



Date: July 28, 2022

SMBC NIKKO SECURITIES INC.

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

Consolidated Financial Results for the Three Months ended June 30, 2022 (JGAAP)

(Amounts less than one million yen are omitted.)

1. Overall business performance for the Three Months ended June 30, 2022

(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, 2022	62,876	(32.1)	56,222	(36.3)	(7,494)	—	(7,010)	—	(3,643)	—
June 30, 2021	92,596	23.8	88,279	27.2	19,292	176.9	20,867	176.7	14,697	127.1

Note : Comprehensive income June 30, 2022 3,586million yen <(75.8)%> June 30, 2021 14,811million yen <(11.7)%>

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2022	13,023,518	949,289	7.3
March 31, 2022	14,142,069	947,326	6.7

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

As of June 30,2022 949,245 million yen As of March 31,2022 945,782 million yen

2. Others

- (1) Changes in significant subsidiaries during the period : Yes
- (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 : 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

SMBC Nikko Capital Markets Europe GmbH has been excluded from the scope of consolidation from the current consolidated fiscal year, due to SMBC Nikko Securities Inc. ("SMBC Nikko") transferred all of its equity interests of SMBC Nikko Capital Markets Europe GmbH to Sumitomo Mitsui Banking Corporation.

2. Adoption of the accounting method peculiar to quarterly financial statements

(Calculation of tax)

Income taxes of 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, 2022. 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, 2022, 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

(Application of "Implementation Guidance on Accounting Standard for Fair Value Measurement")

SMBC Nikko has applied "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan (ASBJ) Guidance No.31, June 17, 2021) from the beginning of current consolidated fiscal year. Following the transitional provision set out in the paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the new accounting policies set by the guidance will be applied in the future. The application of the Implementation Guidance on Accounting Standard for Fair Value Measurement does not affect our consolidated financial statements.

4. Additional information

(Transition from the Consolidated Taxation System to the Group Tax Sharing System)

SMBC Nikko and some of its consolidated domestic subsidiaries adopt the Group Tax Sharing System from the beginning of current consolidated fiscal year. The accounting and the disclosure conform to "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Solution No. 42, August 12, 2021). Based on the paragraph 32(1) of the ASBJ Practical Solution No.42, the change in the accounting policies by applying the ASBJ Practical Solution No. 42 does not affect our consolidated financial statements.

II. Consolidated Financial Statements

1. Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	1,056,883	1,080,122
Cash segregated as deposits	838,410	795,308
Trading products	3,618,975	4,167,046
Trading securities and other	2,867,136	3,140,380
Derivatives	751,838	1,026,666
Margin transaction assets	149,851	146,510
Loans on margin transactions	141,429	138,391
Cash collateral pledged for securities borrowing on margin transactions	8,421	8,119
Loans secured by securities	7,593,331	5,950,187
Cash collateral pledged for securities borrowed	3,938,791	3,163,957
Loans on Gensaki transactions	3,654,540	2,786,229
Short-term guarantee deposits	382,158	396,332
Accrued income	24,714	17,636
Other	123,928	113,044
Allowance for doubtful accounts	(50)	(51)
Total current assets	13,788,202	12,666,135
Non-current assets		
Property, plant and equipment	30,163	29,416
Intangible assets	80,261	80,831
Investments and other assets	243,442	247,134
Investment securities	212,148	215,551
Long-term loans receivable	4,938	4,938
Long-term guarantee deposits	15,866	15,632
Deferred tax assets	1,232	1,232
Other	10,605	11,121
Allowance for doubtful accounts	(1,348)	(1,342)
Total non-current assets	353,867	357,382
Total assets	14,142,069	13,023,518

