



Date: July 24, 2018

SMBC NIKKO SECURITIES INC.

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

Consolidated Financial Results for the Three Months ended June 30, 2018 (JGAAP)

(Amounts less than one million yen are omitted.)

1. Overall business performance for the Three Months ended June 30, 2018

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

Three months ended	Operating revenue		Net operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2018	97,367	6.4	86,439	5.2	16,148	(18.5)	18,051	(13.9)	14,996	3.5
June 30, 2017	91,483	12.9	82,164	11.5	19,811	33.2	20,960	33.1	14,491	34.8

Note : Comprehensive income June 30, 2018 15,404million yen <(3.8%)> June 30, 2017 16,013million yen <-%>

(2) Consolidated financial condition

As of	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
June 30, 2018	9,729,495	816,818	8.4
March 31, 2018	10,681,280	818,734	7.7

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

As of June 30, 2018 816,666 million yen As of March 31, 2018 818,586 million yen

2. Others

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

(2) Adoption of the accounting method peculiar to quarterly financial statements : Yes

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

(i) Changes in the accounting policies with accounting standards revisions : None

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

(iii) Changes in accounting estimates : None

(iv) Retrospective restatements : None

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I. Summary information (Notes)

1. Changes in significant subsidiaries during the period

Not applicable

2. Adoption of the accounting method peculiar to quarterly financial statements

Calculation of tax

Income taxes of SMBC Nikko Securities Inc. ("SMBC Nikko") and some of its consolidated domestic subsidiaries are calculated by applying a reasonably estimated effective tax rate for the full fiscal year to income before income taxes for the three months ended June 30, 2018. The effective tax rate is determined by estimating the effective tax rate for the full fiscal year, which includes the three months ended June 30, 2018, after taking into account the effect of deferred tax accounting. Income taxes-deferred are included in the income taxes.

3. Changes in the accounting policies, estimates and retrospective restatement

Not applicable

4. Additional information

Changes caused by the application of the Partial Amendments to Accounting Standard for the Tax Effect Accounting

As the "Partial Amendments to Accounting Standard for the Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) has been applied to the consolidated financial statements as of the accounting period starting on April 1, 2018, SMBC Nikko has applied this amendment from the current period. Accordingly, deferred tax assets and deferred tax liabilities are reclassified and included in the investments and other assets section and the non-current liabilities section, respectively.

II. Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	1,003,617	1,046,718
Cash segregated as deposits	611,302	491,251
Trading products	3,179,742	3,529,543
Trading securities and other	2,681,112	3,034,990
Derivatives	498,629	494,552
Margin transaction assets	212,033	193,759
Loans on margin transactions	192,717	179,282
Cash collateral pledged for securities borrowing on margin transactions	19,315	14,477
Loans secured by securities	5,027,756	3,829,956
Cash collateral pledged for securities borrowed	4,956,494	3,154,123
Loans on Gensaki transactions	71,261	675,833
Short-term guarantee deposits	259,258	240,295
Accrued income	22,707	21,571
Other	49,492	62,857
Allowance for doubtful accounts	(12)	(4)
Total current assets	10,365,897	9,415,950
Non-current assets		
Property, plant and equipment	27,347	26,879
Intangible assets	74,203	71,959
Investments and other assets	213,832	214,705
Investment securities	180,819	182,138
Long-term loans receivable	4,951	4,949
Long-term guarantee deposits	18,366	18,485
Deferred tax assets	3,754	3,814
Other	7,530	6,908
Allowance for doubtful accounts	(1,589)	(1,590)
Total non-current assets	315,383	313,545
Total assets	10,681,280	9,729,495

