



Date: October 30, 2018

SMBC NIKKO SECURITIES INC.

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

Consolidated Financial Results for the Six Months ended September 30, 2018 (JGAAP)

(Amounts less than one million yen are omitted.)

1. Overall business performance for the Six Months ended September 30, 2018

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

Six 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	%
September 30, 2018	194,282	6.1	173,581	5.3	32,738	(18.4)	36,245	(13.5)	27,925	(3.2)
September 30, 2017	183,027	12.2	164,880	10.6	40,108	35.6	41,898	33.0	28,857	31.0

Note : Comprehensive income September 30, 2018 30,574million yen <(4.4%)> September 30, 2017 31,968million yen <246.7%>

(2) Consolidated financial condition

As of	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2018	11,293,497	831,887	7.4
March 31, 2018	10,681,280	818,734	7.7

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

As of September 30, 2018 831,836 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 : None

(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

Not applicable

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 beginning of the current financial year. 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 September 30, 2018
Assets		
Current assets		
Cash and deposits	1,003,617	1,233,506
Cash segregated as deposits	611,302	661,781
Trading products	3,179,742	3,106,498
Trading securities and other	2,681,112	2,600,061
Derivatives	498,629	506,436
Margin transaction assets	212,033	151,875
Loans on margin transactions	192,717	138,870
Cash collateral pledged for securities borrowing on margin transactions	19,315	13,004
Loans secured by securities	5,027,756	5,480,927
Cash collateral pledged for securities borrowed	4,956,494	3,688,425
Loans on Gensaki transactions	71,261	1,792,502
Short-term guarantee deposits	259,258	245,537
Accrued income	22,707	25,142
Other	49,492	76,349
Allowance for doubtful accounts	(12)	(4)
Total current assets	10,365,897	10,981,614
Non-current assets		
Property, plant and equipment	27,347	26,693
Intangible assets	74,203	70,332
Investments and other assets	213,832	214,857
Investment securities	180,819	183,485
Long-term loans receivable	4,951	4,948
Long-term guarantee deposits	18,366	17,975
Deferred tax assets	3,754	3,034
Other	7,530	7,005
Allowance for doubtful accounts	(1,589)	(1,591)
Total non-current assets	315,383	311,883
Total assets	10,681,280	11,293,497

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Trading products	2,494,694	2,231,725
Trading securities and other	1,993,514	1,716,558
Derivatives	501,179	515,166
Trade date accrual	55,326	145,187
Margin transaction liabilities	14,844	25,558
Borrowings on margin transactions	2,498	1,532
Cash received for securities lending on margin transactions	12,345	24,026
Loans payable secured by securities	5,006,004	5,161,336
Cash received on debt credit transaction of securities	4,042,870	2,280,812
Borrowings on Gensaki transaction	963,134	2,880,523
Deposits received	502,506	575,471
Guarantee deposits received	130,384	139,439
Short-term loans payable	484,108	1,134,100
Current portion of long-term loans payable	100,000	50
Commercial papers	145,700	61,100
Current portion of bonds payable	68,160	63,325
Income taxes payable	4,133	4,060
Other	73,694	55,328
Total current liabilities	9,079,558	9,596,683
Non-current liabilities		
Bonds payable	585,836	652,800
Long-term loans payable	175,550	184,200
Lease obligations	3,229	3,049
Deferred tax liabilities	10,385	16,322
Net defined benefit liabilities	2,891	3,071
Asset retirement obligations	2,207	2,321
Other	490	393
Total non-current liabilities	780,591	862,159
Reserves under special laws		
Reserve for financial products transaction liabilities	2,397	2,767
Total reserves under-special laws	2,397	2,767
Total liabilities	9,862,546	10,461,610
Net assets		
Shareholders' equity		
Capital stock	10,000	10,000
Capital surplus	457,714	457,722
Retained earnings	304,064	314,669
Total shareholders' equity	771,779	782,392
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	45,945	48,101
Deferred gains or losses on hedges	8	(39)
Foreign currency translation adjustment	859	1,387
Remeasurements of defined benefit plans	(5)	(5)
Total accumulated other comprehensive income	46,807	49,444
Non-controlling interests	147	50
Total net assets	818,734	831,887
Total liabilities and net assets	10,681,280	11,293,497