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Trading products	3,640,761	3,605,116
Trading securities and other	2,926,984	2,701,904
Derivatives	713,776	903,212
Trade date accrual	18,107	212,233
Margin transaction liabilities	182,203	95,701
Borrowings on margin transactions	483	420
Cash received for securities lending on margin transactions	181,719	95,281
Loans payable secured by securities	5,477,153	4,604,569
Cash received on debt credit transaction of securities	1,438,180	997,940
Borrowings on Gensaki transaction	4,038,973	3,606,629
Deposits received	720,564	761,371
Guarantee deposits received	205,684	199,873
Short-term loans payable	1,731,295	1,307,100
Current portion of long-term loans payable	51,000	51,000
Commercial papers	247,000	319,500
Current portion of bonds payable	173,633	193,435
Income taxes payable	2,049	1,217
Other	73,794	49,597
Total current liabilities	12,523,247	11,400,717
Non-current liabilities		
Bonds payable	442,849	440,220
Long-term loans payable	200,800	206,800
Lease obligations	4,037	3,735
Deferred tax liabilities	12,374	11,143
Net defined benefit liabilities	3,806	3,702
Asset retirement obligations	2,854	2,886
Other	869	1,120
Total non-current liabilities	667,593	669,609
Reserves under special laws		
Reserve for financial products transaction liabilities	3,902	3,902
Total reserves under-special laws	3,902	3,902
Total liabilities	13,194,743	12,074,228
Net assets		
Shareholders' equity		
Capital stock	10,000	10,000
Capital surplus	457,848	457,848
Retained earnings	427,571	423,805
Total shareholders' equity	895,419	891,653
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38,697	34,582
Deferred gains or losses on hedges	(27)	(114)
Foreign currency translation adjustment	11,698	23,108
Remeasurements of defined benefit plans	(6)	15
Total accumulated other comprehensive income	50,363	57,591
Non-controlling interests	1,543	43
Total net assets	947,326	949,289
Total liabilities and net assets	14,142,069	13,023,518

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

Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Operating revenue		
Commission received	57,082	37,156
Commissions to consignees	11,265	7,101
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	9,500	1,929
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	13,492	6,476
Other fees received	22,823	21,649
Net trading income	30,805	19,345
Financial revenue	3,097	4,813
Other sales	1,610	1,560
Total operating revenue	92,596	62,876
Financial expenses	2,810	5,167
Cost of other sales	1,505	1,486
Net operating revenue	88,279	56,222
Selling, general and administrative expenses		
Trading related expenses	8,126	7,395
Personnel expenses	32,477	28,242
Real estate expenses	6,113	5,696
Office cost	8,199	7,654
Depreciation	6,060	6,830
Taxes and dues	2,273	1,726
Other	5,736	6,171
Total selling, general and administrative expenses	68,987	63,717
Operating profit (loss)	19,292	(7,494)
Non-operating income		
Dividend income	243	203
Equity in earnings of affiliates	1,247	—
Foreign exchange gains	102	—
Gain on investments in partnerships	148	615
Other	141	135
Total non-operating income	1,884	955
Non-operating expenses		
Interest expenses	34	23
Equity in losses of affiliates	—	139
Loss on investments in partnerships	72	63
Bond issuance cost	79	66
Other	122	178
Total non-operating expenses	308	472
Ordinary profit (loss)	20,867	(7,010)

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Extraordinary income		
Gain on sales of stocks of subsidiaries and affiliates	—	2,352
Reversal of reserve for financial products transaction liabilities	—	0
Total extraordinary income	—	2,352
Extraordinary losses		
Impairment losses	228	—
Loss on valuation of investment securities	617	—
Provision of reserve for financial products transaction liabilities	27	—
Total extraordinary loss	873	—
Profit (loss) before income taxes and non-controlling interests	19,994	(4,658)
Income taxes	5,260	(1,015)
Profit (loss)	14,734	(3,642)
Profit (loss) attributable to non-controlling interests	37	1
Profit (loss) attributable to owners of parent	14,697	(3,643)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit (loss)	14,734	(3,642)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,611)	(4,082)
Foreign currency translation adjustment	497	3,512
Share of other comprehensive income of affiliates accounted for using equity method	1,192	7,798
Total other comprehensive income	77	7,228
Comprehensive income	14,811	3,586
Comprehensive income attributable to:		
Owners of parent	14,754	3,585
Non-controlling interests	57	1

3. Notes on Going Concern Assumption

Not applicable

4. Notes on Significant Changes in Shareholder's Equity

Not applicable

III. Supplementary Information

1. Commission Received

(1) Breakdown by Categories

(Millions of yen, except for percentages)