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Trading products	2,494,694	2,243,756
Trading securities and other	1,993,514	1,755,680
Derivatives	501,179	488,075
Trade date accrual	55,326	238,600
Margin transaction liabilities	14,844	15,374
Borrowings on margin transactions	2,498	2,320
Cash received for securities lending on margin transactions	12,345	13,053
Loans payable secured by securities	5,006,004	4,200,745
Cash received on debt credit transaction of securities	4,042,870	2,110,940
Borrowings on Gensaki transaction	963,134	2,089,804
Deposits received	502,506	563,021
Guarantee deposits received	130,384	128,644
Short-term loans payable	484,108	433,100
Current portion of long-term loans payable	100,000	100,050
Commercial papers	145,700	40,700
Current portion of bonds payable	68,160	61,859
Income taxes payable	4,133	3,443
Other	73,694	54,965
Total current liabilities	9,079,558	8,084,262
Non-current liabilities		
Bonds payable	585,836	625,179
Long-term loans payable	175,550	181,000
Lease obligations	3,229	3,270
Deferred tax liabilities	10,385	10,409
Net defined benefit liabilities	2,891	3,228
Asset retirement obligations	2,207	2,361
Other	490	386
Total non-current liabilities	780,591	825,835
Reserves under special laws		
Reserve for financial products transaction liabilities	2,397	2,578
Total reserves under-special laws	2,397	2,578
Total liabilities	9,862,546	8,912,676
Net assets		
Shareholders' equity		
Capital stock	10,000	10,000
Capital surplus	457,714	457,714
Retained earnings	304,064	301,740
Total shareholders' equity	771,779	769,455
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	45,945	49,319
Deferred gains or losses on hedges	8	—
Foreign currency translation adjustment	859	(2,103)
Remeasurements of defined benefit plans	(5)	(4)
Total accumulated other comprehensive income	46,807	47,210
Non-controlling interests	147	152
Total net assets	818,734	816,818
Total liabilities and net assets	10,681,280	9,729,495

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

Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Operating revenue		
Commission received	41,726	50,357
Commissions to consignees	9,165	10,393
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	5,659	8,866
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	10,656	10,669
Other fees received	16,243	20,427
Net trading income	38,008	34,057
Financial revenue	9,600	9,547
Other sales	2,148	3,404
Total operating revenue	91,483	97,367
Financial expenses	7,462	7,871
Cost of other sales	1,856	3,055
Net operating revenue	82,164	86,439
Selling, general and administrative expenses		
Trading related expenses	9,380	10,420
Personnel expenses	29,583	33,290
Real estate expenses	5,552	6,585
Office cost	6,640	7,690
Depreciation	5,979	6,499
Taxes and dues	1,563	1,537
Other	3,653	4,268
Total selling, general and administrative expenses	62,353	70,291
Operating profit	19,811	16,148
Non-operating income		
Dividend income	223	551
Share of profit of investments accounted for using equity method	849	746
Foreign exchange gains	142	122
Other	128	661
Total non-operating income	1,344	2,082
Non-operating expenses		
Interest expenses	38	33
Bond issuance cost	62	53
Other	93	93
Total non-operating expenses	194	180
Ordinary profit	20,960	18,051

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Extraordinary income		
Total extraordinary income	—	—
Extraordinary losses		
Impairment losses	53	281
Loss on valuation of investment securities	—	189
Provision of reserve for financial products transaction liabilities	150	181
Integration related costs	169	—
Total extraordinary loss	372	652
Profit before income taxes and non-controlling interests	20,587	17,398
Income taxes	6,093	2,397
Profit	14,493	15,001
Profit attributable to non-controlling interests	2	4
Profit attributable to owners of parent	14,491	14,996

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit	14,493	15,001
Other comprehensive income		
Valuation difference on available-for-sale securities	2,439	3,375
Foreign currency translation adjustment	1,027	272
Share of other comprehensive income of affiliates accounted for using equity method	(1,946)	(3,244)
Total other comprehensive income	1,520	403
Comprehensive income	16,013	15,404
Comprehensive income attributable to:		
Owners of parent	16,011	15,399
Non-controlling interests	2	4

3. Notes on Going Concern Assumption

Not applicable

4. Notes on Significant Changes in Shareholder's Equity

Appropriation of surplus was resolved at the ordinary general meeting of shareholders held on June 18, 2018. As a result, the retained earnings decreased by 17,320 million yen in the period, and outstanding amount of retained earnings at the end of the period was 301,740 million yen.

