

SMBC NIKKO SECURITIES INC.

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

Consolidated Financial Results for the Fiscal Year ended March 31, 2023 (JGAAP)

(Amounts less than one million yen are omitted.)

1. Overall business performance for the Fiscal Year ended March 31, 2023

(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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2022	279,492	(21.3)	222,878	(33.3)	(44,485)	—	(42,170)	—	(39,838)	—
FY2021	355,123	(5.9)	334,280	(6.6)	58,860	(30.4)	65,341	(28.0)	49,798	(30.6)

Note : Comprehensive income FY2022 (29,114) million yen <—%> FY2021 58,471 million yen <(28.9)%>

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
FY2022	15,141,406	916,588	6.1
FY2021	14,142,069	947,326	6.7

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

FY2022 916,540 million yen FY2021 945,782 million yen

2. Others

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

(2) 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. 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 the 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.

3. 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 the 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 March 31, 2023
Assets		
Current assets		
Cash and deposits	1,056,883	1,641,800
Cash segregated as deposits	838,410	692,737
Trading products	3,618,975	4,706,496
Trading securities and other	2,867,136	3,699,558
Derivatives	751,838	1,006,938
Margin transaction assets	149,851	130,968
Loans on margin transactions	141,429	120,058
Cash collateral pledged for securities borrowing on margin transactions	8,421	10,909
Loans secured by securities	7,593,331	6,963,421
Cash collateral pledged for securities borrowed	3,938,791	3,964,197
Loans on Gensaki transactions	3,654,540	2,999,224
Short-term guarantee deposits	382,158	453,937
Accrued income	24,714	31,557
Other	123,928	123,257
Allowance for doubtful accounts	(50)	(2)
Total current assets	13,788,202	14,744,175
Non-current assets		
Property, plant and equipment	30,163	28,313
Buildings	15,187	14,476
Equipment	2,205	2,114
Land	5,967	5,681
Lease assets	6,802	6,041
Intangible assets	80,261	77,613
Goodwill	4,753	—
Right of trademark	1	1
Software	74,812	76,964
Other	694	647
Investments and other assets	243,442	291,305
Investment securities	212,148	220,005
Long-term loans receivable	4,938	44,939
Long-term guarantee deposits	15,866	15,296
Deferred tax assets	1,232	2,888
Other	10,605	9,520
Allowance for doubtful accounts	(1,348)	(1,346)
Total non-current assets	353,867	397,231
Total assets	14,142,069	15,141,406

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Trading products	3,640,761	3,889,371
Trading securities and other	2,926,984	2,987,797
Derivatives	713,776	901,574
Trade date accrual	18,107	368,814
Margin transaction liabilities	182,203	198,200
Borrowings on margin transactions	483	1,334
Cash received for securities lending on margin transactions	181,719	196,865
Loans payable secured by securities	5,477,153	5,308,804
Cash received on debt credit transaction of securities	1,438,180	1,083,177
Borrowings on Gensaki transaction	4,038,973	4,225,626
Deposits received	720,564	580,586
Guarantee deposits received	205,684	202,569
Short-term loans payable	1,731,295	2,480,422
Current portion of long-term loans payable	51,000	50,000
Commercial papers	247,000	352,000
Current portion of bonds payable	173,633	100,936
Income taxes payable	2,049	1,075
Provision for bonuses	30,161	26,952
Other	43,633	45,665
Total current liabilities	12,523,247	13,605,399
Non-current liabilities		
Bonds payable	442,849	392,605
Long-term loans payable	200,800	201,150
Lease obligations	4,037	3,657
Deferred tax liabilities	12,374	10,161
Net defined benefit liabilities	3,806	3,574
Asset retirement obligations	2,854	2,976
Other	869	1,391
Total non-current liabilities	667,593	615,516
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	14,224,818
Net assets		
Shareholders' equity		
Capital stock	10,000	10,000
Capital surplus	457,848	457,848
Retained earnings	427,571	387,610
Total shareholders' equity	895,419	855,459
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38,697	35,874
Deferred gains or losses on hedges	(27)	27
Foreign currency translation adjustment	11,698	25,174
Remeasurements of defined benefit plans	(6)	5
Total accumulated other comprehensive income	50,363	61,081
Non-controlling interests	1,543	47
Total net assets	947,326	916,588
Total liabilities and net assets	14,142,069	15,141,406

