



Date: January 28, 2020

SMBC NIKKO SECURITIES INC.

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

Consolidated Financial Results for the Nine Months ended December 31, 2019 (JGAAP)

(Amounts less than one million yen are omitted.)

1. Overall business performance for the Nine Months ended December 31, 2019

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

Nine 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	%
December 31, 2019	298,018	3.8	234,316	(7.3)	32,917	(23.7)	36,615	(22.4)	27,652	(20.0)
December 31, 2018	287,135	(1.9)	252,801	(3.7)	43,122	(38.0)	47,171	(34.9)	34,570	(30.2)

Note : Comprehensive income December 31, 2019 26,294million yen <(1.8%)> December 31, 2018 26,784million yen <(52.2%)>

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2019	11,511,883	849,135	7.4
March 31, 2019	10,917,612	831,277	7.6

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

As of December 31, 2019 847,819 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

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 profit before income taxes for the nine months ended December 31, 2019. The effective tax rate is determined by estimating the effective tax rate for the full fiscal year, which includes the nine months ended December 31, 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 December 31, 2019
Assets		
Current assets		
Cash and deposits	1,158,141	991,717
Cash segregated as deposits	507,456	672,840
Trading products	2,944,282	3,217,616
Trading securities and other	2,344,500	2,585,944
Derivatives	599,781	631,672
Trade date accrual	349,456	—
Margin transaction assets	125,504	117,217
Loans on margin transactions	105,836	105,216
Cash collateral pledged for securities borrowing on margin transactions	19,668	12,000
Loans secured by securities	5,206,467	5,894,554
Cash collateral pledged for securities borrowed	2,657,313	3,136,482
Loans on Gensaki transactions	2,549,153	2,758,071
Short-term guarantee deposits	264,406	249,623
Accrued income	24,061	23,077
Other	34,103	42,409
Allowance for doubtful accounts	(11)	(33)
Total current assets	10,613,868	11,209,025
Non-current assets		
Property, plant and equipment	28,194	28,762
Intangible assets	68,837	66,960
Investments and other assets	206,710	207,134
Investment securities	175,419	177,182
Long-term loans receivable	4,944	4,944
Long-term guarantee deposits	18,073	16,925
Deferred tax assets	2,561	1,755
Other	7,190	7,817
Allowance for doubtful accounts	(1,478)	(1,490)
Total non-current assets	303,743	302,857
Total assets	10,917,612	11,511,883

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Trading products	2,454,700	2,451,522
Trading securities and other	1,867,227	1,863,795
Derivatives	587,473	587,727
Trade date accrual	—	82,238
Margin transaction liabilities	45,470	63,038
Borrowings on margin transactions	389	3,199
Cash received for securities lending on margin transactions	45,080	59,839
Loans payable secured by securities	4,871,517	5,450,397
Cash received on debt credit transaction of securities	1,132,769	696,401
Borrowings on Gensaki transaction	3,738,747	4,753,996
Deposits received	496,879	711,520
Guarantee deposits received	132,595	166,401
Short-term loans payable	979,963	833,448
Current portion of long-term loans payable	50	—
Commercial papers	84,500	58,000
Current portion of bonds payable	112,645	158,449
Income taxes payable	2,400	3,597
Other	67,172	55,623
Total current liabilities	9,247,895	10,034,239
Non-current liabilities		
Bonds payable	649,849	490,032
Long-term loans payable	163,100	108,900
Lease obligations	3,300	4,116
Deferred tax liabilities	12,136	15,582
Net defined benefit liabilities	3,274	3,430
Asset retirement obligations	2,928	2,935
Other	1,001	521
Total non-current liabilities	835,591	625,519
Reserves under special laws		
Reserve for financial products transaction liabilities	2,847	2,989
Total reserves under-special laws	2,847	2,989
Total liabilities	10,086,334	10,662,747
Net assets		
Shareholders' equity		
Capital stock	10,000	10,000
Capital surplus	457,845	457,848
Retained earnings	320,055	339,288
Total shareholders' equity	787,900	807,136
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	42,198	43,003
Deferred gains or losses on hedges	(24)	(42)
Foreign currency translation adjustment	(159)	(2,279)
Remeasurements of defined benefit plans	(3)	0
Total accumulated other comprehensive income	42,010	40,682
Non-controlling interests	1,366	1,315
Total net assets	831,277	849,135
Total liabilities and net assets	10,917,612	11,511,883