• Dividends information

- (1) Total amount of dividends: 17,320 million yen (Dividends per share is an amount derived by dividing the total amount of dividends by the total number of issued shares(200,001 shares))
- (2) Effective date: June 19, 2018
- (3) Dividend resource: Retained earnings

III. Supplementary Information

1. Commission Received

(1) Breakdown by Categories

(Millions of yen, except for percentages)

	Three months ended June 30, 2017	Three months ended June 30, 2018	Increase/(Decrease)	
			Amount	Rate of change
Commissions to consignees	9,165	10,393	1,227	13.4 %
< Equities >	< 8,693 >	< 9,987 >	< 1,293 >	< 14.9 >
< Bonds >	< 30 >	< 30 >	< 0 >	< 0.8 >
< Investment trusts >	< 404 >	< 358 >	< (46) >	< (11.4) >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	5,659	8,866	3,206	56.7
< Equities >	< 1,619 >	< 4,244 >	< 2,624 >	< 162.1 >
< Bonds >	< 3,892 >	< 4,469 >	< 577 >	< 14.8 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	10,656	10,669	12	0.1
< Investment trusts >	< 10,052 >	< 10,132 >	< 79 >	< 0.8 >
Other fees received	16,243	20,427	4,183	25.8
Total	41,726	50,357	8,630	20.7

(2) Breakdown by Products

(Millions of yen, except for percentages)

	Three months ended June 30, 2017	Three months ended June 30, 2018	Increase/(Decrease)	
			Amount	Rate of change
Equities	10,480	14,342	3,861	36.8 %
Bonds	4,863	5,508	644	13.3
Investment trusts	18,255	20,804	2,548	14.0
Other	8,126	9,701	1,575	19.4
Total	41,726	50,357	8,630	20.7

2. Net Trading Income

(Millions of yen, except for percentages)

	Three months ended June 30, 2017	Three months ended June 30, 2018	Increase/(Decrease)	
			Amount	Rate of change
Net trading income on equities	8,568	10,721	2,152	25.1 %
Net trading income on bonds and others	29,439	23,336	(6,102)	(20.7)
Total	38,008	34,057	(3,950)	(10.4)

3. Quarterly Consolidated Statements of Income

(Millions of yen)

	FY2017 1Q (April 1 to June 30, 2017)	FY2017 2Q (July 1 to September 30, 2017)	FY2017 3Q (October 1 to December 31, 2017)	FY2017 4Q (January 1 to March 31, 2018)	FY2018 1Q (April 1 to June 30, 2018)
Operating revenue					
Commission received	41,726	43,495	56,257	57,984	50,357
Commissions to consignees	9,165	8,821	12,822	11,785	10,393
< Equities >	< 8,693 >	< 8,506 >	< 12,447 >	< 11,061 >	< 9,987 >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	5,659	6,820	10,180	9,078	8,866
< Equities >	< 1,619 >	< 3,908 >	< 6,191 >	< 6,314 >	< 4,244 >
< Bonds >	< 3,892 >	< 2,742 >	< 3,858 >	< 2,704 >	< 4,469 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	10,656	10,304	12,948	16,585	10,669
< Investment trusts >	< 10,052 >	< 9,518 >	< 12,332 >	< 15,628 >	< 10,132 >
Other fees received	16,243	17,549	20,306	20,534	20,427
Net trading income	38,008	34,770	40,493	34,057	34,057
Financial revenue	9,600	10,988	10,669	9,740	9,547
Other sales	2,148	2,288	2,352	2,822	3,404
Total operating revenue	91,483	91,543	109,773	104,605	97,367
Financial expenses	7,462	6,769	10,025	7,156	7,871
Cost of other sales	1,856	2,057	2,090	2,631	3,055
Net operating revenue	82,164	82,716	97,657	94,816	86,439
Selling, general and administrative expenses					
Trading related expenses	9,380	9,893	11,224	12,289	10,420
Personnel expenses	29,583	30,245	32,996	35,685	33,290
Real estate expenses	5,552	5,379	5,649	6,569	6,585
Office cost	6,640	6,624	7,264	7,497	7,690
Depreciation	5,979	6,087	6,170	6,471	6,499
Taxes and dues	1,563	728	1,220	1,602	1,537
Other	3,653	3,459	3,728	4,522	4,268
Total selling, general and administrative expenses	62,353	62,418	68,254	74,637	70,291
Operating profit	19,811	20,297	29,402	20,178	16,148
Non-operating income	1,344	825	1,233	2,534	2,082
Non-operating expenses	194	185	105	160	180
Ordinary profit	20,960	20,938	30,531	22,552	18,051
Extraordinary income	—	—	—	—	—
Extraordinary losses	372	517	931	4,210	652
Profit before income taxes and non-controlling interests	20,587	20,420	29,599	18,342	17,398
Income taxes	6,093	6,054	8,918	4,169	2,397
Profit	14,493	14,365	20,681	14,172	15,001
Profit attributable to non-controlling interests	2	0	4	1	4
Profit attributable to owners of parent	14,491	14,365	20,677	14,170	14,996

