

# Earnings Announcement for FY2018 ended March 31, 2019 (JGAAP)

SMBC Nikko Securities Inc.

April 25, 2019



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The information contained in this document is based on data available as of April 25, 2019 and this document is intended to provide information on the business results of SMBC Nikko Securities Inc. Any information and opinions contained in this document reflect our judgment as of the date of preparation of the document (April 25, 2019) and are subject to change without notice. No guarantees, representations or warranties are made as to the accuracy or completeness of such information.

(\*) Information in this document is presented on a consolidated basis unless otherwise specified.

# Summary of business results for the FY ended Mar. 2019

FY ended  
Mar 2019

- **Net operating revenue : ¥ 319.2 B (-11% Y on Y), Ordinary profit : ¥ 48.4 B (-49%), Profit (\*1) : ¥ 33.3 B (-48%)**  
The negative prospects of the global economy etc. has caused a downtrend in the investors mind, which lead to a decrease in equity brokerage commissions and subscription commissions on investment trusts.  
Furthermore, net trading income has also decreased, which lead the decrease in both revenue and profit.
- Equity brokerage amount was ¥ 33.6 trillion (+3%).  
Aggregated sales of products was ¥ 10.1 trillion (-1%).  
Sale of investment trusts was ¥ 2.3 trillion (-19%), foreign bonds was ¥ 3.1 trillion (+2%) and domestic bonds was ¥ 3.6 trillion (+4%).
- Underwriting commission was ¥ 39.4 B (+24%).  
League table rankings for Apr. 2018 - Mar. 2019  
2nd place (\*2) in Global Equity & Equity-Related-Japan  
4th place (\*3) in All Bonds in Yen  
9th place (\*4) in terms of value and 1st in terms of number of deals for M&A announced deals
- SG&A was ¥ 276.5 B (+3%).
- As of the end of Mar. 2019, total assets was ¥ 10.9 trillion, net assets was ¥ 831.2 B  
Capital adequacy ratio (non-consolidated) was 365%, reflecting a sound financial base of the company.

FY ending  
Mar. 2019 4Q

- **Net operating revenue : ¥ 66.4 B (-16% Q on Q), Ordinary profit : ¥ 1.2 B (-88%), Profit (\*1) : ¥ -1.2 B (-%)**  
Aggregated sales of products was ¥ 1.8 trillion (-36%).

Billions of Yen	FY2018		Q on Q	FY ended Mar. 31 2018	FY ended Mar. 31 2019	Y on Y
	3Q	4Q				
Operating revenue	92.8	82.3	-11%	397.4	369.5	-7%
Net operating revenue	79.2	66.4	-16%	357.3	319.2	-11%
SG&A	68.8	66.8	-3%	267.6	276.5	+3%
Ordinary profit / loss	10.9	1.2	-88%	94.9	48.4	-49%
Profit before taxes	9.5	-1.5	-	88.9	43.5	-51%
Profit / loss(*1)	6.6	-1.2	-	63.7	33.3	-48%
	Dec.-end '18	Mar.-end '19	Q on Q	Mar.-end '18	Mar.-end '19	Y on Y
Total assets (Trillions of yen)	11.7	10.9	-0.7	10.6	10.9	+0.2
Total net assets (Billions of yen)	828.0	831.2	+3.1	818.7	831.2	+12.5

(\*1) profit attributable to owners of parent

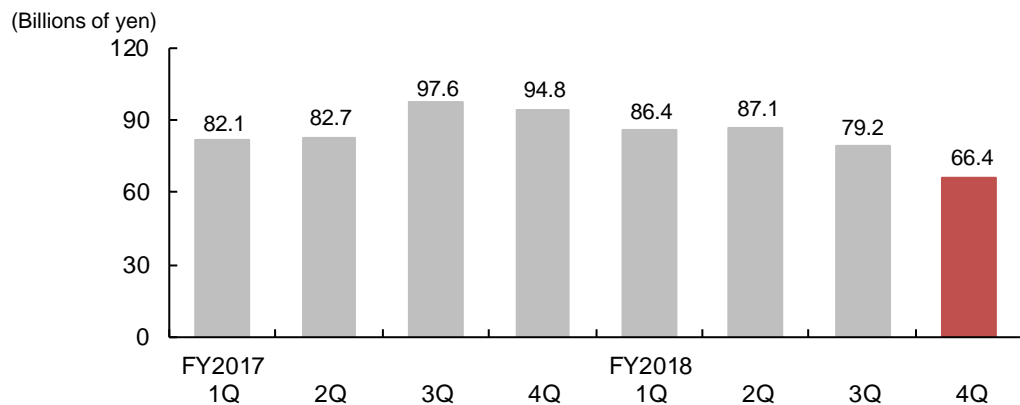
(\*2) Source: prepared by SMBC Nikko based on the information published by REFINITIV