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

Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Operating revenue		
Commission received	85,222	101,924
Commissions to consignees	17,987	20,051
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	12,480	18,686
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	20,961	20,977
Other fees received	33,793	42,208
Net trading income	72,778	65,253
Financial revenue	20,588	20,246
Other sales	4,436	6,858
Total operating revenue	183,027	194,282
Financial expenses	14,232	14,776
Cost of other sales	3,914	5,924
Net operating revenue	164,880	173,581
Selling, general and administrative expenses		
Trading related expenses	19,273	21,893
Personnel expenses	59,829	66,670
Real estate expenses	10,932	13,273
Office cost	13,264	15,003
Depreciation	12,066	12,981
Taxes and dues	2,292	2,739
Other	7,112	8,280
Total selling, general and administrative expenses	124,771	140,843
Operating profit	40,108	32,738
Non-operating income		
Dividend income	816	1,665
Share of profit of investments accounted for using equity method	889	1,119
Foreign exchange gains	280	225
Other	184	867
Total non-operating income	2,169	3,878
Non-operating expenses		
Interest expenses	74	65
Bond issuance cost	126	51
Loss on disposal of noncurrent assets	45	—
Other	133	255
Total non-operating expenses	380	371
Ordinary profit	41,898	36,245

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Extraordinary income		
Total extraordinary income	—	—
Extraordinary losses		
Impairment losses	122	295
Loss on valuation of investment securities	—	119
Provision of reserve for financial products transaction liabilities	305	370
Integration related costs	462	—
Total extraordinary loss	890	786
Profit before income taxes and non-controlling interests	41,008	35,459
Income taxes - current	3,179	1,358
Income taxes - deferred	8,968	6,163
Income taxes	12,148	7,521
Profit	28,859	27,938
Profit attributable to non-controlling interests	1	12
Profit attributable to owners of parent	28,857	27,925

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit	28,859	27,938
Other comprehensive income		
Valuation difference on available-for-sale securities	3,259	2,158
Foreign currency translation adjustment	1,896	1,756
Share of other comprehensive income of affiliates accounted for using equity method	(2,045)	(1,278)
Total other comprehensive income	3,109	2,636
Comprehensive income	31,968	30,574
Comprehensive income attributable to:		
Owners of parent	31,967	30,561
Non-controlling interests	1	12

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 six months ended September 30, 2018, and outstanding amount of retained earnings at the end of the period was 314,669 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)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Increase/(Decrease)	
			Amount	Rate of change
Commissions to consignees	17,987	20,051	2,064	11.5 %
< Equities >	< 17,200 >	< 18,994 >	< 1,794 >	< 10.4 >
< Bonds >	< 55 >	< 85 >	< 29 >	< 53.3 >
< Investment trusts >	< 658 >	< 799 >	< 140 >	< 21.3 >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	12,480	18,686	6,205	49.7
< Equities >	< 5,528 >	< 9,475 >	< 3,946 >	< 71.4 >
< Bonds >	< 6,635 >	< 8,862 >	< 2,227 >	< 33.6 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	20,961	20,977	16	0.1
< Investment trusts >	< 19,571 >	< 19,569 >	< (1) >	< 0.0 >
Other fees received	33,793	42,208	8,415	24.9
Total	85,222	101,924	16,701	19.6

(2) Breakdown by Products

(Millions of yen, except for percentages)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Increase/(Decrease)	
			Amount	Rate of change
Equities	23,034	28,836	5,801	25.2 %
Bonds	9,163	11,159	1,996	21.8
Investment trusts	36,304	41,133	4,829	13.3
Other	16,719	20,793	4,073	24.4
Total	85,222	101,924	16,701	19.6

2. Net Trading Income

(Millions of yen, except for percentages)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Increase/(Decrease)	
			Amount	Rate of change
Net trading income on equities	14,138	17,546	3,407	24.1 %
Net trading income on bonds and others	58,640	47,707	(10,932)	(18.6)
Total	72,778	65,253	(7,525)	(10.3)