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

Consolidated Statements of Income

	(Millions of yen)	
	For the year ended March 31, 2022	For the year ended March 31, 2023
Operating revenue		
Commission received	226,943	159,130
Commissions to consignees	43,652	28,164
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	40,358	17,633
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	45,316	17,554
Other fees received	97,615	95,777
Net trading income	103,286	62,728
Financial revenue	18,368	50,997
Other sales	6,525	6,635
Total operating revenue	355,123	279,492
Financial expenses	14,410	49,970
Cost of other sales	6,433	6,643
Net operating revenue	334,280	222,878
Selling, general and administrative expenses		
Trading related expenses	35,352	32,035
Personnel expenses	128,363	123,353
Real estate expenses	24,254	23,334
Office cost	33,665	32,343
Depreciation	26,344	27,570
Taxes and dues	6,571	5,050
Other	20,868	23,675
Total selling, general and administrative expenses	275,419	267,364
Operating profit (loss)	58,860	(44,485)
Non-operating income		
Dividend income	2,749	2,805
Equity in earnings of affiliates	3,782	—
Foreign exchange gains	317	333
Gain on investments in partnerships	243	1,119
Other	608	565
Total non-operating income	7,701	4,823
Non-operating expenses		
Interest expenses	125	89
Equity in losses of affiliates	—	1,162
Loss on investments in partnerships	513	799
Bond issuance cost	194	208
Other	386	247
Total non-operating expenses	1,220	2,508
Ordinary profit (loss)	65,341	(42,170)

(Millions of yen)

	For the year ended March 31, 2022	For the year ended March 31, 2023
Extraordinary income		
Gain on sales of noncurrent assets	—	645
Gain on sales of investment securities	338	1,827
Gain on sales of stocks of subsidiaries and affiliates	—	2,352
Reversal of reserve for financial products transaction liabilities	0	0
Total extraordinary income	338	4,825
Extraordinary losses		
Impairment losses	410	11,299
Loss on sales of investment securities	—	107
Loss on valuation of investment securities	644	297
Fines for market manipulation	—	5,777
Loss on overseas office	—	2,968
Total extraordinary loss	1,055	20,451
Profit (loss) before income taxes and non-controlling interests	64,624	(57,796)
Income taxes - current	11,248	(14,832)
Income taxes - deferred	3,566	(3,131)
Income taxes	14,814	(17,963)
Profit (loss)	49,809	(39,832)
Profit attributable to non-controlling interests	11	5
Profit (loss) attributable to owners of parent	49,798	(39,838)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the year ended March 31, 2022	For the year ended March 31, 2023
Profit (loss)	49,809	(39,832)
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,912)	(2,722)
Foreign currency translation adjustment	4,529	3,548
Share of other comprehensive income of affiliates accounted for using equity method	7,044	9,892
Total other comprehensive income	8,661	10,718
Comprehensive income	58,471	(29,114)
Comprehensive income attributable to:		
Owners of parent	58,383	(29,119)
Non-controlling interests	88	5

3. Notes on Going Concern Assumption

Not applicable

4. Notes on Significant Changes in Shareholders' Equity

Not applicable

5. Notes on Consolidated Statements of Income

(Impairment losses)

In the current consolidated fiscal year, SMBC Nikko recorded impairment losses on the following asset groups.

Use	Location	Type	Impairment losses (Millions of yen)
Business assets of Global Investment Banking Division	-	Goodwill	4,119
	Capital region	Software	6,143
	Capital region	Other	498
	Subtotal		10,762
Idle Assets	Chubu region	Land	3
	Capital region, etc.	Buildings	533
	Subtotal		537
Total			11,299

SMBC Nikko's asset grouping is conducted by the divisions of the business unit income and expenditure of management accounting as the smallest unit that generates cash flow. However, idle assets are grouped on an individual property basis.

