



Date: April 25, 2019

SMBC NIKKO SECURITIES INC.

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

Consolidated Financial Results for the Fiscal Year ended March 31, 2019 (JGAAP)

(Amounts less than one million yen are omitted.)

1. Overall business performance for the Fiscal Year ended March 31, 2019

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

	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	%
FY2018	369,525	(7.0)	319,294	(10.7)	42,743	(52.3)	48,456	(49.0)	33,310	(47.7)
FY2017	397,405	10.0	357,354	9.4	89,690	18.3	94,982	18.6	63,705	35.7

Note : Comprehensive income FY2018 28,401million yen <(55.6%)> FY2017 63,923million yen <37.6%>

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
FY2018	10,917,612	831,277	7.6
FY2017	10,681,280	818,734	7.7

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

FY2018 829,910 million yen FY2017 818,586 million yen

2. Others

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

(2) 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. Changes in the accounting policies, estimates and retrospective restatement

Not applicable

II. Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	1,003,617	1,158,141
Cash segregated as deposits	611,302	507,456
Trading products	3,179,742	2,944,282
Trading securities and other	2,681,112	2,344,500
Derivatives	498,629	599,781
Trade date accrual	—	349,456
Margin transaction assets	212,033	125,504
Loans on margin transactions	192,717	105,836
Cash collateral pledged for securities borrowing on margin transactions	19,315	19,668
Loans secured by securities	5,027,756	5,206,467
Cash collateral pledged for securities borrowed	4,956,494	2,657,313
Loans on Gensaki transactions	71,261	2,549,153
Short-term guarantee deposits	259,258	264,406
Accrued income	22,707	24,061
Other	49,492	34,103
Allowance for doubtful accounts	(12)	(11)
Total current assets	10,365,897	10,613,868
Non-current assets		
Property, plant and equipment	27,347	28,194
Buildings	13,675	14,391
Equipment	2,451	2,502
Land	6,352	6,352
Lease assets	4,838	4,883
Construction in progress	29	64
Intangible assets	74,203	68,837
Goodwill	7,289	6,655
Right of trademark	5,559	1,853
Software	60,568	59,550
Other	786	777
Investments and other assets	213,832	206,710
Investment securities	180,819	175,419
Long-term loans receivable	4,951	4,944
Long-term guarantee deposits	18,366	18,073
Deferred tax assets	3,754	2,561
Other	7,530	7,190
Allowance for doubtful accounts	(1,589)	(1,478)
Total non-current assets	315,383	303,743
Total assets	10,681,280	10,917,612

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Trading products	2,494,694	2,454,700
Trading securities and other	1,993,514	1,867,227
Derivatives	501,179	587,473
Trade date accrual	55,326	—
Margin transaction liabilities	14,844	45,470
Borrowings on margin transactions	2,498	389
Cash received for securities lending on margin transactions	12,345	45,080
Loans payable secured by securities	5,006,004	4,871,517
Cash received on debt credit transaction of securities	4,042,870	1,132,769
Borrowings on Gensaki transaction	963,134	3,738,747
Deposits received	502,506	496,879
Guarantee deposits received	130,384	132,595
Short-term loans payable	484,108	979,963
Current portion of long-term loans payable	100,000	50
Commercial papers	145,700	84,500
Current portion of bonds payable	68,160	112,645
Income taxes payable	4,133	2,400
Provision for bonuses	34,856	22,415
Other	38,838	44,757
Total current liabilities	9,079,558	9,247,895
Non-current liabilities		
Bonds payable	585,836	649,849
Long-term loans payable	175,550	163,100
Lease obligations	3,229	3,300
Deferred tax liabilities	10,385	12,136
Net defined benefit liabilities	2,891	3,274
Asset retirement obligations	2,207	2,928
Other	490	1,001
Total non-current liabilities	780,591	835,591
Reserves under special laws		
Reserve for financial products transaction liabilities	2,397	2,847
Total reserves under-special laws	2,397	2,847
Total liabilities	9,862,546	10,086,334
Net assets		
Shareholders' equity		
Capital stock	10,000	10,000
Capital surplus	457,714	457,845
Retained earnings	304,064	320,055
Total shareholders' equity	771,779	787,900
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	45,945	42,198
Deferred gains or losses on hedges	8	(24)
Foreign currency translation adjustment	859	(159)
Remeasurements of defined benefit plans	(5)	(3)
Total accumulated other comprehensive income	46,807	42,010
Non-controlling interests	147	1,366
Total net assets	818,734	831,277
Total liabilities and net assets	10,681,280	10,917,612

