



Date: October 31, 2019

SMBC NIKKO SECURITIES INC.

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

Consolidated Financial Results for the Six Months ended September 30, 2019 (JGAAP)

(Amounts less than one million yen are omitted.)

1. Overall business performance for the Six Months ended September 30, 2019

(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, 2019 | 189,261 | (2.6) | 148,465 | (14.5) | 16,691 | (49.0) | 19,488 | (46.2) | 16,457 | (41.1) |
| September 30, 2018 | 194,282 | 6.1 | 173,581 | 5.3 | 32,738 | (18.4) | 36,245 | (13.5) | 27,925 | (3.2) |

Note : Comprehensive income September 30, 2019 7,425million yen <(75.7%)> September 30, 2018 30,574million yen <(4.4%)>

(2) Consolidated financial condition

| As of | Total assets | Net assets | Equity ratio |
|--------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| September 30, 2019 | 12,756,916 | 830,266 | 6.5 |
| March 31, 2019 | 10,917,612 | 831,277 | 7.6 |

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

As of September 30, 2019 828,984 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 : 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

II. Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2019 | As of September 30, 2019 |
|---|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,158,141 | 1,009,384 |
| Cash segregated as deposits | 507,456 | 550,045 |
| Trading products | 2,944,282 | 4,146,996 |
| Trading securities and other | 2,344,500 | 3,365,614 |
| Derivatives | 599,781 | 781,381 |
| Trade date accrual | 349,456 | 103,699 |
| Margin transaction assets | 125,504 | 107,479 |
| Loans on margin transactions | 105,836 | 91,018 |
| Cash collateral pledged for securities borrowing on margin transactions | 19,668 | 16,460 |
| Loans secured by securities | 5,206,467 | 6,198,182 |
| Cash collateral pledged for securities borrowed | 2,657,313 | 3,237,151 |
| Loans on Gensaki transactions | 2,549,153 | 2,961,030 |
| Short-term guarantee deposits | 264,406 | 273,069 |
| Accrued income | 24,061 | 24,844 |
| Other | 34,103 | 51,873 |
| Allowance for doubtful accounts | (11) | (34) |
| Total current assets | 10,613,868 | 12,465,540 |
| Non-current assets | | |
| Property, plant and equipment | 28,194 | 27,884 |
| Intangible assets | 68,837 | 67,599 |
| Investments and other assets | 206,710 | 195,892 |
| Investment securities | 175,419 | 166,612 |
| Long-term loans receivable | 4,944 | 4,941 |
| Long-term guarantee deposits | 18,073 | 17,024 |
| Deferred tax assets | 2,561 | 1,753 |
| Other | 7,190 | 7,058 |
| Allowance for doubtful accounts | (1,478) | (1,499) |
| Total non-current assets | 303,743 | 291,376 |
| Total assets | 10,917,612 | 12,756,916 |

(Millions of yen)

| | As of March 31, 2019 | As of September 30, 2019 |
|---|----------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Trading products | 2,454,700 | 2,733,958 |
| Trading securities and other | 1,867,227 | 1,983,267 |
| Derivatives | 587,473 | 750,690 |
| Margin transaction liabilities | 45,470 | 91,867 |
| Borrowings on margin transactions | 389 | 239 |
| Cash received for securities lending on margin transactions | 45,080 | 91,627 |
| Loans payable secured by securities | 4,871,517 | 6,432,933 |
| Cash received on debt credit transaction of securities | 1,132,769 | 1,493,555 |
| Borrowings on Gensaki transaction | 3,738,747 | 4,939,377 |
| Deposits received | 496,879 | 545,059 |
| Guarantee deposits received | 132,595 | 161,076 |
| Short-term loans payable | 979,963 | 1,029,432 |
| Current portion of long-term loans payable | 50 | — |
| Commercial papers | 84,500 | 82,500 |
| Current portion of bonds payable | 112,645 | 152,171 |
| Income taxes payable | 2,400 | 3,075 |
| Other | 67,172 | 45,389 |
| Total current liabilities | 9,247,895 | 11,277,463 |
| Non-current liabilities | | |
| Bonds payable | 649,849 | 526,593 |
| Long-term loans payable | 163,100 | 95,900 |
| Lease obligations | 3,300 | 3,974 |
| Deferred tax liabilities | 12,136 | 12,981 |
| Net defined benefit liabilities | 3,274 | 3,396 |
| Asset retirement obligations | 2,928 | 2,985 |
| Other | 1,001 | 508 |
| Total non-current liabilities | 835,591 | 646,339 |
| 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 | 11,926,650 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 10,000 | 10,000 |
| Capital surplus | 457,845 | 457,848 |
| Retained earnings | 320,055 | 328,092 |
| Total shareholders' equity | 787,900 | 795,940 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 42,198 | 36,989 |
| Deferred gains or losses on hedges | (24) | (30) |
| Foreign currency translation adjustment | (159) | (3,916) |
| Remeasurements of defined benefit plans | (3) | (0) |
| Total accumulated other comprehensive income | 42,010 | 33,043 |
| Non-controlling interests | 1,366 | 1,281 |
| Total net assets | 831,277 | 830,266 |
| Total liabilities and net assets | 10,917,612 | 12,756,916 |

