

Date: October 29, 2021

SMBC NIKKO SECURITIES INC.

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

Consolidated Financial Results for the Six Months ended September 30, 2021 (JGAAP)

(Amounts less than one million yen are omitted.)

1. Overall business performance for the Six Months ended September 30, 2021

(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	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2021	187,200	(9.0)	178,316	9.5	40,069	23.7	43,838	22.1	32,559	15.4
September 30, 2020	205,682	8.7	162,888	9.7	32,384	94.0	35,911	84.3	28,217	71.5

Note : Comprehensive income September 30, 2021 36,663million yen <(20.3)%> September 30, 2020 45,994million yen <519.4%>

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2021	13,503,157	925,518	6.8
March 31, 2021	13,349,491	917,254	6.9

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

As of September 30, 2021 924,071 million yen As of March 31, 2021 915,799 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 : Yes
- (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

(Changes in accounting policies with accounting standards revisions)

Application of Accounting Standard for Revenue Recognition

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. has been applied effective from the beginning of the three months ended June 30, 2021. The amount expected to be received in exchange for promised goods or service is recognized as revenue at the time control of those goods or services are transferred to the customer.

The Accounting Standard for Revenue Recognition has been applied transitionally, in accordance with the provision of Article 84 of the standard. The cumulative effect amount, applying with the new accounting policy retrospectively prior to the beginning of the three months ended June 30, 2021 was adjusted to retained earnings at the beginning of the three months ended June 30, 2021.

As a result, there is no significant effect of applying the accounting standard etc. on the consolidated financial statements for the six months ended September 30, 2021. In addition, there is no effect on retained earnings.

II. Consolidated Financial Statements

1. Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	1,205,180	1,047,977
Cash segregated as deposits	863,699	1,016,507
Trading products	3,258,705	4,189,185
Trading securities and other	2,647,408	3,626,617
Derivatives	611,296	562,567
Margin transaction assets	153,278	161,810
Loans on margin transactions	147,523	154,848
Cash collateral pledged for securities borrowing on margin transactions	5,754	6,962
Loans secured by securities	7,081,149	6,292,801
Cash collateral pledged for securities borrowed	4,507,156	4,183,246
Loans on Gensaki transactions	2,573,992	2,109,554
Short-term guarantee deposits	361,169	313,239
Accrued income	23,442	23,724
Other	82,062	115,194
Allowance for doubtful accounts	(8)	(5)
Total current assets	13,028,679	13,160,435
Non-current assets		
Property, plant and equipment	32,187	30,507
Intangible assets	73,613	76,778
Investments and other assets	215,010	235,436
Investment securities	184,713	205,789
Long-term loans receivable	4,947	4,946
Long-term guarantee deposits	16,655	16,380
Deferred tax assets	1,484	1,046
Other	8,586	8,637
Allowance for doubtful accounts	(1,377)	(1,363)
Total non-current assets	320,811	342,722
Total assets	13,349,491	13,503,157

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Trading products	2,565,959	2,862,062
Trading securities and other	1,960,839	2,317,232
Derivatives	605,119	544,830
Trade date accrual	133,102	92,809
Margin transaction liabilities	157,840	161,348
Borrowings on margin transactions	845	324
Cash received for securities lending on margin transactions	156,994	161,023
Loans payable secured by securities	6,002,501	5,516,563
Cash received on debt credit transaction of securities	2,152,129	1,448,039
Borrowings on Gensaki transaction	3,850,371	4,068,524
Deposits received	735,840	919,259
Guarantee deposits received	159,947	166,476
Short-term loans payable	1,547,457	1,851,469
Current portion of long-term loans payable	2,000	2,000
Commercial papers	305,000	131,000
Current portion of bonds payable	136,714	127,927
Income taxes payable	6,447	4,292
Other	85,385	86,091
Total current liabilities	11,838,196	11,921,301
Non-current liabilities		
Bonds payable	354,076	387,418
Long-term loans payable	212,000	237,800
Lease obligations	5,729	4,744
Deferred tax liabilities	10,629	14,965
Net defined benefit liabilities	3,839	3,682
Asset retirement obligations	3,280	2,908
Other	582	734
Total non-current liabilities	590,137	652,254
Reserves under special laws		
Reserve for financial products transaction liabilities	3,902	4,083
Total reserves under-special laws	3,902	4,083
Total liabilities	12,432,236	12,577,638
Net assets		
Shareholders' equity		
Capital stock	10,000	10,000
Capital surplus	457,848	457,848
Retained earnings	406,172	410,332
Total shareholders' equity	874,020	878,180
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	41,607	43,699
Deferred gains or losses on hedges	—	(29)
Foreign currency translation adjustment	164	2,224
Remeasurements of defined benefit plans	6	(3)
Total accumulated other comprehensive income	41,778	45,890
Non-controlling interests	1,455	1,446
Total net assets	917,254	925,518
Total liabilities and net assets	13,349,491	13,503,157