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

Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Operating revenue		
Commission received	154,871	153,017
Commissions to consignees	29,754	26,397
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	34,654	33,171
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	27,797	33,880
Other fees received	62,664	59,567
Net trading income	90,219	76,772
Financial revenue	31,932	61,795
Other sales	10,112	6,432
Total operating revenue	287,135	298,018
Financial expenses	25,588	57,948
Cost of other sales	8,745	5,753
Net operating revenue	252,801	234,316
Selling, general and administrative expenses		
Trading related expenses	32,485	28,845
Personnel expenses	98,331	93,580
Real estate expenses	20,348	19,690
Office cost	22,259	22,356
Depreciation	19,514	19,294
Taxes and dues	4,116	4,894
Other	12,624	12,737
Total selling, general and administrative expenses	209,679	201,399
Operating profit	43,122	32,917
Non-operating income		
Dividend income	1,715	1,778
Share of profit of investments accounted for using equity method	1,431	1,560
Foreign exchange gains	337	377
Other	1,135	524
Total non-operating income	4,621	4,241
Non-operating expenses		
Interest expenses	96	93
Bond issuance cost	112	199
Other	362	249
Total non-operating expenses	572	542
Ordinary profit	47,171	36,615

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Extraordinary income		
Gain on sales of noncurrent assets	—	911
Gain on sales of investment securities	—	483
Total extraordinary income	—	1,395
Extraordinary losses		
Impairment losses	1,109	348
Loss on valuation of investment securities	454	174
Provision of reserve for financial products transaction liabilities	562	141
Total extraordinary loss	2,126	663
Profit before income taxes and non-controlling interests	45,045	37,346
Income taxes	10,459	9,703
Profit	34,586	27,643
Profit attributable to non-controlling interests	15	(9)
Profit attributable to owners of parent	34,570	27,652

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	34,586	27,643
Other comprehensive income		
Valuation difference on available-for-sale securities	(8,327)	802
Foreign currency translation adjustment	291	(621)
Share of other comprehensive income of affiliates accounted for using equity method	233	(1,529)
Total other comprehensive income	(7,801)	(1,348)
Comprehensive income	26,784	26,294
Comprehensive income attributable to:		
Owners of parent	26,769	26,325
Non-controlling interests	15	(30)

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 nine months ended December 31, 2019, and outstanding amount of retained earnings at the end of the period was 339,288 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)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019	Increase/(Decrease)	
			Amount	Rate of change
Commissions to consignees	29,754	26,397	(3,357)	(11.3) %
< Equities >	< 27,897 >	< 24,505 >	< (3,392) >	< (12.2) >
< Bonds >	< 133 >	< 80 >	< (52) >	< (39.6) >
< Investment trusts >	< 1,492 >	< 1,277 >	< (215) >	< (14.4) >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	34,654	33,171	(1,483)	(4.3)
< Equities >	< 20,840 >	< 13,580 >	< (7,259) >	< (34.8) >
< Bonds >	< 13,282 >	< 18,967 >	< 5,684 >	< 42.8 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	27,797	33,880	6,083	21.9
< Investment trusts >	< 25,562 >	< 30,755 >	< 5,193 >	< 20.3 >
Other fees received	62,664	59,567	(3,097)	(4.9)
Total	154,871	153,017	(1,854)	(1.2)

(2) Breakdown by Products

(Millions of yen, except for percentages)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019	Increase/(Decrease)	
			Amount	Rate of change
Equities	49,480	38,921	(10,558)	(21.3) %
Bonds	16,984	23,862	6,877	40.5
Investment trusts	56,854	58,156	1,302	2.3
Other	31,552	32,076	523	1.7
Total	154,871	153,017	(1,854)	(1.2)

2. Net Trading Income

(Millions of yen, except for percentages)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019	Increase/(Decrease)	
			Amount	Rate of change
Net trading income on equities	25,855	21,781	(4,073)	(15.8) %
Net trading income on bonds and others	64,364	54,990	(9,373)	(14.6)
Total	90,219	76,772	(13,447)	(14.9)

