



Date: July 30, 2019

SMBC NIKKO SECURITIES INC.

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

Consolidated Financial Results for the Three Months ended June 30, 2019 (JGAAP)

(Amounts less than one million yen are omitted.)

1. Overall business performance for the Three Months ended June 30, 2019

(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, 2019	92,780	(4.7)	70,681	(18.2)	5,336	(67.0)	6,469	(64.2)	5,094	(66.0)
June 30, 2018	97,367	6.4	86,439	5.2	16,148	(18.5)	18,051	(13.9)	14,996	3.5

Note : Comprehensive income June 30, 2019 (1,222)million yen <-%> June 30, 2018 15,404million yen <(3.8%)>

(2) Consolidated financial condition

As of	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
June 30, 2019	11,501,153	821,634	7.1
March 31, 2019	10,917,612	831,277	7.6

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

As of June 30, 2019 820,294 million yen As of March 31, 2019 829,910 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, 2019. 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, 2019, 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

II. Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	1,158,141	1,069,475
Cash segregated as deposits	507,456	523,085
Trading products	2,944,282	3,925,222
Trading securities and other	2,344,500	3,239,373
Derivatives	599,781	685,849
Trade date accrual	349,456	167,096
Margin transaction assets	125,504	119,664
Loans on margin transactions	105,836	102,174
Cash collateral pledged for securities borrowing on margin transactions	19,668	17,489
Loans secured by securities	5,206,467	5,067,322
Cash collateral pledged for securities borrowed	2,657,313	2,625,444
Loans on Gensaki transactions	2,549,153	2,441,878
Short-term guarantee deposits	264,406	266,723
Accrued income	24,061	21,721
Other	34,103	46,820
Allowance for doubtful accounts	(11)	(74)
Total current assets	10,613,868	11,207,059
Non-current assets		
Property, plant and equipment	28,194	27,691
Intangible assets	68,837	68,260
Investments and other assets	206,710	198,142
Investment securities	175,419	167,803
Long-term loans receivable	4,944	4,943
Long-term guarantee deposits	18,073	17,143
Deferred tax assets	2,561	2,558
Other	7,190	7,224
Allowance for doubtful accounts	(1,478)	(1,531)
Total non-current assets	303,743	294,094
Total assets	10,917,612	11,501,153

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Trading products	2,454,700	2,578,186
Trading securities and other	1,867,227	1,916,656
Derivatives	587,473	661,529
Margin transaction liabilities	45,470	41,295
Borrowings on margin transactions	389	295
Cash received for securities lending on margin transactions	45,080	41,000
Loans payable secured by securities	4,871,517	5,704,294
Cash received on debt credit transaction of securities	1,132,769	1,102,688
Borrowings on Gensaki transaction	3,738,747	4,601,605
Deposits received	496,879	561,582
Guarantee deposits received	132,595	139,688
Short-term loans payable	979,963	643,283
Current portion of long-term loans payable	50	—
Commercial papers	84,500	32,500
Current portion of bonds payable	112,645	139,351
Income taxes payable	2,400	2,266
Other	67,172	43,934
Total current liabilities	9,247,895	9,886,384
Non-current liabilities		
Bonds payable	649,849	628,843
Long-term loans payable	163,100	140,500
Lease obligations	3,300	4,011
Deferred tax liabilities	12,136	9,962
Net defined benefit liabilities	3,274	3,515
Asset retirement obligations	2,928	2,920
Other	1,001	531
Total non-current liabilities	835,591	790,286
Reserves under special laws		
Reserve for financial products transaction liabilities	2,847	2,847
Total reserves under-special laws	2,847	2,847
Total liabilities	10,086,334	10,679,518
Net assets		
Shareholders' equity		
Capital stock	10,000	10,000
Capital surplus	457,845	457,845
Retained earnings	320,055	316,729
Total shareholders' equity	787,900	784,574
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	42,198	36,976
Deferred gains or losses on hedges	(24)	—
Foreign currency translation adjustment	(159)	(1,253)
Remeasurements of defined benefit plans	(3)	(2)
Total accumulated other comprehensive income	42,010	35,720
Non-controlling interests	1,366	1,340
Total net assets	831,277	821,634
Total liabilities and net assets	10,917,612	11,501,153