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

Consolidated Statements of Income

(Millions of yen)

| | Six months ended September 30, 2018 | Six months ended September 30, 2019 |
|--|--|--|
| Operating revenue | | |
| Commission received | 101,924 | 96,901 |
| Commissions to consignees | 20,051 | 16,355 |
| Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors | 18,686 | 20,691 |
| Fee for offering, secondary distribution and solicitation for selling and others for professional investors | 20,977 | 20,230 |
| Other fees received | 42,208 | 39,624 |
| Net trading income | 65,253 | 48,376 |
| Financial revenue | 20,246 | 39,284 |
| Other sales | 6,858 | 4,697 |
| Total operating revenue | 194,282 | 189,261 |
| Financial expenses | 14,776 | 36,519 |
| Cost of other sales | 5,924 | 4,275 |
| Net operating revenue | 173,581 | 148,465 |
| Selling, general and administrative expenses | | |
| Trading related expenses | 21,893 | 18,492 |
| Personnel expenses | 66,670 | 60,720 |
| Real estate expenses | 13,273 | 13,216 |
| Office cost | 15,003 | 14,485 |
| Depreciation | 12,981 | 13,150 |
| Taxes and dues | 2,739 | 2,998 |
| Other | 8,280 | 8,709 |
| Total selling, general and administrative expenses | 140,843 | 131,774 |
| Operating profit | 32,738 | 16,691 |
| Non-operating income | | |
| Dividend income | 1,665 | 1,571 |
| Share of profit of investments accounted for using equity method | 1,119 | 897 |
| Foreign exchange gains | 225 | 280 |
| Other | 867 | 444 |
| Total non-operating income | 3,878 | 3,194 |
| Non-operating expenses | | |
| Interest expenses | 65 | 62 |
| Bond issuance cost | 51 | 117 |
| Other | 255 | 217 |
| Total non-operating expenses | 371 | 396 |
| Ordinary profit | 36,245 | 19,488 |

(Millions of yen)

| | Six months ended September 30, 2018 | Six months ended September 30, 2019 |
|---|--|--|
| Extraordinary income | | |
| Gain on sales of noncurrent assets | — | 911 |
| Gain on sales of investment securities | — | 442 |
| Total extraordinary income | — | 1,354 |
| Extraordinary losses | | |
| Impairment losses | 295 | 164 |
| Loss on valuation of investment securities | 119 | 330 |
| Provision of reserve for financial products transaction liabilities | 370 | — |
| Total extraordinary loss | 786 | 494 |
| Profit before income taxes and non-controlling interests | 35,459 | 20,348 |
| Income taxes - current | 1,358 | (31) |
| Income taxes - deferred | 6,163 | 3,918 |
| Income taxes | 7,521 | 3,887 |
| Profit | 27,938 | 16,461 |
| Profit attributable to non-controlling interests | 12 | 4 |
| Profit attributable to owners of parent | 27,925 | 16,457 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Six months ended September 30, 2018 | Six months ended September 30, 2019 |
|---|--|--|
| Profit | 27,938 | 16,461 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,158 | (5,211) |
| Foreign currency translation adjustment | 1,756 | (2,210) |
| Share of other comprehensive income of affiliates accounted for using equity method | (1,278) | (1,614) |
| Total other comprehensive income | 2,636 | (9,036) |
| Comprehensive income | 30,574 | 7,425 |
| Comprehensive income attributable to: | | |
| Owners of parent | 30,561 | 7,490 |
| Non-controlling interests | 12 | (64) |