3. Quarterly Consolidated Statements of Income

	(Millions of yen)				
	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)	FY2018 2Q (July 1 to September 30, 2018)
Operating revenue					
Commission received	43,495	56,257	57,984	50,357	51,566
Commissions to consignees	8,821	12,822	11,785	10,393	9,657
< Equities >	< 8,506 >	< 12,447 >	< 11,061 >	< 9,987 >	< 9,006 >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	6,820	10,180	9,078	8,866	9,820
< Equities >	< 3,908 >	< 6,191 >	< 6,314 >	< 4,244 >	< 5,230 >
< Bonds >	< 2,742 >	< 3,858 >	< 2,704 >	< 4,469 >	< 4,392 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	10,304	12,948	16,585	10,669	10,308
< Investment trusts >	< 9,518 >	< 12,332 >	< 15,628 >	< 10,132 >	< 9,437 >
Other fees received	17,549	20,306	20,534	20,427	21,780
Net trading income	34,770	40,493	34,057	34,057	31,196
Financial revenue	10,988	10,669	9,740	9,547	10,698
Other sales	2,288	2,352	2,822	3,404	3,453
Total operating revenue	91,543	109,773	104,605	97,367	96,914
Financial expenses	6,769	10,025	7,156	7,871	6,904
Cost of other sales	2,057	2,090	2,631	3,055	2,868
Net operating revenue	82,716	97,657	94,816	86,439	87,141
Selling, general and administrative expenses					
Trading related expenses	9,893	11,224	12,289	10,420	11,472
Personnel expenses	30,245	32,996	35,685	33,290	33,380
Real estate expenses	5,379	5,649	6,569	6,585	6,687
Office cost	6,624	7,264	7,497	7,690	7,313
Depreciation	6,087	6,170	6,471	6,499	6,482
Taxes and dues	728	1,220	1,602	1,537	1,201
Other	3,459	3,728	4,522	4,268	4,012
Total selling, general and administrative expenses	62,418	68,254	74,637	70,291	70,551
Operating profit	20,297	29,402	20,178	16,148	16,589
Non-operating income	825	1,233	2,534	2,082	1,795
Non-operating expenses	185	105	160	180	191
Ordinary profit	20,938	30,531	22,552	18,051	18,194
Extraordinary income	—	—	—	—	—
Extraordinary losses	517	931	4,210	652	133
Profit before income taxes and non-controlling interests	20,420	29,599	18,342	17,398	18,060
Income taxes	6,054	8,918	4,169	2,397	5,123
Profit	14,365	20,681	14,172	15,001	12,936
Profit attributable to non-controlling interests	(0)	4	1	4	8
Profit attributable to owners of parent	14,365	20,677	14,170	14,996	12,928

IV. Non-consolidated Financial Statements

1. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	883,338	1,103,319
Cash segregated as deposits	611,280	661,759
Trading products	3,179,742	3,106,498
Trading securities and other	2,681,112	2,600,061
Derivatives	498,629	506,436
Margin transaction assets	212,033	151,875
Loans on margin transactions	192,717	138,870
Cash collateral pledged for securities borrowing on margin transactions	19,315	13,004
Loans secured by securities	5,027,756	5,480,927
Cash collateral pledged for securities borrowed	4,956,494	3,688,425
Loans on Gensaki transactions	71,261	1,792,502
Short-term guarantee deposits	259,258	245,537
Short-term loans receivable	38,143	35,197
Accrued income	20,620	23,406
Other	46,840	68,990
Allowance for doubtful accounts	(12)	(4)
Total current assets	10,279,002	10,877,507
Non-current assets		
Property, plant and equipment	9,056	8,964
Intangible assets	18,466	16,332
Investments and other assets	234,968	239,860
Investment securities	114,266	117,063
Stocks of subsidiaries and affiliates	95,023	97,646
Long-term loans receivable	4,937	4,936
Long-term guarantee deposits	17,573	17,122
Other	4,756	4,681
Allowance for doubtful accounts	(1,589)	(1,591)
Total non-current assets	262,491	265,157
Total assets	10,541,493	11,142,665

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Trading products	2,494,694	2,231,725
Trading securities and other	1,993,514	1,716,558
Derivatives	501,179	515,166
Trade date accrual	55,326	145,187
Margin transaction liabilities	14,844	25,558
Borrowings on margin transactions	2,498	1,532
Cash received for securities lending on margin transactions	12,345	24,026
Loans payable secured by securities	5,006,004	5,161,336
Cash received on debt credit transaction of securities	4,042,870	2,280,812
Borrowings on Gensaki transaction	963,134	2,880,523
Deposits received	416,289	484,849
Guarantee deposits received	130,384	139,439
Short-term loans payable	488,700	1,138,500
Current portion of long-term loans payable	100,000	50
Commercial papers	145,700	61,100
Current portion of bonds payable	68,160	63,325
Income taxes payable	2,935	2,634
Other	58,393	37,654
Total current liabilities	8,981,432	9,491,360
Non-current liabilities		
Bonds payable	585,836	652,800
Long-term loans payable	175,550	184,200
Lease obligations	474	443
Deferred tax liabilities	8,533	15,197
Provision for retirement benefits	2,559	2,725
Asset retirement obligations	1,986	2,093
Other	249	201
Total non-current liabilities	775,189	857,661
Reserves under special laws		
Reserve for financial products transaction liabilities	2,397	2,767
Total reserves under special laws	2,397	2,767
Total liabilities	9,759,019	10,351,790
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	274,269
Legal retained earnings	2,500	2,500
Other retained earnings	265,544	271,769
Retained earnings brought forward	265,544	271,769
Total shareholders' equity	735,758	741,983
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	46,715	48,890
Total valuation and translation adjustments	46,715	48,890
Total net assets	782,473	790,874
Total liabilities and net assets	10,541,493	11,142,665