Due to the continued domestic loss on sales activities, the book value of the business assets of Global Investment Banking Division was reduced to recoverable amount and the decrease amount of 10,762 million yen was recorded as impairment losses.

The recoverable amount of these asset groups is measured by value in use and is calculated by discounting future cash flows at a discount rate of 5.1%.

In accordance with the disposal decision, the book value of idle assets was reduced to recoverable value, and the decrease amount of 537 million yen was recorded as impairment losses.

The recoverable value of idle assets scheduled for sale is calculated based on the net selling price, deducting the expected disposal cost from the appraised value in accordance with real estate appraisal standards. The recoverable value is measured by value in use of zero.

(Fines for market manipulation)

Fines for market manipulation include fine and surcharge imposed for a violation of the FIEA as well as fines imposed by Tokyo Stock Exchange, Inc., Nagoya Stock Exchange, Inc., and Japan Securities Dealers Association.

(Loss on overseas office)

Loss on overseas office includes expenses related to the withdrawal due to the decision to cancel preparations for the establishment of a securities subsidiary in China in light of the market manipulation case.

6. Changes in the Presentation Method

(Consolidated Statements of Income)

“Gain on investments in partnerships” (243 million yen in the previous consolidated fiscal year) which was presented in “Other” in “Non-operating income” for the previous consolidated fiscal year has been independently presented from the current consolidated fiscal year because its amount has been significant. To reflect this change in the presentation method, SMBC Nikko reclassified the related items in the consolidated financial statements for the previous consolidated fiscal year.

As a result, 851 million yen of “Other” in “Non-operating income” in the consolidated statements of income for the previous consolidated fiscal year is reclassified as 243 million yen of “Gain on investments in partnerships” and 608 million yen of “Other” in “Non-operating income”.

“Loss on retirement of noncurrent assets” (137 million yen in the previous consolidated fiscal year) which was presented independently in the previous consolidated fiscal year has been presented in “Other” in “Non-operating expenses” from the current consolidated fiscal year because its amount has been less significant. To reflect this change in the presentation method, SMBC Nikko reclassified the related items in the consolidated financial statements for the previous consolidated fiscal year.

As a result, 137 million yen of “Loss on retirement of noncurrent assets” and 248 million yen of “Other” in “Non-operating expenses” in the consolidated statements of income for the previous consolidated fiscal year are reclassified as 386 million yen of “Other” in “Non-operating expenses”.

III. Supplementary Information

1. Commission Received

(1) Breakdown by Categories

(Millions of yen, except for percentages)

	For the year ended March 31, 2022	For the year ended March 31, 2023	Increase/(Decrease)	
			Amount	Rate of change
Commissions to consignees	43,652	28,164	(15,487)	(35.5) %
< Equities >	< 42,413 >	< 26,593 >	< (15,819) >	< (37.3) >
< Bonds >	< 36 >	< 30 >	< (5) >	< (16.1) >
< Investment trusts >	< 2,183 >	< 1,506 >	< (676) >	< (31.0) >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	40,358	17,633	(22,724)	(56.3)
< Equities >	< 18,517 >	< 8,239 >	< (10,277) >	< (55.5) >
< Bonds >	< 20,707 >	< 8,913 >	< (11,793) >	< (57.0) >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	45,316	17,554	(27,762)	(61.3)
< Investment trusts >	< 42,328 >	< 16,065 >	< (26,263) >	< (62.0) >
Other fees received	97,615	95,777	(1,837)	(1.9)
Total	226,943	159,130	(67,812)	(29.9)

(2) Breakdown by Products

(Millions of yen, except for percentages)

	For the year ended March 31, 2022	For the year ended March 31, 2023	Increase/(Decrease)	
			Amount	Rate of change
Equities	63,995	36,215	(27,779)	(43.4) %
Bonds	25,154	12,583	(12,570)	(50.0)
Investment trusts	85,013	55,100	(29,913)	(35.2)
Other	52,780	55,231	2,450	4.6
Total	226,943	159,130	(67,812)	(29.9)

2. Net Trading Income

(Millions of yen, except for percentages)