3. Quarterly Consolidated Statements of Income

	(Millions of yen)				
	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)	FY2019 3Q (October 1 to December 31, 2019)
Operating revenue					
Commission received	52,947	42,161	45,619	51,282	56,115
Commissions to consignees	9,703	8,415	7,859	8,495	10,042
< Equities >	< 8,902 >	< 7,860 >	< 7,240 >	< 7,763 >	< 9,500 >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	15,968	4,824	8,821	11,870	12,479
< Equities >	< 11,364 >	< 2,804 >	< 1,993 >	< 5,190 >	< 6,397 >
< Bonds >	< 4,420 >	< 1,913 >	< 6,688 >	< 6,446 >	< 5,832 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	6,819	7,422	9,157	11,073	13,650
< Investment trusts >	< 5,992 >	< 6,407 >	< 8,392 >	< 9,879 >	< 12,483 >
Other fees received	20,456	21,498	19,780	19,843	19,942
Net trading income	24,965	21,518	23,464	24,912	28,395
Financial revenue	11,686	15,708	21,199	18,085	22,511
Other sales	3,253	3,001	2,497	2,200	1,735
Total operating revenue	92,853	82,389	92,780	96,480	108,757
Financial expenses	10,812	13,052	20,255	16,263	21,428
Cost of other sales	2,820	2,844	1,843	2,432	1,477
Net operating revenue	79,220	66,492	70,681	77,784	85,850
Selling, general and administrative expenses					
Trading related expenses	10,591	10,946	8,694	9,797	10,352
Personnel expenses	31,661	28,387	29,463	31,256	32,860
Real estate expenses	7,074	7,104	6,780	6,436	6,473
Office cost	7,255	8,223	7,172	7,312	7,870
Depreciation	6,533	6,452	6,920	6,230	6,143
Taxes and dues	1,376	1,068	1,631	1,366	1,896
Other	4,343	4,687	4,680	4,028	4,027
Total selling, general and administrative expenses	68,836	66,870	65,344	66,429	69,624
Operating profit	10,383	(378)	5,336	11,354	16,226
Non-operating income	742	1,950	1,308	1,885	1,046
Non-operating expenses	200	287	175	221	145
Ordinary profit	10,925	1,284	6,469	13,019	17,127
Extraordinary income	—	—	—	1,354	40
Extraordinary losses	1,340	2,818	321	173	169
Profit before income taxes and non-controlling interests	9,585	(1,533)	6,148	14,200	16,998
Income taxes	2,937	(140)	1,058	2,828	5,816
Profit	6,648	(1,393)	5,089	11,371	11,181
Profit attributable to non-controlling interests	2	(132)	(4)	8	(14)
Profit attributable to owners of parent	6,645	(1,260)	5,094	11,363	11,195

IV. Non-consolidated Financial Statements

1. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	1,005,674	868,283
Cash segregated as deposits	507,435	672,818
Trading products	2,944,282	3,217,616
Trading securities and other	2,344,500	2,585,944
Derivatives	599,781	631,672
Trade date accrual	349,456	—
Margin transaction assets	125,504	117,217
Loans on margin transactions	105,836	105,216
Cash collateral pledged for securities borrowing on margin transactions	19,668	12,000
Loans secured by securities	5,206,467	5,894,554
Cash collateral pledged for securities borrowed	2,657,313	3,136,482
Loans on Gensaki transactions	2,549,153	2,758,071
Short-term guarantee deposits	264,406	249,623
Short-term loans receivable	32,887	30,552
Accrued income	23,026	21,469
Other	30,651	35,560
Allowance for doubtful accounts	(11)	(32)
Total current assets	10,489,781	11,107,664
Non-current assets		
Property, plant and equipment	10,635	10,447
Intangible assets	15,292	13,768
Investments and other assets	237,478	238,333
Investment securities	108,681	110,788
Stocks of subsidiaries and affiliates	103,451	103,451
Long-term loans receivable	4,933	4,935
Long-term guarantee deposits	17,103	15,920
Other	4,787	4,728
Allowance for doubtful accounts	(1,478)	(1,490)
Total non-current assets	263,407	262,550
Total assets	10,753,188	11,370,214

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Trading products	2,454,700	2,451,522
Trading securities and other	1,867,227	1,863,795
Derivatives	587,473	587,727
Trade date accrual	—	82,238
Margin transaction liabilities	45,470	63,038
Borrowings on margin transactions	389	3,199
Cash received for securities lending on margin transactions	45,080	59,839
Loans payable secured by securities	4,871,517	5,450,397
Cash received on debt credit transaction of securities	1,132,769	696,401
Borrowings on Gensaki transaction	3,738,747	4,753,996
Deposits received	392,088	634,787
Guarantee deposits received	132,595	166,401
Short-term loans payable	983,500	837,650
Current portion of long-term loans payable	50	—
Commercial papers	84,500	58,000
Current portion of bonds payable	112,645	158,449
Income taxes payable	1,287	2,440
Other	52,534	38,862
Total current liabilities	9,130,889	9,943,788
Non-current liabilities		
Bonds payable	649,849	490,032
Long-term loans payable	163,100	108,900
Lease obligations	832	758
Deferred tax liabilities	10,912	14,258
Provision for retirement benefits	2,908	3,052
Asset retirement obligations	2,674	2,702
Other	239	160
Total non-current liabilities	830,517	619,865
Reserves under special laws		
Reserve for financial products transaction liabilities	2,847	2,989
Total reserves under special laws	2,847	2,989
Total liabilities	9,964,254	10,566,643
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	292,733
Legal retained earnings	2,500	2,500
Other retained earnings	276,290	290,233
Retained earnings brought forward	276,290	290,233
Total shareholders' equity	746,504	760,448
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	42,429	43,123
Total valuation and translation adjustments	42,429	43,123
Total net assets	788,934	803,571
Total liabilities and net assets	10,753,188	11,370,214