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 six months ended September 30, 2019, and outstanding amount of retained earnings at the end of the period was 328,092 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)

| | Six months ended September 30, 2018 | Six months ended September 30, 2019 | Increase/(Decrease) | |
|--|--|--|---------------------|----------------|
| | | | Amount | Rate of change |
| Commissions to consignees | 20,051 | 16,355 | (3,696) | (18.4) % |
| < Equities > | < 18,994 > | < 15,004 > | < (3,990) > | < (21.0) > |
| < Bonds > | < 85 > | < 55 > | < (29) > | < (34.5) > |
| < Investment trusts > | < 799 > | < 924 > | < 125 > | < 15.8 > |
| Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors | 18,686 | 20,691 | 2,005 | 10.7 |
| < Equities > | < 9,475 > | < 7,183 > | < (2,291) > | < (24.2) > |
| < Bonds > | < 8,862 > | < 13,134 > | < 4,271 > | < 48.2 > |
| Fee for offering, secondary distribution and solicitation for selling and others for professional investors | 20,977 | 20,230 | (747) | (3.6) |
| < Investment trusts > | < 19,569 > | < 18,272 > | < (1,297) > | < (6.6) > |
| Other fees received | 42,208 | 39,624 | (2,583) | (6.1) |
| Total | 101,924 | 96,901 | (5,022) | (4.9) |

(2) Breakdown by Products

(Millions of yen, except for percentages)

| | Six months ended September 30, 2018 | Six months ended September 30, 2019 | Increase/(Decrease) | |
|-------------------|--|--|---------------------|----------------|
| | | | Amount | Rate of change |
| Equities | 28,836 | 22,677 | (6,159) | (21.4) % |
| Bonds | 11,159 | 16,369 | 5,210 | 46.7 |
| Investment trusts | 41,133 | 36,671 | (4,461) | (10.8) |
| Other | 20,793 | 21,182 | 389 | 1.9 |
| Total | 101,924 | 96,901 | (5,022) | (4.9) |

2. Net Trading Income

(Millions of yen, except for percentages)

| | Six months ended September 30, 2018 | Six months ended September 30, 2019 | Increase/(Decrease) | |
|--|--|--|---------------------|----------------|
| | | | Amount | Rate of change |
| Net trading income on equities | 17,546 | 10,317 | (7,228) | (41.2) % |
| Net trading income on bonds and others | 47,707 | 38,059 | (9,648) | (20.2) |
| Total | 65,253 | 48,376 | (16,876) | (25.9) |