	For the year ended March 31, 2022	For the year ended March 31, 2023	Increase/(Decrease)	
			Amount	Rate of change
Net trading income on equities	44,685	(2,735)	(47,420)	— %
Net trading income on bonds and others	58,601	65,463	6,862	11.7
Total	103,286	62,728	(40,558)	(39.3)

3. Quarterly Consolidated Statements of Income

(Millions of yen)

	FY2021 4Q (January 1 to March 31, 2022)	FY2022 1Q (April 1 to June 30, 2022)	FY2022 2Q (July 1 to September 30, 2022)	FY2022 3Q (October 1 to December 31, 2022)	FY2022 4Q (January 1 to March 31, 2023)
Operating revenue					
Commission received	49,522	37,156	35,499	43,997	42,476
Commissions to consignees	9,748	7,101	6,529	7,519	7,013
< Equities >	< 9,188 >	< 6,655 >	< 6,112 >	< 7,117 >	< 6,708 >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	6,764	1,929	1,764	8,684	5,255
< Equities >	< 2,926 >	< 1,136 >	< 940 >	< 4,175 >	< 1,986 >
< Bonds >	< 3,616 >	< 667 >	< 726 >	< 4,379 >	< 3,140 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	8,251	6,476	3,421	4,067	3,588
< Investment trusts >	< 7,195 >	< 6,086 >	< 3,244 >	< 3,480 >	< 3,253 >
Other fees received	24,757	21,649	23,782	23,725	26,619
Net trading income	14,680	19,345	15,428	12,036	15,917
Financial revenue	4,708	4,813	9,635	15,389	21,159
Other sales	1,685	1,560	1,870	1,582	1,622
Total operating revenue	70,597	62,876	62,433	73,006	81,175
Financial expenses	4,564	5,167	9,129	14,945	20,727
Cost of other sales	1,813	1,486	1,801	1,560	1,794
Net operating revenue	64,219	56,222	51,502	56,499	58,653
Selling, general and administrative expenses					
Trading related expenses	8,907	7,395	8,152	7,823	8,664
Personnel expenses	29,290	28,242	28,300	28,746	38,065
Real estate expenses	6,278	5,696	5,671	5,844	6,122
Office cost	8,666	7,654	8,186	7,864	8,637
Depreciation	6,784	6,830	6,803	6,843	7,093
Taxes and dues	1,024	1,726	960	1,636	727
Other	5,553	6,171	5,643	5,775	6,084
Total selling, general and administrative expenses	66,505	63,717	63,717	64,534	75,395
Operating profit	(2,285)	(7,494)	(12,215)	(8,034)	(16,741)
Non-operating income	2,035	955	1,382	561	1,923
Non-operating expenses	382	472	337	1,180	518
Ordinary profit	(632)	(7,010)	(11,169)	(8,652)	(15,336)
Extraordinary income	165	2,352	0	2,473	(0)
Extraordinary losses	(100)	—	101	9,022	11,327
Profit before income taxes and non-controlling interests	(367)	(4,658)	(11,271)	(15,202)	(26,663)
Income taxes	(2,318)	(1,015)	(5,495)	(217)	(11,234)
Profit	1,950	(3,642)	(5,776)	(14,984)	(15,429)
Profit attributable to non-controlling interests	(14)	1	3	2	(1)
Profit attributable to owners of parent	1,965	(3,643)	(5,780)	(14,987)	(15,427)