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

Consolidated Statements of Income

	(Millions of yen)	
	Six months ended September 30, 2020	Six months ended September 30, 2021
Operating revenue		
Commission received	98,295	116,139
Commissions to consignees	23,705	23,083
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	17,531	20,503
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	21,494	25,121
Other fees received	35,563	47,431
Net trading income	60,161	58,701
Financial revenue	43,422	9,120
Other sales	3,803	3,238
Total operating revenue	205,682	187,200
Financial expenses	39,251	5,782
Cost of other sales	3,542	3,101
Net operating revenue	162,888	178,316
Selling, general and administrative expenses		
Trading related expenses	14,436	16,677
Personnel expenses	64,195	65,921
Real estate expenses	12,968	12,074
Office cost	14,970	16,629
Depreciation	11,563	13,177
Taxes and dues	3,340	3,643
Other	9,028	10,123
Total selling, general and administrative expenses	130,503	138,247
Operating profit	32,384	40,069
Non-operating income		
Dividend income	1,195	1,218
Share of profit of investments accounted for using equity method	2,505	2,365
Foreign exchange gains	233	283
Other	299	533
Total non-operating income	4,234	4,400
Non-operating expenses		
Interest expenses	60	66
Loss on investments in partnerships	410	228
Bond issuance cost	96	94
Other	140	241
Total non-operating expenses	707	631
Ordinary profit	35,911	43,838

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Extraordinary income		
Gain on sales of investment securities	3,274	173
Total extraordinary income	3,274	173
Extraordinary losses		
Impairment losses	160	288
Loss on valuation of investment securities	127	565
Provision of reserve for financial products transaction liabilities	322	180
Infectious disease related cost	874	—
Total extraordinary loss	1,485	1,034
Profit before income taxes and non-controlling interests	37,700	42,978
Income taxes - current	1,815	6,248
Income taxes - deferred	7,639	4,180
Income taxes	9,455	10,428
Profit	28,245	32,549
Profit attributable to non-controlling interests	27	(10)
Profit attributable to owners of parent	28,217	32,559

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit	28,245	32,549
Other comprehensive income		
Valuation difference on available-for-sale securities	18,896	2,088
Foreign currency translation adjustment	513	294
Share of other comprehensive income of affiliates accounted for using equity method	(1,660)	1,731
Total other comprehensive income	17,749	4,114
Comprehensive income	45,994	36,663
Comprehensive income attributable to:		
Owners of parent	45,919	36,672
Non-controlling interests	75	(8)

3. Notes on Going Concern Assumption

Not applicable

4. Notes on Significant Changes in Shareholder's Equity

Appropriation of surplus was resolved at the board of directors held on September 21, 2021. As a result, the retained earnings decreased by 28,400 million yen in the period, and outstanding amount of retained earnings at the end of the period was 410,332 million yen.

• Dividends information

- (1) Total amount of dividends: 28,400 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: October 1, 2021
- (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, 2020	Six months ended September 30, 2021	Increase/(Decrease)	
			Amount	Rate of change
Commissions to consignees	23,705	23,083	(622)	(2.6) %
< Equities >	< 22,143 >	< 22,340 >	< 197 >	< 0.9 >
< Bonds >	< 44 >	< 22 >	< (22) >	< (49.1) >
< Investment trusts >	< 1,219 >	< 862 >	< (356) >	< (29.3) >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	17,531	20,503	2,971	16.9
< Equities >	< 6,639 >	< 7,897 >	< 1,258 >	< 19.0 >
< Bonds >	< 10,540 >	< 11,788 >	< 1,248 >	< 11.8 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	21,494	25,121	3,627	16.9
< Investment trusts >	< 20,642 >	< 24,330 >	< 3,687 >	< 17.9 >
Other fees received	35,563	47,431	11,868	33.4
Total	98,295	116,139	17,844	18.2