3. Quarterly Consolidated Statements of Income

| | (Millions of yen) | | | | |
|--|--|--|---|--|--|
| | 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) | FY2019 2Q (July 1 to September 30, 2019) |
| Operating revenue | | | | | |
| Commission received | 51,566 | 52,947 | 42,161 | 45,619 | 51,282 |
| Commissions to consignees | 9,657 | 9,703 | 8,415 | 7,859 | 8,495 |
| < Equities > | < 9,006 > | < 8,902 > | < 7,860 > | < 7,240 > | < 7,763 > |
| Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors | 9,820 | 15,968 | 4,824 | 8,821 | 11,870 |
| < Equities > | < 5,230 > | < 11,364 > | < 2,804 > | < 1,993 > | < 5,190 > |
| < Bonds > | < 4,392 > | < 4,420 > | < 1,913 > | < 6,688 > | < 6,446 > |
| Fee for offering, secondary distribution and solicitation for selling and others for professional investors | 10,308 | 6,819 | 7,422 | 9,157 | 11,073 |
| < Investment trusts > | < 9,437 > | < 5,992 > | < 6,407 > | < 8,392 > | < 9,879 > |
| Other fees received | 21,780 | 20,456 | 21,498 | 19,780 | 19,843 |
| Net trading income | 31,196 | 24,965 | 21,518 | 23,464 | 24,912 |
| Financial revenue | 10,698 | 11,686 | 15,708 | 21,199 | 18,085 |
| Other sales | 3,453 | 3,253 | 3,001 | 2,497 | 2,200 |
| Total operating revenue | 96,914 | 92,853 | 82,389 | 92,780 | 96,480 |
| Financial expenses | 6,904 | 10,812 | 13,052 | 20,255 | 16,263 |
| Cost of other sales | 2,868 | 2,820 | 2,844 | 1,843 | 2,432 |
| Net operating revenue | 87,141 | 79,220 | 66,492 | 70,681 | 77,784 |
| Selling, general and administrative expenses | | | | | |
| Trading related expenses | 11,472 | 10,591 | 10,946 | 8,694 | 9,797 |
| Personnel expenses | 33,380 | 31,661 | 28,387 | 29,463 | 31,256 |
| Real estate expenses | 6,687 | 7,074 | 7,104 | 6,780 | 6,436 |
| Office cost | 7,313 | 7,255 | 8,223 | 7,172 | 7,312 |
| Depreciation | 6,482 | 6,533 | 6,452 | 6,920 | 6,230 |
| Taxes and dues | 1,201 | 1,376 | 1,068 | 1,631 | 1,366 |
| Other | 4,012 | 4,343 | 4,687 | 4,680 | 4,028 |
| Total selling, general and administrative expenses | 70,551 | 68,836 | 66,870 | 65,344 | 66,429 |
| Operating profit | 16,589 | 10,383 | (378) | 5,336 | 11,354 |
| Non-operating income | 1,795 | 742 | 1,950 | 1,308 | 1,885 |
| Non-operating expenses | 191 | 200 | 287 | 175 | 221 |
| Ordinary profit | 18,194 | 10,925 | 1,284 | 6,469 | 13,019 |
| Extraordinary income | — | — | — | — | 1,354 |
| Extraordinary losses | 133 | 1,340 | 2,818 | 321 | 173 |
| Profit before income taxes and non-controlling interests | 18,060 | 9,585 | (1,533) | 6,148 | 14,200 |
| Income taxes | 5,123 | 2,937 | (140) | 1,058 | 2,828 |
| Profit | 12,936 | 6,648 | (1,393) | 5,089 | 11,371 |
| Profit attributable to non-controlling interests | 8 | 2 | (132) | (4) | 8 |
| Profit attributable to owners of parent | 12,928 | 6,645 | (1,260) | 5,094 | 11,363 |

IV. Non-consolidated Financial Statements

1. Non-consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2019 | As of September 30, 2019 |
|---|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,005,674 | 887,086 |
| Cash segregated as deposits | 507,435 | 550,024 |
| Trading products | 2,944,282 | 4,146,996 |
| Trading securities and other | 2,344,500 | 3,365,614 |
| Derivatives | 599,781 | 781,381 |
| Trade date accrual | 349,456 | 103,699 |
| Margin transaction assets | 125,504 | 107,479 |
| Loans on margin transactions | 105,836 | 91,018 |
| Cash collateral pledged for securities borrowing on margin transactions | 19,668 | 16,460 |
| Loans secured by securities | 5,206,467 | 6,198,182 |
| Cash collateral pledged for securities borrowed | 2,657,313 | 3,237,151 |
| Loans on Gensaki transactions | 2,549,153 | 2,961,030 |
| Short-term guarantee deposits | 264,406 | 273,069 |
| Short-term loans receivable | 32,887 | 31,468 |
| Accrued income | 23,026 | 23,697 |
| Other | 30,651 | 47,625 |
| Allowance for doubtful accounts | (11) | (33) |
| Total current assets | 10,489,781 | 12,369,296 |
| Non-current assets | | |
| Property, plant and equipment | 10,635 | 10,734 |
| Intangible assets | 15,292 | 13,614 |
| Investments and other assets | 237,478 | 228,775 |
| Investment securities | 108,681 | 101,197 |
| Stocks of subsidiaries and affiliates | 103,451 | 103,451 |
| Long-term loans receivable | 4,933 | 4,932 |
| Long-term guarantee deposits | 17,103 | 15,955 |
| Other | 4,787 | 4,738 |
| Allowance for doubtful accounts | (1,478) | (1,499) |
| Total non-current assets | 263,407 | 253,125 |
| Total assets | 10,753,188 | 12,622,422 |