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

Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Operating revenue		
Commission received	50,357	45,619
Commissions to consignees	10,393	7,859
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	8,866	8,821
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	10,669	9,157
Other fees received	20,427	19,780
Net trading income	34,057	23,464
Financial revenue	9,547	21,199
Other sales	3,404	2,497
Total operating revenue	97,367	92,780
Financial expenses	7,871	20,255
Cost of other sales	3,055	1,843
Net operating revenue	86,439	70,681
Selling, general and administrative expenses		
Trading related expenses	10,420	8,694
Personnel expenses	33,290	29,463
Real estate expenses	6,585	6,780
Office cost	7,690	7,172
Depreciation	6,499	6,920
Taxes and dues	1,537	1,631
Other	4,268	4,680
Total selling, general and administrative expenses	70,291	65,344
Operating profit	16,148	5,336
Non-operating income		
Dividend income	551	509
Share of profit of investments accounted for using equity method	746	414
Foreign exchange gains	122	110
Other	661	273
Total non-operating income	2,082	1,308
Non-operating expenses		
Interest expenses	33	32
Bond issuance cost	53	41
Other	93	101
Total non-operating expenses	180	175
Ordinary profit	18,051	6,469

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Extraordinary income		
Total extraordinary income	—	—
Extraordinary losses		
Impairment losses	281	46
Loss on valuation of investment securities	189	274
Provision of reserve for financial products transaction liabilities	181	—
Total extraordinary loss	652	321
Profit before income taxes and non-controlling interests	17,398	6,148
Income taxes	2,397	1,058
Profit	15,001	5,089
Profit attributable to non-controlling interests	4	(4)
Profit attributable to owners of parent	14,996	5,094

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Profit	15,001	5,089
Other comprehensive income		
Valuation difference on available-for-sale securities	3,375	(5,224)
Foreign currency translation adjustment	272	(1,099)
Share of other comprehensive income of affiliates accounted for using equity method	(3,244)	11
Total other comprehensive income	403	(6,312)
Comprehensive income	15,404	(1,222)
Comprehensive income attributable to:		
Owners of parent	15,399	(1,196)
Non-controlling interests	4	(26)

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 17, 2019. As a result, the retained earnings decreased by 8,420 million yen in the period, and outstanding amount of retained earnings at the end of the period was 316,729 million yen.

• Dividends information

- (1) Total amount of dividends: 8,420 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 17, 2019
- (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, 2018	Three months ended June 30, 2019	Increase/(Decrease)	
			Amount	Rate of change
Commissions to consignees	10,393	7,859	(2,533)	(24.4) %
< Equities >	< 9,987 >	< 7,240 >	< (2,747) >	< (27.5) >
< Bonds >	< 30 >	< 28 >	< (2) >	< (8.5) >
< Investment trusts >	< 358 >	< 423 >	< 65 >	< 18.3 >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	8,866	8,821	(45)	(0.5)
< Equities >	< 4,244 >	< 1,993 >	< (2,251) >	< (53.0) >
< Bonds >	< 4,469 >	< 6,688 >	< 2,218 >	< 49.6 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	10,669	9,157	(1,512)	(14.2)
< Investment trusts >	< 10,132 >	< 8,392 >	< (1,739) >	< (17.2) >
Other fees received	20,427	19,780	(646)	(3.2)
Total	50,357	45,619	(4,737)	(9.4)

(2) Breakdown by Products

(Millions of yen, except for percentages)

	Three months ended June 30, 2018	Three months ended June 30, 2019	Increase/(Decrease)	
			Amount	Rate of change
Equities	14,342	9,445	(4,897)	(34.1) %
Bonds	5,508	8,009	2,501	45.4
Investment trusts	20,804	17,702	(3,101)	(14.9)
Other	9,701	10,461	759	7.8
Total	50,357	45,619	(4,737)	(9.4)

2. Net Trading Income

(Millions of yen, except for percentages)

	Three months ended June 30, 2018	Three months ended June 30, 2019	Increase/(Decrease)	
			Amount	Rate of change
Net trading income on equities	10,721	5,031	(5,689)	(53.1) %
Net trading income on bonds and others	23,336	18,433	(4,903)	(21.0)
Total	34,057	23,464	(10,593)	(31.1)

3. Quarterly Consolidated Statements of Income

(Millions of yen)