(2) Breakdown by Products

(Millions of yen, except for percentages)

	Six months ended September 30, 2020	Six months ended September 30, 2021	Increase/(Decrease)	
			Amount	Rate of change
Equities	29,779	31,236	1,456	4.9 %
Bonds	11,851	14,114	2,263	19.1
Investment trusts	37,342	45,522	8,180	21.9
Other	19,321	25,265	5,944	30.8
Total	98,295	116,139	17,844	18.2

2. Net Trading Income

(Millions of yen, except for percentages)

	Six months ended September 30, 2020	Six months ended September 30, 2021	Increase/(Decrease)	
			Amount	Rate of change
Net trading income on equities	31,014	28,943	(2,070)	(6.7) %
Net trading income on bonds and others	29,147	29,757	610	2.1
Total	60,161	58,701	(1,459)	(2.4)

3. Quarterly Consolidated Statements of Income

	(Millions of yen)				
	FY2020 2Q (July 1 to September 30, 2020)	FY2020 3Q (October 1 to December 31, 2020)	FY2020 4Q (January 1 to March 31, 2021)	FY2021 1Q (April 1 to June 30, 2021)	FY2021 2Q (July 1 to September 30, 2021)
Operating revenue					
Commission received	57,616	66,579	59,152	57,082	59,056
Commissions to consignees	11,850	13,842	14,046	11,265	11,817
< Equities >	< 11,313 >	< 13,286 >	< 13,621 >	< 10,959 >	< 11,381 >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	13,137	14,060	8,087	9,500	11,002
< Equities >	< 6,573 >	< 7,503 >	< 3,495 >	< 2,089 >	< 5,807 >
< Bonds >	< 6,357 >	< 6,427 >	< 4,390 >	< 6,776 >	< 5,012 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	13,944	15,459	13,368	13,492	11,628
< Investment trusts >	< 13,184 >	< 14,740 >	< 12,719 >	< 13,167 >	< 11,162 >
Other fees received	18,683	23,216	23,649	22,823	24,608
Net trading income	32,779	37,068	30,028	30,805	27,895
Financial revenue	17,750	25,263	19,783	3,097	6,022
Other sales	1,817	1,873	1,722	1,610	1,628
Total operating revenue	109,963	130,785	110,688	92,596	94,603
Financial expenses	14,817	24,779	18,168	2,810	2,971
Cost of other sales	1,683	1,778	1,699	1,505	1,595
Net operating revenue	93,462	104,227	90,820	88,279	90,037
Selling, general and administrative expenses					
Trading related expenses	7,558	8,954	9,828	8,126	8,551
Personnel expenses	34,750	36,236	33,378	32,477	33,443
Real estate expenses	6,574	6,360	6,484	6,113	5,960
Office cost	7,607	7,589	8,802	8,199	8,429
Depreciation	5,856	5,890	6,184	6,060	7,116
Taxes and dues	1,256	2,974	1,005	2,273	1,370
Other	4,441	4,039	5,184	5,736	4,387
Total selling, general and administrative expenses	68,045	72,045	70,867	68,987	69,259
Operating profit	25,416	32,181	19,952	19,292	20,777
Non-operating income	3,156	710	2,698	1,884	2,516
Non-operating expenses	203	174	526	308	322
Ordinary profit	28,368	32,717	22,123	20,867	22,970
Extraordinary income	316	18,143	61	—	173
Extraordinary losses	187	10,680	1,162	873	160
Profit before income taxes and non-controlling interests	28,498	40,180	21,023	19,994	22,983
Income taxes	6,791	12,888	4,731	5,260	5,168
Profit	21,706	27,292	16,292	14,734	17,815
Profit attributable to non-controlling interests	(38)	(0)	63	37	(47)
Profit attributable to owners of parent	21,744	27,293	16,229	14,697	17,862