2. Non-consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Operating revenue		
Commission received	147,254	144,392
Commissions to consignees	27,541	24,238
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	34,654	31,635
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	27,479	33,805
Other fees received	57,579	54,713
Net trading income	89,487	76,772
Financial revenue	31,035	60,821
Total operating revenue	267,778	281,986
Financial expenses	24,986	57,351
Net operating revenue	242,791	224,634
Selling, general and administrative expenses		
Trading related expenses	30,787	28,115
Personnel expenses	87,840	83,213
Real estate expenses	18,203	17,034
Office cost	46,152	45,817
Depreciation	6,319	6,011
Taxes and dues	3,543	4,250
Other	11,174	11,502
Total selling, general and administrative expenses	204,020	195,946
Operating profit	38,771	28,688
Non-operating income		
Dividend income	1,713	2,083
Other	1,056	448
Total non-operating income	2,770	2,532
Non-operating expenses		
Bond issuance cost	112	199
Other	297	241
Total non-operating expenses	410	441
Ordinary profit	41,131	30,778

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Extraordinary income		
Gain on sales of investment securities	—	442
Total extraordinary income	—	442
Extraordinary losses		
Impairment losses	1,109	348
Loss on valuation of investment securities	382	142
Provision of reserve for financial products transaction liabilities	562	141
Total extraordinary loss	2,054	632
Profit before income taxes	39,076	30,589
Income taxes	9,958	8,226
Profit	29,118	22,363

3. Capital Adequacy Ratio on a stand-alone basis

(Millions of yen)

		As of March 31, 2019	As of December 31, 2019
Basic items (A)		738,084	760,448
Supplementary items	Valuation difference on available-for-sale securities and others	42,429	43,123
	Reserve for financial products transaction liabilities	2,847	2,989
	Allowance for doubtful accounts	2	2
Total (B)		45,279	46,114
Deductible assets (C)		174,169	178,190
Net capital (A) + (B) - (C) (D)		609,195	628,372
Risk items	Market Risk	55,098	62,414
	Counterparty Risk	40,849	46,387
	Basic Risk	70,907	72,495
Total (E)		166,856	181,297
Capital adequacy ratio (D) / (E)*100		365.1%	346.5%

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 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)	FY2019 3Q (October 1 to December 31, 2019)
Operating revenue					
Commission received	51,211	40,225	43,170	48,493	52,729
Commissions to consignees	9,010	7,673	7,168	7,754	9,316
< Equities >	< 8,258 >	< 7,286 >	< 6,709 >	< 7,218 >	< 8,934 >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	15,968	4,824	8,488	11,432	11,714
< Equities >	< 11,364 >	< 2,804 >	< 1,993 >	< 5,190 >	< 6,397 >
< Bonds >	< 4,420 >	< 1,913 >	< 6,355 >	< 6,008 >	< 5,067 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	6,666	7,367	9,129	11,056	13,618
< Investment trusts >	< 5,992 >	< 6,407 >	< 8,392 >	< 9,879 >	< 12,483 >
Other fees received	19,567	20,359	18,384	18,249	18,080
Net trading income	24,491	21,313	23,464	24,912	28,395
Financial revenue	11,379	15,378	20,847	17,759	22,214
Total operating revenue	87,082	76,918	87,482	91,164	103,339
Financial expenses	10,609	12,833	20,000	16,066	21,284
Net operating revenue	76,472	64,084	67,482	75,097	82,054
Selling, general and administrative expenses					
Trading related expenses	10,607	10,640	8,343	9,531	10,240
Personal expenses	28,015	25,057	26,196	27,795	29,221
Real estate expenses	6,323	6,050	5,927	5,549	5,557
Office cost	15,200	15,325	15,234	15,318	15,264
Depreciation	2,179	2,207	2,239	2,325	1,446
Taxes and dues	1,167	874	1,435	1,240	1,574
Other	3,754	4,025	4,276	3,662	3,564
Total selling, general and administrative expenses	67,249	64,181	63,653	65,423	66,869
Operating profit	9,223	(96)	3,828	9,673	15,185
Non-operating income	298	1,430	1,018	1,217	296
Non-operating expenses	143	282	90	227	123
Ordinary profit	9,377	1,050	4,757	10,663	15,357
Extraordinary income	—	—	—	483	(40)
Extraordinary losses	1,265	2,511	240	187	203
Profit before income taxes	8,112	(1,460)	4,516	10,959	15,113
Income taxes	2,539	(408)	568	2,269	5,388
Profit	5,572	(1,051)	3,947	8,689	9,725