	Three months ended June 30, 2021	Three months ended June 30, 2022	Increase/(Decrease)	
			Amount	Rate of change
Commissions to consignees	11,265	7,101	(4,164)	(37.0) %
< Equities >	< 10,959 >	< 6,655 >	< (4,303) >	< (39.3) >
< Bonds >	< 10 >	< 4 >	< (5) >	< (57.2) >
< Investment trusts >	< 374 >	< 428 >	< 53 >	< 14.4 >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	9,500	1,929	(7,571)	(79.7)
< Equities >	< 2,089 >	< 1,136 >	< (952) >	< (45.6) >
< Bonds >	< 6,776 >	< 667 >	< (6,108) >	< (90.1) >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	13,492	6,476	(7,016)	(52.0)
< Investment trusts >	< 13,167 >	< 6,086 >	< (7,080) >	< (53.8) >
Other fees received	22,823	21,649	(1,173)	(5.1)
Total	57,082	37,156	(19,925)	(34.9)

(2) Breakdown by Products

(Millions of yen, except for percentages)

	Three months ended June 30, 2021	Three months ended June 30, 2022	Increase/(Decrease)	
			Amount	Rate of change
Equities	13,406	7,941	(5,464)	(40.8) %
Bonds	7,960	1,260	(6,700)	(84.2)
Investment trusts	23,473	15,916	(7,557)	(32.2)
Other	12,241	12,038	(203)	(1.7)
Total	57,082	37,156	(19,925)	(34.9)

2. Net Trading Income

(Millions of yen, except for percentages)

	Three months ended June 30, 2021	Three months ended June 30, 2022	Increase/(Decrease)	
			Amount	Rate of change
Net trading income on equities	15,235	(1,772)	(17,008)	— %
Net trading income on bonds and others	15,570	21,118	5,547	35.6
Total	30,805	19,345	(11,460)	(37.2)

3. Quarterly Consolidated Statements of Income

(Millions of yen)

	FY2021 1Q (April 1 to June 30, 2021)	FY2021 2Q (July 1 to September 30, 2021)	FY2021 3Q (October 1 to December 31, 2021)	FY2021 4Q (January 1 to March 31, 2022)	FY2022 1Q (April 1 to June 30, 2022)
Operating revenue					
Commission received	57,082	59,056	61,281	49,522	37,156
Commissions to consignees	11,265	11,817	10,820	9,748	7,101
< Equities >	< 10,959 >	< 11,381 >	< 10,883 >	< 9,188 >	< 6,655 >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	9,500	11,002	13,090	6,764	1,929
< Equities >	< 2,089 >	< 5,807 >	< 7,692 >	< 2,926 >	< 1,136 >
< Bonds >	< 6,776 >	< 5,012 >	< 5,302 >	< 3,616 >	< 667 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	13,492	11,628	11,943	8,251	6,476
< Investment trusts >	< 13,167 >	< 11,162 >	< 10,802 >	< 7,195 >	< 6,086 >
Other fees received	22,823	24,608	25,426	24,757	21,649
Net trading income	30,805	27,895	29,903	14,680	19,345
Financial revenue	3,097	6,022	4,540	4,708	4,813
Other sales	1,610	1,628	1,600	1,685	1,560
Total operating revenue	92,596	94,603	97,325	70,597	62,876
Financial expenses	2,810	2,971	4,063	4,564	5,167
Cost of other sales	1,505	1,595	1,518	1,813	1,486
Net operating revenue	88,279	90,037	91,743	64,219	56,222
Selling, general and administrative expenses					
Trading related expenses	8,126	8,551	9,767	8,907	7,395
Personnel expenses	32,477	33,443	33,150	29,290	28,242
Real estate expenses	6,113	5,960	5,900	6,278	5,696
Office cost	8,199	8,429	8,369	8,666	7,654
Depreciation	6,060	7,116	6,382	6,784	6,830
Taxes and dues	2,273	1,370	1,904	1,024	1,726
Other	5,736	4,387	5,191	5,553	6,171
Total selling, general and administrative expenses	68,987	69,259	70,666	66,505	63,717
Operating profit	19,292	20,777	21,076	(2,285)	(7,494)
Non-operating income	1,884	2,516	1,265	2,035	955
Non-operating expenses	308	322	207	382	472
Ordinary profit	20,867	22,970	22,134	(632)	(7,010)
Extraordinary income	—	173	—	165	2,352
Extraordinary losses	873	160	121	(100)	—
Profit before income taxes and non-controlling interests	19,994	22,983	22,013	(367)	(4,658)
Income taxes	5,260	5,168	6,704	(2,318)	(1,015)
Profit	14,734	17,815	15,309	1,950	(3,642)
Profit attributable to non-controlling interests	37	(47)	36	(14)	1
Profit attributable to owners of parent	14,697	17,862	15,272	1,965	(3,643)