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

Consolidated Statements of Income

(Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Operating revenue		
Commission received	199,464	197,033
Commissions to consignees	42,595	38,170
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	31,739	39,479
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	50,495	35,220
Other fees received	74,633	84,162
Net trading income	147,329	111,738
Financial revenue	40,998	47,640
Other sales	9,611	13,113
Total operating revenue	397,405	369,525
Financial expenses	31,414	38,641
Cost of other sales	8,636	11,589
Net operating revenue	357,354	319,294
Selling, general and administrative expenses		
Trading related expenses	42,787	43,432
Personnel expenses	128,512	126,719
Real estate expenses	23,151	27,452
Office cost	28,026	30,482
Depreciation	24,708	25,966
Taxes and dues	5,115	5,185
Other	15,363	17,311
Total selling, general and administrative expenses	267,664	276,550
Operating profit	89,690	42,743
Non-operating income		
Dividend income	2,305	3,095
Share of profit of investments accounted for using equity method	2,122	1,780
Foreign exchange gains	524	432
Other	985	1,264
Total non-operating income	5,938	6,572
Non-operating expenses		
Interest expenses	142	126
Bond issuance cost	307	131
Other	196	601
Total non-operating expenses	645	859
Ordinary profit	94,982	48,456

(Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Extraordinary income		
Total extraordinary income	—	—
Extraordinary losses		
Impairment losses	400	1,331
Loss on valuation of investment securities	118	1,026
Provision of reserve for financial products transaction liabilities	665	450
Integration related costs	4,847	—
Second career supporting expenses	—	1,783
System transfer related expenses	—	352
Total extraordinary loss	6,032	4,944
Profit before income taxes and non-controlling interests	88,950	43,511
Income taxes - current	17,657	5,571
Income taxes - deferred	7,579	4,747
Income taxes	25,237	10,318
Profit	63,712	33,192
Profit attributable to non-controlling interests	7	(117)
Profit attributable to owners of parent	63,705	33,310

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Profit	63,712	33,192
Other comprehensive income		
Valuation difference on available-for-sale securities	1,512	(3,742)
Foreign currency translation adjustment	311	(62)
Share of other comprehensive income of affiliates accounted for using equity method	(1,613)	(987)
Total other comprehensive income	211	(4,791)
Comprehensive income	63,923	28,401
Comprehensive income attributable to:		
Owners of parent	63,916	28,513
Non-controlling interests	7	(112)

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 320,055 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

5. Changes in presentation

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

SMBC Nikko has applied the amendments from "Partial Amendments to Accounting Standard for the Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) 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.

III. Supplementary Information

1. Commission Received

(1) Breakdown by Categories

(Millions of yen, except for percentages)

	For the year ended March 31, 2018	For the year ended March 31, 2019	Increase/(Decrease)	
			Amount	Rate of change
Commissions to consignees	42,595	38,170	(4,425)	(10.4) %
< Equities >	< 40,709 >	< 35,758 >	< (4,951) >	< (12.2) >
< Bonds >	< 100 >	< 165 >	< 64 >	< 64.1 >
< Investment trusts >	< 1,674 >	< 1,843 >	< 169 >	< 10.1 >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	31,739	39,479	7,739	24.4
< Equities >	< 18,034 >	< 23,644 >	< 5,610 >	< 31.1 >
< Bonds >	< 13,198 >	< 15,196 >	< 1,997 >	< 15.1 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	50,495	35,220	(15,275)	(30.3)
< Investment trusts >	< 47,532 >	< 31,969 >	< (15,563) >	< (32.7) >
Other fees received	74,633	84,162	9,529	12.8
Total	199,464	197,033	(2,431)	(1.2)