IV. Non-consolidated Financial Statements

1. Non-consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	1,087,292	922,221
Cash segregated as deposits	863,675	1,016,483
Trading products	3,258,705	4,189,185
Trading securities and other	2,647,408	3,626,617
Derivatives	611,296	562,567
Margin transaction assets	153,278	161,810
Loans on margin transactions	147,523	154,848
Cash collateral pledged for securities borrowing on margin transactions	5,754	6,962
Loans secured by securities	7,081,149	6,292,801
Cash collateral pledged for securities borrowed	4,507,156	4,183,246
Loans on Gensaki transactions	2,573,992	2,109,554
Short-term guarantee deposits	361,169	313,239
Short-term loans receivable	72,800	79,872
Accrued income	21,358	21,312
Other	30,525	60,242
Allowance for doubtful accounts	(8)	(5)
Total current assets	12,929,947	13,057,162
Non-current assets		
Property, plant and equipment	25,397	24,532
Intangible assets	16,487	16,619
Investments and other assets	241,305	258,047
Investment securities	110,597	115,007
Stocks of subsidiaries and affiliates	106,824	119,248
Long-term loans receivable	4,941	4,941
Long-term guarantee deposits	15,463	15,261
Other	4,854	4,950
Allowance for doubtful accounts	(1,377)	(1,363)
Total non-current assets	283,190	299,198
Total assets	13,213,137	13,356,361

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Trading products	2,565,959	2,862,062
Trading securities and other	1,960,839	2,317,232
Derivatives	605,119	544,830
Trade date accrual	133,102	92,809
Margin transaction liabilities	157,840	161,348
Borrowings on margin transactions	845	324
Cash received for securities lending on margin transactions	156,994	161,023
Loans payable secured by securities	6,002,501	5,516,563
Cash received on debt credit transaction of securities	2,152,129	1,448,039
Borrowings on Gensaki transaction	3,850,371	4,068,524
Deposits received	674,959	850,690
Guarantee deposits received	159,947	166,476
Short-term loans payable	1,550,050	1,853,350
Current portion of long-term loans payable	2,000	2,000
Commercial papers	305,000	131,000
Current portion of bonds payable	136,714	127,927
Income taxes payable	5,543	3,179
Other	64,839	69,356
Total current liabilities	11,758,457	11,836,765
Non-current liabilities		
Bonds payable	354,076	387,418
Long-term loans payable	212,000	237,800
Lease obligations	2,189	1,818
Deferred tax liabilities	8,990	13,156
Provision for retirement benefits	3,450	3,314
Asset retirement obligations	3,019	2,655
Other	108	308
Total non-current liabilities	583,834	646,472
Reserves under special laws		
Reserve for financial products transaction liabilities	3,902	4,083
Total reserves under special laws	3,902	4,083
Total liabilities	12,346,194	12,487,321
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	357,269	357,330
Legal retained earnings	2,500	2,500
Other retained earnings	354,769	354,830
Retained earnings brought forward	354,769	354,830
Total shareholders' equity	824,984	825,044
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	41,959	43,994
Total valuation and translation adjustments	41,959	43,994
Total net assets	866,943	869,039
Total liabilities and net assets	13,213,137	13,356,361

2. Non-consolidated Statements of Income

	(Millions of yen)	
	Six months ended September 30, 2020	Six months ended September 30, 2021
Operating revenue		
Commission received	91,779	109,284
Commissions to consignees	22,377	22,085
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	16,156	18,907
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	20,823	24,642
Other fees received	32,422	43,649
Net trading income	59,974	58,154
Financial revenue	43,295	9,090
Total operating revenue	195,049	176,529
Financial expenses	39,180	5,691
Net operating revenue	155,869	170,838
Selling, general and administrative expenses		
Trading related expenses	13,903	16,984
Personnel expenses	56,951	57,625
Real estate expenses	10,932	10,184
Office cost	30,359	31,184
Depreciation	3,277	4,659
Taxes and dues	3,044	3,206
Other	8,196	9,114
Total selling, general and administrative expenses	126,665	132,960
Operating profit	29,203	37,878
Non-operating income		
Dividend income	1,780	1,808
Other	166	436
Total non-operating income	1,947	2,245
Non-operating expenses		
Loss on investments in partnerships	410	228
Bond issuance cost	96	94
Other	125	153
Total non-operating expenses	631	476
Ordinary profit	30,518	39,646