IV. Non-consolidated Financial Statements

1. Non-consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	927,172	967,876
Cash segregated as deposits	838,385	795,280
Trading products	3,618,854	4,167,046
Trading securities and other	2,867,016	3,140,380
Derivatives	751,838	1,026,666
Margin transaction assets	149,851	146,510
Loans on margin transactions	141,429	138,391
Cash collateral pledged for securities borrowing on margin transactions	8,421	8,119
Loans secured by securities	7,593,331	5,950,187
Cash collateral pledged for securities borrowed	3,938,791	3,163,957
Loans on Gensaki transactions	3,654,540	2,786,229
Short-term guarantee deposits	382,158	396,332
Short-term loans receivable	84,134	89,844
Accrued income	22,866	16,816
Other	64,034	51,134
Allowance for doubtful accounts	(50)	(51)
Total current assets	13,680,739	12,580,976
Non-current assets		
Property, plant and equipment	24,591	24,007
Intangible assets	18,591	18,911
Investments and other assets	255,977	248,607
Investment securities	111,648	107,357
Stocks of subsidiaries and affiliates	118,858	115,431
Long-term loans receivable	4,935	4,935
Long-term guarantee deposits	14,788	14,533
Other	7,095	7,692
Allowance for doubtful accounts	(1,348)	(1,342)
Total non-current assets	299,160	291,527
Total assets	13,979,899	12,872,503

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Trading products	3,640,761	3,605,116
Trading securities and other	2,926,984	2,701,904
Derivatives	713,776	903,212
Trade date accrual	18,107	212,233
Margin transaction liabilities	182,203	95,701
Borrowings on margin transactions	483	420
Cash received for securities lending on margin transactions	181,719	95,281
Loans payable secured by securities	5,477,153	4,604,569
Cash received on debt credit transaction of securities	1,438,180	997,940
Borrowings on Gensaki transaction	4,038,973	3,606,629
Deposits received	651,106	704,318
Guarantee deposits received	205,684	199,873
Short-term loans payable	1,734,050	1,311,000
Current portion of long-term loans payable	51,000	51,000
Commercial papers	247,000	319,500
Current portion of bonds payable	173,633	193,435
Income taxes payable	1,328	458
Other	51,616	34,602
Total current liabilities	12,433,645	11,331,811
Non-current liabilities		
Bonds payable	442,849	440,220
Long-term loans payable	200,800	206,800
Lease obligations	1,509	1,330
Deferred tax liabilities	10,488	8,765
Provision for retirement benefits	3,374	3,333
Asset retirement obligations	2,586	2,604
Other	470	1,037
Total non-current liabilities	662,079	664,092
Reserves under special laws		
Reserve for financial products transaction liabilities	3,902	3,902
Total reserves under special laws	3,902	3,902
Total liabilities	13,099,627	11,999,805
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	373,128	369,247
Legal retained earnings	2,500	2,500
Other retained earnings	370,628	366,747
Retained earnings brought forward	370,628	366,747
Total shareholders' equity	840,842	836,962
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	39,429	35,735
Total valuation and translation adjustments	39,429	35,735
Total net assets	880,272	872,697
Total liabilities and net assets	13,979,899	12,872,503

2. Non-consolidated Statements of Income

	(Millions of yen)	
	Three months ended June 30, 2021	Three months ended June 30, 2022
Operating revenue		
Commission received	53,536	35,401
Commissions to consignees	10,807	6,691
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	8,318	1,866
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	13,359	6,476
Other fees received	21,051	20,367
Net trading income	30,604	19,349
Financial revenue	3,086	4,745
Total operating revenue	87,226	59,497
Financial expenses	2,773	5,126
Net operating revenue	84,453	54,370
Selling, general and administrative expenses		
Trading related expenses	8,103	6,996
Personnel expenses	28,446	24,187
Real estate expenses	5,170	4,707
Office cost	15,508	16,013
Depreciation	1,813	2,107
Taxes and dues	2,084	1,604
Other	5,164	5,675
Total selling, general and administrative expenses	66,291	61,292
Operating profit (loss)	18,161	(6,922)
Non-operating income		
Dividend income	834	200
Gain on investments in partnerships	148	615
Other	68	75
Total non-operating income	1,051	892
Non-operating expenses		
Loss on investments in partnerships	72	63
Bond issuance cost	79	66
Other	68	66
Total non-operating expenses	220	197
Ordinary profit (loss)	18,993	(6,228)