(2) Breakdown by Products

(Millions of yen, except for percentages)

	For the year ended March 31, 2018	For the year ended March 31, 2019	Increase/(Decrease)	
			Amount	Rate of change
Equities	59,578	61,303	1,724	2.9 %
Bonds	18,741	20,282	1,540	8.2
Investment trusts	83,994	72,386	(11,608)	(13.8)
Other	37,150	43,061	5,910	15.9
Total	199,464	197,033	(2,431)	(1.2)

2. Net Trading Income

(Millions of yen, except for percentages)

	For the year ended March 31, 2018	For the year ended March 31, 2019	Increase/(Decrease)	
			Amount	Rate of change
Net trading income on equities	34,879	33,848	(1,030)	(3.0) %
Net trading income on bonds and others	112,450	77,890	(34,560)	(30.7)
Total	147,329	111,738	(35,591)	(24.2)

3. Quarterly Consolidated Statements of Income

(Millions of yen)

	FY2017 4Q (January 1 to March 31, 2018)	FY2018 1Q (April 1 to June 30, 2018)	FY2018 2Q (July 1 to September 30, 2018)	FY2018 3Q (October 1 to December 31, 2018)	FY2018 4Q (January 1 to March 31, 2019)
Operating revenue					
Commission received	57,984	50,357	51,566	52,947	42,161
Commissions to consignees	11,785	10,393	9,657	9,703	8,415
< Equities >	< 11,061 >	< 9,987 >	< 9,006 >	< 8,902 >	< 7,860 >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	9,078	8,866	9,820	15,968	4,824
< Equities >	< 6,314 >	< 4,244 >	< 5,230 >	< 11,364 >	< 2,804 >
< Bonds >	< 2,704 >	< 4,469 >	< 4,392 >	< 4,420 >	< 1,913 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	16,585	10,669	10,308	6,819	7,422
< Investment trusts >	< 15,628 >	< 10,132 >	< 9,437 >	< 5,992 >	< 6,407 >
Other fees received	20,534	20,427	21,780	20,456	21,498
Net trading income	34,057	34,057	31,196	24,965	21,518
Financial revenue	9,740	9,547	10,698	11,686	15,708
Other sales	2,822	3,404	3,453	3,253	3,001
Total operating revenue	104,605	97,367	96,914	92,853	82,389
Financial expenses	7,156	7,871	6,904	10,812	13,052
Cost of other sales	2,631	3,055	2,868	2,820	2,844
Net operating revenue	94,816	86,439	87,141	79,220	66,492
Selling, general and administrative expenses					
Trading related expenses	12,289	10,420	11,472	10,591	10,946
Personnel expenses	35,685	33,290	33,380	31,661	28,387
Real estate expenses	6,569	6,585	6,687	7,074	7,104
Office cost	7,497	7,690	7,313	7,255	8,223
Depreciation	6,471	6,499	6,482	6,533	6,452
Taxes and dues	1,602	1,537	1,201	1,376	1,068
Other	4,522	4,268	4,012	4,343	4,687
Total selling, general and administrative expenses	74,637	70,291	70,551	68,836	66,870
Operating profit	20,178	16,148	16,589	10,383	(378)
Non-operating income	2,534	2,082	1,795	742	1,950
Non-operating expenses	160	180	191	200	287
Ordinary profit	22,552	18,051	18,194	10,925	1,284
Extraordinary income	—	—	—	—	—
Extraordinary losses	4,210	652	133	1,340	2,818
Profit before income taxes and non-controlling interests	18,342	17,398	18,060	9,585	(1,533)
Income taxes	4,169	2,397	5,123	2,937	(140)
Profit	14,172	15,001	12,936	6,648	(1,393)
Profit attributable to non-controlling interests	1	4	8	2	(132)
Profit attributable to owners of parent	14,170	14,996	12,928	6,645	(1,260)