(Millions of yen)

| | As of March 31, 2019 | As of September 30, 2019 |
|---|----------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Trading products | 2,454,700 | 2,733,958 |
| Trading securities and other | 1,867,227 | 1,983,267 |
| Derivatives | 587,473 | 750,690 |
| Margin transaction liabilities | 45,470 | 91,867 |
| Borrowings on margin transactions | 389 | 239 |
| Cash received for securities lending on margin transactions | 45,080 | 91,627 |
| Loans payable secured by securities | 4,871,517 | 6,432,933 |
| Cash received on debt credit transaction of securities | 1,132,769 | 1,493,555 |
| Borrowings on Gensaki transaction | 3,738,747 | 4,939,377 |
| Deposits received | 392,088 | 469,568 |
| Guarantee deposits received | 132,595 | 161,076 |
| Short-term loans payable | 983,500 | 1,033,450 |
| Current portion of long-term loans payable | 50 | — |
| Commercial papers | 84,500 | 82,500 |
| Current portion of bonds payable | 112,645 | 152,171 |
| Income taxes payable | 1,287 | 1,807 |
| Other | 52,534 | 31,673 |
| Total current liabilities | 9,130,889 | 11,191,005 |
| Non-current liabilities | | |
| Bonds payable | 649,849 | 526,593 |
| Long-term loans payable | 163,100 | 95,900 |
| Lease obligations | 832 | 839 |
| Deferred tax liabilities | 10,912 | 11,701 |
| Provision for retirement benefits | 2,908 | 3,026 |
| Asset retirement obligations | 2,674 | 2,712 |
| Other | 239 | 136 |
| Total non-current liabilities | 830,517 | 640,909 |
| 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 | 11,834,763 |
| 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 | 283,008 |
| Legal retained earnings | 2,500 | 2,500 |
| Other retained earnings | 276,290 | 280,508 |
| Retained earnings brought forward | 276,290 | 280,508 |
| Total shareholders' equity | 746,504 | 750,722 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 42,429 | 36,935 |
| Total valuation and translation adjustments | 42,429 | 36,935 |
| Total net assets | 788,934 | 787,658 |
| Total liabilities and net assets | 10,753,188 | 12,622,422 |

2. Non-consolidated Statements of Income

(Millions of yen)

| | Six months ended September 30, 2018 | Six months ended September 30, 2019 |
|--|--|--|
| Operating revenue | | |
| Commission received | 96,043 | 91,663 |
| Commissions to consignees | 18,531 | 14,922 |
| Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors | 18,686 | 19,921 |
| Fee for offering, secondary distribution and solicitation for selling and others for professional investors | 20,812 | 20,186 |
| Other fees received | 38,012 | 36,633 |
| Net trading income | 64,996 | 48,376 |
| Financial revenue | 19,655 | 38,606 |
| Total operating revenue | 180,695 | 178,646 |
| Financial expenses | 14,376 | 36,067 |
| Net operating revenue | 166,319 | 142,579 |
| Selling, general and administrative expenses | | |
| Trading related expenses | 20,180 | 17,874 |
| Personnel expenses | 59,824 | 53,992 |
| Real estate expenses | 11,879 | 11,476 |
| Office cost | 30,951 | 30,553 |
| Depreciation | 4,140 | 4,565 |
| Taxes and dues | 2,375 | 2,675 |
| Other | 7,419 | 7,938 |
| Total selling, general and administrative expenses | 136,770 | 129,077 |
| Operating profit | 29,548 | 13,502 |
| Non-operating income | | |
| Dividend income | 1,663 | 1,876 |
| Other | 808 | 359 |
| Total non-operating income | 2,471 | 2,236 |
| Non-operating expenses | | |
| Bond issuance cost | 51 | 117 |
| Other | 215 | 200 |
| Total non-operating expenses | 266 | 317 |
| Ordinary profit | 31,753 | 15,420 |

(Millions of yen)

| | Six months ended September 30, 2018 | Six months ended September 30, 2019 |
|---|--|--|
| Extraordinary income | | |
| Gain on sales of noncurrent assets | — | 40 |
| Gain on sales of investment securities | — | 442 |
| Total extraordinary income | — | 483 |
| Extraordinary losses | | |
| Impairment losses | 295 | 164 |
| Loss on valuation of investment securities | 122 | 264 |
| Provision of reserve for financial products transaction liabilities | 370 | — |
| Total extraordinary loss | 788 | 428 |
| Profit before income taxes | 30,964 | 15,475 |
| Income taxes - current | 1,252 | (280) |
| Income taxes - deferred | 6,166 | 3,119 |
| Income taxes | 7,418 | 2,838 |
| Profit | 23,545 | 12,637 |