2. Non-consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Operating revenue		
Commission received	79,981	96,043
Commissions to consignees	16,598	18,531
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	12,480	18,686
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	20,876	20,812
Other fees received	30,026	38,012
Net trading income	72,777	64,996
Financial revenue	20,174	19,655
Total operating revenue	172,933	180,695
Financial expenses	13,925	14,376
Net operating revenue	159,008	166,319
Selling, general and administrative expenses		
Trading related expenses	17,889	20,180
Personnel expenses	54,041	59,824
Real estate expenses	9,692	11,879
Office cost	28,356	30,951
Depreciation	3,565	4,140
Taxes and dues	2,039	2,375
Other	6,583	7,419
Total selling, general and administrative expenses	122,168	136,770
Operating profit	36,840	29,548
Non-operating income		
Dividend income	811	1,663
Other	133	808
Total non-operating income	945	2,471
Non-operating expenses		
Bond issuance cost	126	51
Other	82	215
Total non-operating expenses	208	266
Ordinary profit	37,577	31,753

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Extraordinary income		
Total extraordinary income	—	—
Extraordinary losses		
Impairment losses	122	295
Loss on valuation of investment securities	—	122
Provision of reserve for financial products transaction liabilities	305	370
Integration related costs	462	—
Total extraordinary loss	890	788
Profit before income taxes	36,686	30,964
Income taxes - current	2,982	1,252
Income taxes - deferred	8,154	6,166
Income taxes	11,136	7,418
Profit	25,549	23,545

3. Capital Adequacy Ratio on a stand-alone basis

(Millions of yen)

		As of March 31, 2018	As of September 30, 2018
Basic items	(A)	735,758	741,983
Supplementary items	Valuation difference on available-for-sale securities and others	46,715	48,890
	Reserve for financial products transaction liabilities	2,397	2,767
	Allowance for doubtful accounts	2	2
	Short-term subordinated debt	100,000	—
Total		(B) 149,114	51,660
Deductible assets	(C)	166,043	167,765
Net capital	(A) + (B) - (C) (D)	718,829	625,879
Risk items	Market Risk	62,440	54,424
	Counterparty Risk	24,282	26,962
	Basic Risk	74,245	73,128
Total		(E) 160,968	154,514
Capital adequacy ratio	(D) / (E)*100	446.5%	405.0%

4. Quarterly Non-consolidated Statements of Income

(Millions of yen)

	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)	FY2018 2Q (July 1 to September 30, 2018)
Operating revenue					
Commission received	40,737	53,276	55,292	47,490	48,552
Commissions to consignees	8,149	12,055	11,324	9,673	8,857
< Equities >	< 7,833 >	< 11,680 >	< 10,599 >	< 9,267 >	< 8,354 >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	6,820	10,180	9,078	8,866	9,820
< Equities >	< 3,908 >	< 6,191 >	< 6,314 >	< 4,244 >	< 5,230 >
< Bonds >	< 2,742 >	< 3,858 >	< 2,704 >	< 4,469 >	< 4,392 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	10,281	12,925	16,485	10,635	10,177
< Investment trusts >	< 9,518 >	< 12,332 >	< 15,628 >	< 10,132 >	< 9,437 >
Other fees received	15,485	18,114	18,404	18,315	19,697
Net trading income	34,770	40,492	34,056	34,053	30,943
Financial revenue	10,773	10,456	9,508	9,292	10,363
Total operating revenue	86,282	104,225	98,857	90,835	89,859
Financial expenses	6,609	9,856	7,010	7,683	6,692
Net operating revenue	79,672	94,368	91,846	83,152	83,166
Selling, general and administrative expenses					
Trading related expenses	9,184	10,432	11,604	9,695	10,484
Personal expenses	27,295	29,908	32,411	29,903	29,920
Real estate expenses	4,753	4,949	5,910	5,934	5,945
Office cost	14,088	14,212	14,923	15,673	15,277
Depreciation	1,811	1,860	2,070	2,068	2,072
Taxes and dues	669	1,044	1,490	1,339	1,036
Other	3,174	3,407	3,938	3,858	3,560
Total selling, general and administrative expenses	60,978	65,815	72,349	68,473	68,297
Operating profit	18,693	28,552	19,497	14,678	14,869
Non-operating income	632	360	1,782	1,165	1,305
Non-operating expenses	97	148	124	129	137
Ordinary profit	19,228	28,764	21,155	15,714	16,038
Extraordinary income	—	—	—	—	—
Extraordinary losses	517	943	4,464	655	133
Profit before income taxes	18,710	27,821	16,691	15,059	15,905
Income taxes	5,676	8,571	3,736	2,742	4,675
Profit	13,034	19,249	12,954	12,316	11,229