IV. Non-consolidated Financial Statements

1. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	883,338	1,005,674
Cash segregated as deposits	611,280	507,435
Trading products	3,179,742	2,944,282
Trading securities and other	2,681,112	2,344,500
Derivatives	498,629	599,781
Trade date accrual	—	349,456
Margin transaction assets	212,033	125,504
Loans on margin transactions	192,717	105,836
Cash collateral pledged for securities borrowing on margin transactions	19,315	19,668
Loans secured by securities	5,027,756	5,206,467
Cash collateral pledged for securities borrowed	4,956,494	2,657,313
Loans on Gensaki transactions	71,261	2,549,153
Short-term guarantee deposits	259,258	264,406
Short-term loans receivable	38,143	32,887
Accrued income	20,620	23,026
Other	46,840	30,651
Allowance for doubtful accounts	(12)	(11)
Total current assets	10,279,002	10,489,781
Non-current assets		
Property, plant and equipment	9,056	10,635
Buildings	6,477	7,485
Equipment	1,780	1,819
Land	4	4
Lease assets	793	1,326
Intangible assets	18,466	15,292
Goodwill	7,289	6,655
Right of trademark	5,559	1,853
Software	4,688	5,368
Other	930	1,415
Investments and other assets	234,968	237,478
Investment securities	114,266	108,681
Stocks of subsidiaries and affiliates	95,023	103,451
Long-term loans receivable	4,937	4,933
Long-term guarantee deposits	17,573	17,103
Other	4,756	4,787
Allowance for doubtful accounts	(1,589)	(1,478)
Total non-current assets	262,491	263,407
Total assets	10,541,493	10,753,188

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Trading products	2,494,694	2,454,700
Trading securities and other	1,993,514	1,867,227
Derivatives	501,179	587,473
Trade date accrual	55,326	—
Margin transaction liabilities	14,844	45,470
Borrowings on margin transactions	2,498	389
Cash received for securities lending on margin transactions	12,345	45,080
Loans payable secured by securities	5,006,004	4,871,517
Cash received on debt credit transaction of securities	4,042,870	1,132,769
Borrowings on Gensaki transaction	963,134	3,738,747
Deposits received	416,289	392,088
Guarantee deposits received	130,384	132,595
Short-term loans payable	488,700	983,500
Current portion of long-term loans payable	100,000	50
Commercial papers	145,700	84,500
Current portion of bonds payable	68,160	112,645
Income taxes payable	2,935	1,287
Provision for bonuses	31,863	19,330
Other	26,529	33,204
Total current liabilities	8,981,432	9,130,889
Non-current liabilities		
Bonds payable	585,836	649,849
Long-term loans payable	175,550	163,100
Lease obligations	474	832
Deferred tax liabilities	8,533	10,912
Provision for retirement benefits	2,559	2,908
Asset retirement obligations	1,986	2,674
Other	249	239
Total non-current liabilities	775,189	830,517
Reserves under special laws		
Reserve for financial products transaction liabilities	2,397	2,847
Total reserves under special laws	2,397	2,847
Total liabilities	9,759,019	9,964,254
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	278,790
Legal retained earnings	2,500	2,500
Other retained earnings	265,544	276,290
Retained earnings brought forward	265,544	276,290
Total shareholders' equity	735,758	746,504
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	46,715	42,429
Total valuation and translation adjustments	46,715	42,429
Total net assets	782,473	788,934
Total liabilities and net assets	10,541,493	10,753,188

2. Non-consolidated Statements of Income

(Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Operating revenue		
Commission received	188,550	187,480
Commissions to consignees	39,978	35,214
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	31,739	39,479
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	50,286	34,846
Other fees received	66,545	77,939
Net trading income	147,326	110,801
Financial revenue	40,140	46,414
Total operating revenue	376,016	344,696
Financial expenses	30,792	37,820
Net operating revenue	345,223	306,876
Selling, general and administrative expenses		
Trading related expenses	39,925	41,427
Personnel expenses	116,361	112,897
Real estate expenses	20,552	24,253
Office cost	57,492	61,477
Depreciation	7,496	8,527
Taxes and dues	4,573	4,417
Other	13,930	15,199
Total selling, general and administrative expenses	260,333	268,202
Operating profit	84,890	38,674
Non-operating income		
Dividend income	2,300	3,092
Other	788	1,107
Total non-operating income	3,088	4,200
Non-operating expenses		
Bond issuance cost	307	131
Other	173	560
Total non-operating expenses	481	692
Ordinary profit	87,497	42,181

(Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Extraordinary income		
Total extraordinary income	—	—
Extraordinary losses		
Impairment losses	414	1,331
Loss on valuation of investment securities	118	602
Provision of reserve for financial products transaction liabilities	665	450
Integration related costs	5,099	—
Second career supporting expenses	—	1,783
System transfer related expenses	—	397
Total extraordinary loss	6,298	4,565
Profit before income taxes	81,199	37,616
Income taxes - current	16,368	5,331
Income taxes - deferred	7,076	4,218
Income taxes	23,444	9,549
Profit	57,754	28,066

3. Capital Adequacy Ratio on a stand-alone basis

(Millions of yen)

		As of March 31, 2018	As of March 31, 2019
Basic items	(A)	735,758	746,504
Supplementary items	Valuation difference on available-for-sale securities and others	46,715	42,429
	Reserve for financial products transaction liabilities	2,397	2,847
	Allowance for doubtful accounts	2	2
	Short-term subordinated debt	100,000	—
Total (B)		149,114	45,279
Deductible assets	(C)	166,043	174,169
Net capital	(A) + (B) - (C) (D)	718,829	617,615
Risk items	Market Risk	62,440	55,098
	Counterparty Risk	24,282	34,156
	Basic Risk	74,245	70,907
Total (E)		160,968	160,163
Capital adequacy ratio	(D) / (E)*100	446.5%	385.6%

4. Quarterly Non-consolidated Statements of Income

(Millions of yen)

	FY2017 4Q (January 1 to March 31, 2018)	FY2018 1Q (April 1 to June 30, 2018)	FY2018 2Q (July 1 to September 30, 2018)	FY2018 3Q (October 1 to December 31, 2018)	FY2018 4Q (January 1 to March 31, 2019)
Operating revenue					
Commission received	55,292	47,490	48,552	51,211	40,225
Commissions to consignees	11,324	9,673	8,857	9,010	7,673
< Equities >	< 10,599 >	< 9,267 >	< 8,354 >	< 8,258 >	< 7,286 >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	9,078	8,866	9,820	15,968	4,824
< Equities >	< 6,314 >	< 4,244 >	< 5,230 >	< 11,364 >	< 2,804 >
< Bonds >	< 2,704 >	< 4,469 >	< 4,392 >	< 4,420 >	< 1,913 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	16,485	10,635	10,177	6,666	7,367
< Investment trusts >	< 15,628 >	< 10,132 >	< 9,437 >	< 5,992 >	< 6,407 >
Other fees received	18,404	18,315	19,697	19,567	20,359
Net trading income	34,056	34,053	30,943	24,491	21,313
Financial revenue	9,508	9,292	10,363	11,379	15,378
Total operating revenue	98,857	90,835	89,859	87,082	76,918
Financial expenses	7,010	7,683	6,692	10,609	12,833
Net operating revenue	91,846	83,152	83,166	76,472	64,084
Selling, general and administrative expenses					
Trading related expenses	11,604	9,695	10,484	10,607	10,640
Personal expenses	32,411	29,903	29,920	28,015	25,057
Real estate expenses	5,910	5,934	5,945	6,323	6,050
Office cost	14,923	15,673	15,277	15,200	15,325
Depreciation	2,070	2,068	2,072	2,179	2,207
Taxes and dues	1,490	1,339	1,036	1,167	874
Other	3,938	3,858	3,560	3,754	4,025
Total selling, general and administrative expenses	72,349	68,473	68,297	67,249	64,181
Operating profit	19,497	14,678	14,869	9,223	(96)
Non-operating income	1,782	1,165	1,305	298	1,430
Non-operating expenses	124	129	137	143	282
Ordinary profit	21,155	15,714	16,038	9,377	1,050
Extraordinary income	—	—	—	—	—
Extraordinary losses	4,464	655	133	1,265	2,511
Profit before income taxes	16,691	15,059	15,905	8,112	(1,460)
Income taxes	3,736	2,742	4,675	2,539	(408)
Profit	12,954	12,316	11,229	5,572	(1,051)