3. Capital Adequacy Ratio on a stand-alone basis

(Millions of yen)

| | | As of March 31, 2019 | As of September 30, 2019 | |
|------------------------|--|----------------------|--------------------------|---------|
| Basic items | (A) | 738,084 | 750,722 | |
| Supplementary items | Valuation difference on available-for-sale securities and others | 42,429 | 36,935 | |
| | Reserve for financial products transaction liabilities | 2,847 | 2,847 | |
| | Allowance for doubtful accounts | 2 | 3 | |
| | Total | (B) | 45,279 | 39,786 |
| Deductible assets | (C) | 174,169 | 171,913 | |
| Net capital | (A) + (B) - (C) | (D) | 609,195 | 618,596 |
| Risk items | Market Risk | 55,098 | 58,244 | |
| | Counterparty Risk | 40,849 | 50,461 | |
| | Basic Risk | 70,907 | 71,673 | |
| | Total | (E) | 166,856 | 180,379 |
| Capital adequacy ratio | (D) / (E)*100 | 365.1% | 342.9% | |

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 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) | FY2019 2Q (July 1 to September 30, 2019) |
|--|--|--|---|--|--|
| Operating revenue | | | | | |
| Commission received | 48,552 | 51,211 | 40,225 | 43,170 | 48,493 |
| Commissions to consignees | 8,857 | 9,010 | 7,673 | 7,168 | 7,754 |
| < Equities > | < 8,354 > | < 8,258 > | < 7,286 > | < 6,709 > | < 7,218 > |
| Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors | 9,820 | 15,968 | 4,824 | 8,488 | 11,432 |
| < Equities > | < 5,230 > | < 11,364 > | < 2,804 > | < 1,993 > | < 5,190 > |
| < Bonds > | < 4,392 > | < 4,420 > | < 1,913 > | < 6,355 > | < 6,008 > |
| Fee for offering, secondary distribution and solicitation for selling and others for professional investors | 10,177 | 6,666 | 7,367 | 9,129 | 11,056 |
| < Investment trusts > | < 9,437 > | < 5,992 > | < 6,407 > | < 8,392 > | < 9,879 > |
| Other fees received | 19,697 | 19,567 | 20,359 | 18,384 | 18,249 |
| Net trading income | 30,943 | 24,491 | 21,313 | 23,464 | 24,912 |
| Financial revenue | 10,363 | 11,379 | 15,378 | 20,847 | 17,759 |
| Total operating revenue | 89,859 | 87,082 | 76,918 | 87,482 | 91,164 |
| Financial expenses | 6,692 | 10,609 | 12,833 | 20,000 | 16,066 |
| Net operating revenue | 83,166 | 76,472 | 64,084 | 67,482 | 75,097 |
| Selling, general and administrative expenses | | | | | |
| Trading related expenses | 10,484 | 10,607 | 10,640 | 8,343 | 9,531 |
| Personal expenses | 29,920 | 28,015 | 25,057 | 26,196 | 27,795 |
| Real estate expenses | 5,945 | 6,323 | 6,050 | 5,927 | 5,549 |
| Office cost | 15,277 | 15,200 | 15,325 | 15,234 | 15,318 |
| Depreciation | 2,072 | 2,179 | 2,207 | 2,239 | 2,325 |
| Taxes and dues | 1,036 | 1,167 | 874 | 1,435 | 1,240 |
| Other | 3,560 | 3,754 | 4,025 | 4,276 | 3,662 |
| Total selling, general and administrative expenses | 68,297 | 67,249 | 64,181 | 63,653 | 65,423 |
| Operating profit | 14,869 | 9,223 | (96) | 3,828 | 9,673 |
| Non-operating income | 1,305 | 298 | 1,430 | 1,018 | 1,217 |
| Non-operating expenses | 137 | 143 | 282 | 90 | 227 |
| Ordinary profit | 16,038 | 9,377 | 1,050 | 4,757 | 10,663 |
| Extraordinary income | — | — | — | — | 483 |
| Extraordinary losses | 133 | 1,265 | 2,511 | 240 | 187 |
| Profit before income taxes | 15,905 | 8,112 | (1,460) | 4,516 | 10,959 |
| Income taxes | 4,675 | 2,539 | (408) | 568 | 2,269 |
| Profit | 11,229 | 5,572 | (1,051) | 3,947 | 8,689 |