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Extraordinary income		
Gain on sales of investment securities	3,270	173
Gain on extinguishment of tie-in shares	6,630	—
Total extraordinary income	9,900	173
Extraordinary losses		
Impairment losses	160	288
Loss on valuation of investment securities	—	475
Loss on valuation of stocks of subsidiaries and affiliates	—	795
Provision of reserve for financial products transaction liabilities	322	180
Infectious disease related cost	775	—
Total extraordinary loss	1,257	1,739
Profit before income taxes	39,161	38,080
Income taxes - current	1,635	6,071
Income taxes - deferred	7,024	3,548
Income taxes	8,660	9,620
Profit	30,501	28,460

3. Capital Adequacy Ratio on a stand-alone basis

(Millions of yen)

		As of March 31, 2021	As of September 30, 2021
Basic items (A)		824,984	825,044
Supplementary items	Valuation difference on available-for-sale securities and others	41,959	43,994
	Reserve for financial products transaction liabilities	3,902	4,083
	Allowance for doubtful accounts	8	5
	Total (B)	45,869	48,083
Deductible assets (C)		207,959	223,004
Net capital (A) + (B) - (C) (D)		662,894	650,123
Risk items	Market Risk	68,376	84,503
	Counterparty Risk	71,582	67,860
	Basic Risk	82,072	78,305
	Total (E)	222,031	230,670
Capital adequacy ratio (D) / (E)*100		298.5%	281.8%

4. Quarterly Non-consolidated Statements of Income

(Millions of yen)

	FY2020 2Q (July 1 to September 30, 2020)	FY2020 3Q (October 1 to December 31, 2020)	FY2020 4Q (January 1 to March 31, 2021)	FY2021 1Q (April 1 to June 30, 2021)	FY2021 2Q (July 1 to September 30, 2021)
Operating revenue					
Commission received	54,422	63,185	54,492	53,536	55,748
Commissions to consignees	11,197	13,249	13,198	10,807	11,277
< Equities >	< 10,782 >	< 12,861 >	< 12,823 >	< 10,413 >	< 10,766 >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	12,689	13,257	6,738	8,318	10,588
< Equities >	< 6,573 >	< 7,503 >	< 3,435 >	< 2,035 >	< 5,867 >
< Bonds >	< 5,909 >	< 5,624 >	< 3,102 >	< 5,648 >	< 4,539 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	13,355	15,133	13,007	13,359	11,283
< Investment trusts >	< 13,184 >	< 14,740 >	< 12,719 >	< 13,167 >	< 11,162 >
Other fees received	17,179	21,544	21,548	21,051	22,598
Net trading income	32,747	36,986	29,761	30,604	27,550
Financial revenue	17,705	25,235	19,751	3,086	6,004
Total operating revenue	104,874	125,407	104,004	87,226	89,302
Financial expenses	14,779	24,750	18,134	2,773	2,917
Net operating revenue	90,095	100,656	85,870	84,453	86,385
Selling, general and administrative expenses					
Trading related expenses	7,414	8,970	9,596	8,103	8,880
Personal expenses	31,093	32,217	29,447	28,446	29,179
Real estate expenses	5,558	5,454	5,500	5,170	5,014
Office cost	15,238	14,575	15,083	15,508	15,675
Depreciation	1,655	1,740	1,809	1,813	2,846
Taxes and dues	1,152	2,785	941	2,084	1,121
Other	4,044	3,629	4,407	5,164	3,950
Total selling, general and administrative expenses	66,156	69,372	66,786	66,291	66,669
Operating profit	23,938	31,284	19,083	18,161	19,716
Non-operating income	1,084	120	1,497	1,051	1,193
Non-operating expenses	178	215	366	220	256
Ordinary profit	24,844	31,188	20,213	18,993	20,653
Extraordinary income	312	18,143	61	—	173
Extraordinary losses	174	10,780	1,074	797	942
Profit before income taxes	24,983	38,551	19,200	18,196	19,884
Income taxes	6,315	12,544	4,689	4,859	4,760
Profit	18,667	26,007	14,510	13,336	15,124