IV. Non-consolidated Financial Statements

1. Non-consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	927,172	1,524,872
Cash segregated as deposits	838,385	692,710
Trading products	3,618,854	4,706,496
Trading securities and other	2,867,016	3,699,558
Derivatives	751,838	1,006,938
Margin transaction assets	149,851	130,968
Loans on margin transactions	141,429	120,058
Cash collateral pledged for securities borrowing on margin transactions	8,421	10,909
Loans secured by securities	7,593,331	6,963,421
Cash collateral pledged for securities borrowed	3,938,791	3,964,197
Loans on Gensaki transactions	3,654,540	2,999,224
Short-term guarantee deposits	382,158	453,937
Short-term loans receivable	84,134	84,046
Accrued income	22,866	30,498
Other	64,034	69,962
Allowance for doubtful accounts	(50)	(2)
Total current assets	13,680,739	14,656,913
Non-current assets		
Property, plant and equipment	24,591	22,897
Buildings	14,554	13,899
Equipment	1,430	1,333
Land	5,967	5,681
Lease assets	2,639	1,982
Intangible assets	18,591	17,700
Goodwill	4,753	—
Right of trademark	1	1
Software	11,460	14,509
Other	2,376	3,189
Investments and other assets	255,977	295,707
Investment securities	111,648	111,610
Stocks of subsidiaries and affiliates	118,858	120,101
Long-term loans receivable	4,935	44,938
Long-term guarantee deposits	14,788	14,212
Other	7,095	6,190
Allowance for doubtful accounts	(1,348)	(1,346)
Total non-current assets	299,160	336,304
Total assets	13,979,899	14,993,217

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Trading products	3,640,761	3,889,371
Trading securities and other	2,926,984	2,987,797
Derivatives	713,776	901,574
Trade date accrual	18,107	368,814
Margin transaction liabilities	182,203	198,200
Borrowings on margin transactions	483	1,334
Cash received for securities lending on margin transactions	181,719	196,865
Loans payable secured by securities	5,477,153	5,308,804
Cash received on debt credit transaction of securities	1,438,180	1,083,177
Borrowings on Gensaki transaction	4,038,973	4,225,626
Deposits received	651,106	523,365
Guarantee deposits received	205,684	202,569
Short-term loans payable	1,734,050	2,482,200
Current portion of long-term loans payable	51,000	50,000
Commercial papers	247,000	352,000
Current portion of bonds payable	173,633	100,936
Income taxes payable	1,328	153
Provision for bonuses	25,743	23,241
Other	25,872	34,423
Total current liabilities	12,433,645	13,534,080
Non-current liabilities		
Bonds payable	442,849	392,605
Long-term loans payable	200,800	201,150
Lease obligations	1,509	1,006
Deferred tax liabilities	10,488	7,523
Provision for retirement benefits	3,374	3,212
Asset retirement obligations	2,586	2,675
Other	470	1,064
Total non-current liabilities	662,079	609,237
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	14,147,220
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	340,814
Legal retained earnings	2,500	2,500
Other retained earnings	370,628	338,314
Retained earnings brought forward	370,628	338,314
Total shareholders' equity	840,842	808,528
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	39,429	37,469
Total valuation and translation adjustments	39,429	37,469
Total net assets	880,272	845,997
Total liabilities and net assets	13,979,899	14,993,217

2. Non-consolidated Statements of Income

	(Millions of yen)	
	For the year ended March 31, 2022	For the year ended March 31, 2023
Operating revenue		
Commission received	213,062	150,363
Commissions to consignees	42,385	26,529
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	36,316	17,547
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	43,869	17,117
Other fees received	90,491	89,170
Net trading income	101,810	62,737
Financial revenue	18,310	49,787
Total operating revenue	333,183	262,888
Financial expenses	14,231	49,447
Net operating revenue	318,951	213,440
Selling, general and administrative expenses		
Trading related expenses	35,271	29,271
Personnel expenses	111,427	107,743
Real estate expenses	20,323	18,930
Office cost	62,333	64,671
Depreciation	8,640	8,910
Taxes and dues	5,800	4,723
Other	18,497	21,283
Total selling, general and administrative expenses	262,293	255,535
Operating profit (loss)	56,657	(42,094)
Non-operating income		
Dividend income	3,340	3,442
Gain on investments in partnerships	243	1,119
Other	396	419
Total non-operating income	3,980	4,981
Non-operating expenses		
Loss on investments in partnerships	513	799
Bond issuance cost	194	208
Other	308	221
Total non-operating expenses	1,017	1,229
Ordinary profit (loss)	59,620	(38,342)

(Millions of yen)