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Extraordinary income		
Gain on sales of stocks of subsidiaries and affiliates	—	978
Reversal of reserve for financial products transaction liabilities	—	0
Total extraordinary income	—	978
Extraordinary losses		
Impairment losses	228	—
Loss on valuation of investment securities	542	—
Provision of reserve for financial products transaction liabilities	27	—
Total extraordinary loss	797	—
Profit (loss) before income taxes	18,196	(5,249)
Income taxes	4,859	(1,368)
Profit (loss)	13,336	(3,880)

3. Capital Adequacy Ratio on a stand-alone basis

(Millions of yen)

		As of March 31, 2022	As of June 30, 2022
Basic items	(A)	840,842	836,962
Supplementary items	Valuation difference on available-for-sale securities and others	39,429	35,735
	Reserve for financial products transaction liabilities	3,902	3,902
	Allowance for doubtful accounts	2	3
Total		(B) 43,334	39,640
Deductible assets	(C)	229,922	232,003
Net capital	(A) + (B) - (C) (D)	654,254	644,599
Risk items	Market Risk	64,502	61,089
	Counterparty Risk	76,751	82,494
	Basic Risk	69,213	64,500
Total		(E) 210,468	208,084
Capital adequacy ratio	(D) / (E)*100	310.8%	309.7%

4. Quarterly Non-consolidated Statements of Income

	(Millions of yen)				
	FY2021 1Q (April 1 to June 30, 2021)	FY2021 2Q (July 1 to September 30, 2021)	FY2021 3Q (October 1 to December 31, 2021)	FY2021 4Q (January 1 to March 31, 2022)	FY2022 1Q (April 1 to June 30, 2022)
Operating revenue					
Commission received	53,536	55,748	58,135	45,642	35,401
Commissions to consignees	10,807	11,277	10,963	9,336	6,691
< Equities >	< 10,413 >	< 10,766 >	< 10,309 >	< 8,571 >	< 6,246 >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	8,318	10,588	11,794	5,614	1,866
< Equities >	< 2,035 >	< 5,867 >	< 7,704 >	< 2,910 >	< 1,136 >
< Bonds >	< 5,648 >	< 4,539 >	< 3,995 >	< 2,483 >	< 604 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	13,359	11,283	11,119	8,107	6,476
< Investment trusts >	< 13,167 >	< 11,162 >	< 10,802 >	< 7,195 >	< 6,086 >
Other fees received	21,051	22,598	24,258	22,582	20,367
Net trading income	30,604	27,550	29,122	14,533	19,349
Financial revenue	3,086	6,004	4,534	4,685	4,745
Total operating revenue	87,226	89,302	91,791	64,861	59,497
Financial expenses	2,773	2,917	4,032	4,508	5,126
Net operating revenue	84,453	86,385	87,759	60,353	54,370
Selling, general and administrative expenses					
Trading related expenses	8,103	8,880	9,822	8,464	6,996
Personal expenses	28,446	29,179	28,992	24,809	24,187
Real estate expenses	5,170	5,014	4,954	5,184	4,707
Office cost	15,508	15,675	15,576	15,572	16,013
Depreciation	1,813	2,846	1,951	2,029	2,107
Taxes and dues	2,084	1,121	1,709	884	1,604
Other	5,164	3,950	4,558	4,824	5,675
Total selling, general and administrative expenses	66,291	66,669	67,565	61,768	61,292
Operating profit	18,161	19,716	20,194	(1,415)	(6,922)
Non-operating income	1,051	1,193	148	1,586	892
Non-operating expenses	220	256	199	340	197
Ordinary profit	18,993	20,653	20,143	(169)	(6,228)
Extraordinary income	—	173	—	165	978
Extraordinary losses	797	942	110	249	—
Profit before income taxes	18,196	19,884	20,033	(253)	(5,249)
Income taxes	4,859	4,760	6,411	(2,429)	(1,368)
Profit	13,336	15,124	13,622	2,175	(3,880)