IV. Non-consolidated Financial Statements

1. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	883,338	930,682
Cash segregated as deposits	611,280	491,229
Trading products	3,179,742	3,529,543
Trading securities and other	2,681,112	3,034,990
Derivatives	498,629	494,552
Margin transaction assets	212,033	193,759
Loans on margin transactions	192,717	179,282
Cash collateral pledged for securities borrowing on margin transactions	19,315	14,477
Loans secured by securities	5,027,756	3,829,956
Cash collateral pledged for securities borrowed	4,956,494	3,154,123
Loans on Gensaki transactions	71,261	675,833
Short-term guarantee deposits	259,258	240,295
Short-term loans receivable	38,143	35,889
Accrued income	20,620	19,803
Other	46,840	57,974
Allowance for doubtful accounts	(12)	(4)
Total current assets	10,279,002	9,329,130
Non-current assets		
Property, plant and equipment	9,056	8,887
Intangible assets	18,466	17,381
Investments and other assets	234,968	241,755
Investment securities	114,266	118,368
Stocks of subsidiaries and affiliates	95,023	97,646
Long-term loans receivable	4,937	4,937
Long-term guarantee deposits	17,573	17,678
Other	4,756	4,715
Allowance for doubtful accounts	(1,589)	(1,590)
Total non-current assets	262,491	268,024
Total assets	10,541,493	9,597,155

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Trading products	2,494,694	2,243,756
Trading securities and other	1,993,514	1,755,680
Derivatives	501,179	488,075
Trade date accrual	55,326	238,600
Margin transaction liabilities	14,844	15,374
Borrowings on margin transactions	2,498	2,320
Cash received for securities lending on margin transactions	12,345	13,053
Loans payable secured by securities	5,006,004	4,200,745
Cash received on debt credit transaction of securities	4,042,870	2,110,940
Borrowings on Gensaki transaction	963,134	2,089,804
Deposits received	416,289	484,394
Guarantee deposits received	130,384	128,644
Short-term loans payable	488,700	437,500
Current portion of long-term loans payable	100,000	100,050
Commercial papers	145,700	40,700
Current portion of bonds payable	68,160	61,859
Income taxes payable	2,935	2,088
Other	58,393	38,795
Total current liabilities	8,981,432	7,992,511
Non-current liabilities		
Bonds payable	585,836	625,179
Long-term loans payable	175,550	181,000
Lease obligations	474	519
Deferred tax liabilities	8,533	9,494
Provision for retirement benefits	2,559	2,889
Asset retirement obligations	1,986	2,136
Other	249	199
Total non-current liabilities	775,189	821,418
Reserves under special laws		
Reserve for financial products transaction liabilities	2,397	2,578
Total reserves under special laws	2,397	2,578
Total liabilities	9,759,019	8,816,508
Net assets		
Shareholders' equity		
Capital stock	10,000	10,000
Capital surplus	457,714	457,714
Other capital surplus	457,714	457,714
Retained earnings	268,044	263,040
Legal retained earnings	2,500	2,500
Other retained earnings	265,544	260,540
Retained earnings brought forward	265,544	260,540
Total shareholders' equity	735,758	730,754
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	46,715	49,891
Total valuation and translation adjustments	46,715	49,891
Total net assets	782,473	780,646
Total liabilities and net assets	10,541,493	9,597,155

2. Non-consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Operating revenue		
Commission received	39,243	47,490
Commissions to consignees	8,449	9,673
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	5,659	8,866
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	10,594	10,635
Other fees received	14,540	18,315
Net trading income	38,006	34,053
Financial revenue	9,401	9,292
Total operating revenue	86,651	90,835
Financial expenses	7,315	7,683
Net operating revenue	79,336	83,152
Selling, general and administrative expenses		
Trading related expenses	8,704	9,695
Personnel expenses	26,745	29,903
Real estate expenses	4,939	5,934
Office cost	14,267	15,673
Depreciation	1,753	2,068
Taxes and dues	1,369	1,339
Other	3,408	3,858
Total selling, general and administrative expenses	61,189	68,473
Operating profit	18,146	14,678
Non-operating income		
Dividend income	220	549
Other	92	616
Total non-operating income	312	1,165
Non-operating expenses		
Bond issuance cost	62	53
Other	48	76
Total non-operating expenses	111	129
Ordinary profit	18,348	15,714