	For the year ended March 31, 2022	For the year ended March 31, 2023
Extraordinary income		
Gain on sales of noncurrent assets	—	645
Gain on sales of investment securities	338	1,827
Gain on sales of stocks of subsidiaries and affiliates	—	978
Reversal of reserve for financial products transaction liabilities	0	0
Total extraordinary income	338	3,451
Extraordinary losses		
Impairment losses	410	5,704
Loss on sales of investment securities	—	107
Loss on valuation of investment securities	502	297
Loss on valuation of stocks of subsidiaries and affiliates	1,184	—
Fines for market manipulation	—	5,777
Loss on overseas office	—	2,968
Total extraordinary loss	2,098	14,856
Profit (loss) before income taxes	57,860	(49,746)
Income taxes - current	10,715	(15,633)
Income taxes - deferred	2,886	(1,799)
Income taxes	13,601	(17,432)
Profit (loss)	44,258	(32,314)

3. Capital Adequacy Ratio on a stand-alone basis

(Millions of yen)

		As of March 31, 2022	As of March 31, 2023
Basic items (A)		840,842	808,528
Supplementary items	Valuation difference on available-for-sale securities and others	39,429	37,469
	Reserve for financial products transaction liabilities	3,902	3,902
	Allowance for doubtful accounts	2	2
Total (B)		43,334	41,373
Deductible assets (C)		229,922	296,679
Net capital (A) + (B) - (C) (D)		654,254	553,222
Risk items	Market Risk	64,502	65,337
	Counterparty Risk	76,751	62,471
	Basic Risk	69,213	60,905
Total (E)		210,468	188,714
Capital adequacy ratio (D) / (E)*100		310.8%	293.1%

4. Quarterly Non-consolidated Statements of Income

(Millions of yen)

	FY2021 4Q (January 1 to March 31, 2022)	FY2022 1Q (April 1 to June 30, 2022)	FY2022 2Q (July 1 to September 30, 2022)	FY2022 3Q (October 1 to December 31, 2022)	FY2022 4Q (January 1 to March 31, 2023)
Operating revenue					
Commission received	45,642	35,401	33,350	41,727	39,884
Commissions to consignees	9,336	6,691	6,105	7,213	6,518
< Equities >	< 8,571 >	< 6,246 >	< 5,688 >	< 6,810 >	< 6,213 >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	5,614	1,866	1,756	8,681	5,242
< Equities >	< 2,910 >	< 1,136 >	< 940 >	< 4,175 >	< 1,986 >
< Bonds >	< 2,483 >	< 604 >	< 717 >	< 4,377 >	< 3,127 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	8,107	6,476	3,416	3,636	3,588
< Investment trusts >	< 7,195 >	< 6,086 >	< 3,244 >	< 3,480 >	< 3,253 >
Other fees received	22,582	20,367	22,072	22,195	24,535
Net trading income	14,533	19,349	15,429	12,039	15,918
Financial revenue	4,685	4,745	9,444	14,984	20,613
Total operating revenue	64,861	59,497	58,224	68,750	76,416
Financial expenses	4,508	5,126	9,042	14,760	20,518
Net operating revenue	60,353	54,370	49,182	53,990	55,897
Selling, general and administrative expenses					
Trading related expenses	8,464	6,996	7,029	7,146	8,098
Personnel expenses	24,809	24,187	24,408	24,976	34,171
Real estate expenses	5,184	4,707	4,619	4,790	4,813
Office cost	15,572	16,013	16,624	15,968	16,063
Depreciation	2,029	2,107	2,164	2,236	2,401
Taxes and dues	884	1,604	908	1,507	703
Other	4,824	5,675	5,153	5,126	5,327
Total selling, general and administrative expenses	61,768	61,292	60,909	61,752	71,580
Operating profit	(1,415)	(6,922)	(11,726)	(7,762)	(15,682)
Non-operating income	1,586	892	1,992	345	1,751
Non-operating expenses	340	197	275	448	307
Ordinary profit	(169)	(6,228)	(10,009)	(7,866)	(14,238)
Extraordinary income	165	978	0	2,473	(0)
Extraordinary losses	249	—	101	9,022	5,732
Profit before income taxes	(253)	(5,249)	(10,110)	(14,415)	(19,971)
Income taxes	(2,429)	(1,368)	(5,899)	(446)	(9,717)
Profit	2,175	(3,880)	(4,211)	(13,968)	(10,253)