	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)	FY2019 1Q (April 1 to June 30, 2019)
Operating revenue					
Commission received	50,357	51,566	52,947	42,161	45,619
Commissions to consignees	10,393	9,657	9,703	8,415	7,859
< Equities >	< 9,987 >	< 9,006 >	< 8,902 >	< 7,860 >	< 7,240 >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	8,866	9,820	15,968	4,824	8,821
< Equities >	< 4,244 >	< 5,230 >	< 11,364 >	< 2,804 >	< 1,993 >
< Bonds >	< 4,469 >	< 4,392 >	< 4,420 >	< 1,913 >	< 6,688 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	10,669	10,308	6,819	7,422	9,157
< Investment trusts >	< 10,132 >	< 9,437 >	< 5,992 >	< 6,407 >	< 8,392 >
Other fees received	20,427	21,780	20,456	21,498	19,780
Net trading income	34,057	31,196	24,965	21,518	23,464
Financial revenue	9,547	10,698	11,686	15,708	21,199
Other sales	3,404	3,453	3,253	3,001	2,497
Total operating revenue	97,367	96,914	92,853	82,389	92,780
Financial expenses	7,871	6,904	10,812	13,052	20,255
Cost of other sales	3,055	2,868	2,820	2,844	1,843
Net operating revenue	86,439	87,141	79,220	66,492	70,681
Selling, general and administrative expenses					
Trading related expenses	10,420	11,472	10,591	10,946	8,694
Personnel expenses	33,290	33,380	31,661	28,387	29,463
Real estate expenses	6,585	6,687	7,074	7,104	6,780
Office cost	7,690	7,313	7,255	8,223	7,172
Depreciation	6,499	6,482	6,533	6,452	6,920
Taxes and dues	1,537	1,201	1,376	1,068	1,631
Other	4,268	4,012	4,343	4,687	4,680
Total selling, general and administrative expenses	70,291	70,551	68,836	66,870	65,344
Operating profit	16,148	16,589	10,383	(378)	5,336
Non-operating income	2,082	1,795	742	1,950	1,308
Non-operating expenses	180	191	200	287	175
Ordinary profit	18,051	18,194	10,925	1,284	6,469
Extraordinary income	—	—	—	—	—
Extraordinary losses	652	133	1,340	2,818	321
Profit before income taxes and non-controlling interests	17,398	18,060	9,585	(1,533)	6,148
Income taxes	2,397	5,123	2,937	(140)	1,058
Profit	15,001	12,936	6,648	(1,393)	5,089
Profit attributable to non-controlling interests	4	8	2	(132)	(4)
Profit attributable to owners of parent	14,996	12,928	6,645	(1,260)	5,094

IV. Non-consolidated Financial Statements

1. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	1,005,674	961,132
Cash segregated as deposits	507,435	523,064
Trading products	2,944,282	3,925,222
Trading securities and other	2,344,500	3,239,373
Derivatives	599,781	685,849
Trade date accrual	349,456	167,096
Margin transaction assets	125,504	119,664
Loans on margin transactions	105,836	102,174
Cash collateral pledged for securities borrowing on margin transactions	19,668	17,489
Loans secured by securities	5,206,467	5,067,322
Cash collateral pledged for securities borrowed	2,657,313	2,625,444
Loans on Gensaki transactions	2,549,153	2,441,878
Short-term guarantee deposits	264,406	266,723
Short-term loans receivable	32,887	32,532
Accrued income	23,026	20,491
Other	30,651	38,331
Allowance for doubtful accounts	(11)	(74)
Total current assets	10,489,781	11,121,508
Non-current assets		
Property, plant and equipment	10,635	10,407
Intangible assets	15,292	14,404
Investments and other assets	237,478	228,677
Investment securities	108,681	100,898
Stocks of subsidiaries and affiliates	103,451	103,451
Long-term loans receivable	4,933	4,933
Long-term guarantee deposits	17,103	16,117
Other	4,787	4,808
Allowance for doubtful accounts	(1,478)	(1,531)
Total non-current assets	263,407	253,489
Total assets	10,753,188	11,374,998

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Trading products	2,454,700	2,578,186
Trading securities and other	1,867,227	1,916,656
Derivatives	587,473	661,529
Margin transaction liabilities	45,470	41,295
Borrowings on margin transactions	389	295
Cash received for securities lending on margin transactions	45,080	41,000
Loans payable secured by securities	4,871,517	5,704,294
Cash received on debt credit transaction of securities	1,132,769	1,102,688
Borrowings on Gensaki transaction	3,738,747	4,601,605
Deposits received	392,088	499,707
Guarantee deposits received	132,595	139,688
Short-term loans payable	983,500	642,350
Current portion of long-term loans payable	50	—
Commercial papers	84,500	32,500
Current portion of bonds payable	112,645	139,351
Income taxes payable	1,287	1,132
Other	52,534	29,867
Total current liabilities	9,130,889	9,808,374
Non-current liabilities		
Bonds payable	649,849	628,843
Long-term loans payable	163,100	140,500
Lease obligations	832	753
Deferred tax liabilities	10,912	8,703
Provision for retirement benefits	2,908	3,153
Asset retirement obligations	2,674	2,667
Other	239	130
Total non-current liabilities	830,517	784,752
Reserves under special laws		
Reserve for financial products transaction liabilities	2,847	2,847
Total reserves under special laws	2,847	2,847
Total liabilities	9,964,254	10,595,974
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	278,790	274,318
Legal retained earnings	2,500	2,500
Other retained earnings	276,290	271,818
Retained earnings brought forward	276,290	271,818
Total shareholders' equity	746,504	742,032
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	42,429	36,991
Total valuation and translation adjustments	42,429	36,991
Total net assets	788,934	779,023
Total liabilities and net assets	10,753,188	11,374,998

