12,890 | 15,118 |
| Non-operating income | 117 | 754 | 363 | 582 | 82 |
| Non-operating expenses | 114 | 234 | 87 | 70 | 85 |
| Ordinary income | 11,804 | 611 | 13,097 | 13,402 | 15,115 |
| Extraordinary income | — | — | — | — | — |
| Extraordinary loss | 15 | 243 | 500 | (302) | 11,277 |
| Income before income taxes | 11,788 | 367 | 12,596 | 13,704 | 3,837 |
| Income taxes - current | 5,518 | (2,086) | 421 | 4,957 | 6,891 |
| Income taxes - deferred | (1,703) | 1,390 | 3,466 | (723) | (5,682) |
| Profit | 7,973 | 1,064 | 8,709 | 9,470 | 2,628 |