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Extraordinary income		
Total extraordinary income	—	—
Extraordinary losses		
Impairment losses	53	281
Loss on valuation of investment securities	—	192
Provision of reserve for financial products transaction liabilities	150	181
Integration related costs	169	—
Total extraordinary loss	372	655
Profit before income taxes	17,975	15,059
Income taxes	5,460	2,742
Profit	12,515	12,316

3. Capital Adequacy Ratio on a stand-alone basis

(Millions of yen)

		As of March 31, 2018	As of June 30, 2018
Basic items	(A)	735,758	730,754
Supplementary items	Valuation difference on available-for-sale securities and others	46,715	49,891
	Reserve for financial products transaction liabilities	2,397	2,578
	Allowance for doubtful accounts	2	2
	Short-term subordinated debt	100,000	100,000
Total (B)		149,114	152,472
Deductible assets	(C)	166,043	168,911
Net capital	(A) + (B) - (C) (D)	718,829	714,315
Risk items	Market Risk	62,440	63,647
	Counterparty Risk	24,282	24,016
	Basic Risk	74,245	73,400
Total (E)		160,968	161,063
Capital adequacy ratio	(D) / (E)*100	446.5%	443.4%

4. Quarterly Non-consolidated Statements of Income

(Millions of yen)

	FY2017 1Q (April 1 to June 30, 2017)	FY2017 2Q (July 1 to September 30, 2017)	FY2017 3Q (October 1 to December 31, 2017)	FY2017 4Q (January 1 to March 31, 2018)	FY2018 1Q (April 1 to June 30, 2018)
Operating revenue					
Commission received	39,243	40,737	53,276	55,292	47,490
Commissions to consignees	8,449	8,149	12,055	11,324	9,673
< Equities >	< 7,975 >	< 7,833 >	< 11,680 >	< 10,599 >	< 9,267 >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	5,659	6,820	10,180	9,078	8,866
< Equities >	< 1,619 >	< 3,908 >	< 6,191 >	< 6,314 >	< 4,244 >
< Bonds >	< 3,892 >	< 2,742 >	< 3,858 >	< 2,704 >	< 4,469 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	10,594	10,281	12,925	16,485	10,635
< Investment trusts >	< 10,052 >	< 9,518 >	< 12,332 >	< 15,628 >	< 10,132 >
Other fees received	14,540	15,485	18,114	18,404	18,315
Net trading income	38,006	34,770	40,492	34,056	34,053
Financial revenue	9,401	10,773	10,456	9,508	9,292
Total operating revenue	86,651	86,282	104,225	98,857	90,835
Financial expenses	7,315	6,609	9,856	7,010	7,683
Net operating revenue	79,336	79,672	94,368	91,846	83,152
Selling, general and administrative expenses					
Trading related expenses	8,704	9,184	10,432	11,604	9,695
Personal expenses	26,745	27,295	29,908	32,411	29,903
Real estate expenses	4,939	4,753	4,949	5,910	5,934
Office cost	14,267	14,088	14,212	14,923	15,673
Depreciation	1,753	1,811	1,860	2,070	2,068
Taxes and dues	1,369	669	1,044	1,490	1,339
Other	3,408	3,174	3,407	3,938	3,858
Total selling, general and administrative expenses	61,189	60,978	65,815	72,349	68,473
Operating profit	18,146	18,693	28,552	19,497	14,678
Non-operating income	312	632	360	1,782	1,165
Non-operating expenses	111	97	148	124	129
Ordinary profit	18,348	19,228	28,764	21,155	15,714
Extraordinary income	—	—	—	—	—
Extraordinary losses	372	517	943	4,464	655
Profit before income taxes	17,975	18,710	27,821	16,691	15,059
Income taxes	5,460	5,676	8,571	3,736	2,742
Profit	12,515	13,034	19,249	12,954	12,316