2. Non-consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Operating revenue		
Commission received	47,490	43,170
Commissions to consignees	9,673	7,168
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	8,866	8,488
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	10,635	9,129
Other fees received	18,315	18,384
Net trading income	34,053	23,464
Financial revenue	9,292	20,847
Total operating revenue	90,835	87,482
Financial expenses	7,683	20,000
Net operating revenue	83,152	67,482
Selling, general and administrative expenses		
Trading related expenses	9,695	8,343
Personnel expenses	29,903	26,196
Real estate expenses	5,934	5,927
Office cost	15,673	15,234
Depreciation	2,068	2,239
Taxes and dues	1,339	1,435
Other	3,858	4,276
Total selling, general and administrative expenses	68,473	63,653
Operating profit	14,678	3,828
Non-operating income		
Dividend income	549	814
Other	616	203
Total non-operating income	1,165	1,018
Non-operating expenses		
Bond issuance cost	53	41
Other	76	48
Total non-operating expenses	129	90
Ordinary profit	15,714	4,757

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Extraordinary income		
Total extraordinary income	—	—
Extraordinary losses		
Impairment losses	281	46
Loss on valuation of investment securities	192	194
Provision of reserve for financial products transaction liabilities	181	—
Total extraordinary loss	655	240
Profit before income taxes	15,059	4,516
Income taxes	2,742	568
Profit	12,316	3,947

3. Capital Adequacy Ratio on a stand-alone basis

(Millions of yen)

		As of March 31, 2019	As of June 30, 2019
Basic items (A)		738,084	742,032
Supplementary items	Valuation difference on available-for-sale securities and others	42,429	36,991
	Reserve for financial products transaction liabilities	2,847	2,847
	Allowance for doubtful accounts	2	64
Total (B)		45,279	39,903
Deductible assets (C)		174,169	172,535
Net capital (A) + (B) - (C) (D)		609,195	609,399
Risk items	Market Risk	55,098	52,790
	Counterparty Risk	40,849	37,937
	Basic Risk	70,907	70,537
Total (E)		166,856	161,265
Capital adequacy ratio (D) / (E)*100		365.1%	377.8%

Note : The presentation of the Basic items(A) of the previous fiscal year has taken account the outflows of fund relevant to the dividend payments that occurred after the year-end. The Capital adequacy ratio is recalculated with the certain amount.

4. Quarterly Non-consolidated Statements of Income

(Millions of yen)

	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)	FY2019 1Q (April 1 to June 30, 2019)
Operating revenue					
Commission received	47,490	48,552	51,211	40,225	43,170
Commissions to consignees	9,673	8,857	9,010	7,673	7,168
< Equities >	< 9,267 >	< 8,354 >	< 8,258 >	< 7,286 >	< 6,709 >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	8,866	9,820	15,968	4,824	8,488
< Equities >	< 4,244 >	< 5,230 >	< 11,364 >	< 2,804 >	< 1,993 >
< Bonds >	< 4,469 >	< 4,392 >	< 4,420 >	< 1,913 >	< 6,355 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	10,635	10,177	6,666	7,367	9,129
< Investment trusts >	< 10,132 >	< 9,437 >	< 5,992 >	< 6,407 >	< 8,392 >
Other fees received	18,315	19,697	19,567	20,359	18,384
Net trading income	34,053	30,943	24,491	21,313	23,464
Financial revenue	9,292	10,363	11,379	15,378	20,847
Total operating revenue	90,835	89,859	87,082	76,918	87,482
Financial expenses	7,683	6,692	10,609	12,833	20,000
Net operating revenue	83,152	83,166	76,472	64,084	67,482
Selling, general and administrative expenses					
Trading related expenses	9,695	10,484	10,607	10,640	8,343
Personal expenses	29,903	29,920	28,015	25,057	26,196
Real estate expenses	5,934	5,945	6,323	6,050	5,927
Office cost	15,673	15,277	15,200	15,325	15,234
Depreciation	2,068	2,072	2,179	2,207	2,239
Taxes and dues	1,339	1,036	1,167	874	1,435
Other	3,858	3,560	3,754	4,025	4,276
Total selling, general and administrative expenses	68,473	68,297	67,249	64,181	63,653
Operating profit	14,678	14,869	9,223	(96)	3,828
Non-operating income	1,165	1,305	298	1,430	1,018
Non-operating expenses	129	137	143	282	90
Ordinary profit	15,714	16,038	9,377	1,050	4,757
Extraordinary income	—	—	—	—	—
Extraordinary losses	655	133	1,265	2,511	240
Profit before income taxes	15,059	15,905	8,112	(1,460)	4,516
Income taxes	2,742	4,675	2,539	(408)	568
Profit	12,316	11,229	5,572	(1,051)	3,947