(\*3) Source: prepared by SMBC Nikko based on the information published by REFINITIV

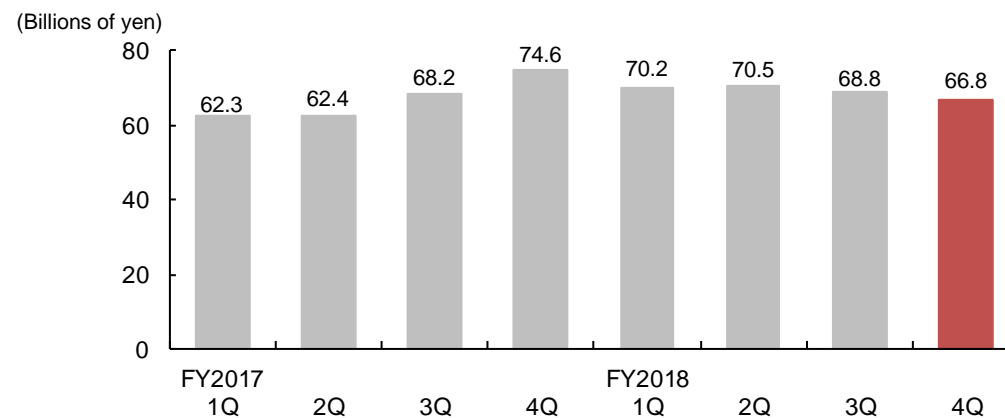
(\*4) Source: REFINITIV, M&A announced deals with any Japanese involvement

# Business Results (Quarterly Trend)

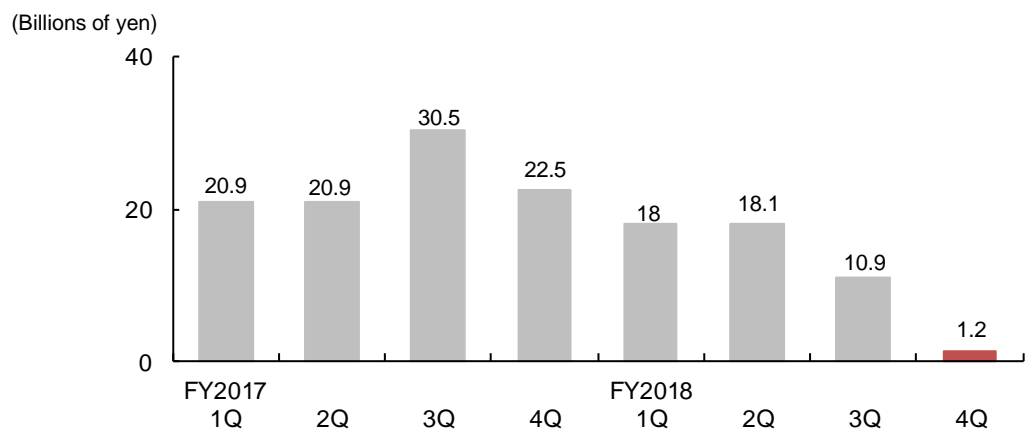
## Net operating revenue



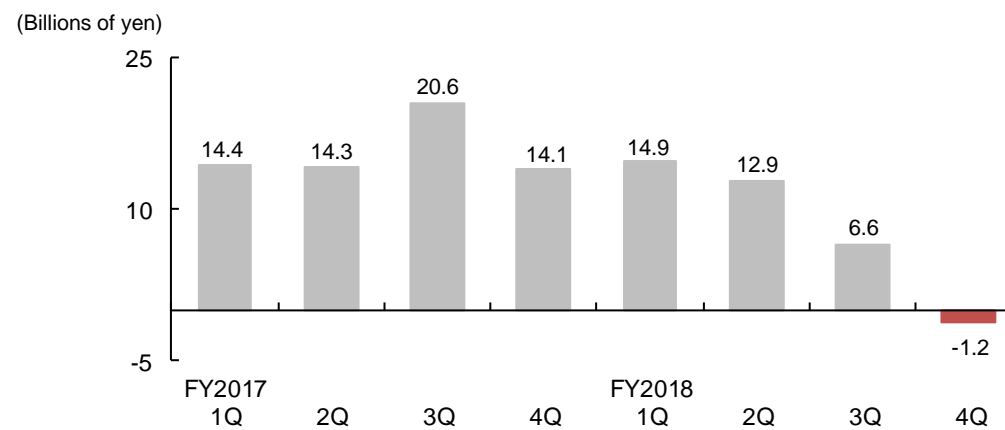
## SG&A



## Ordinary profit



## Profit (\*)

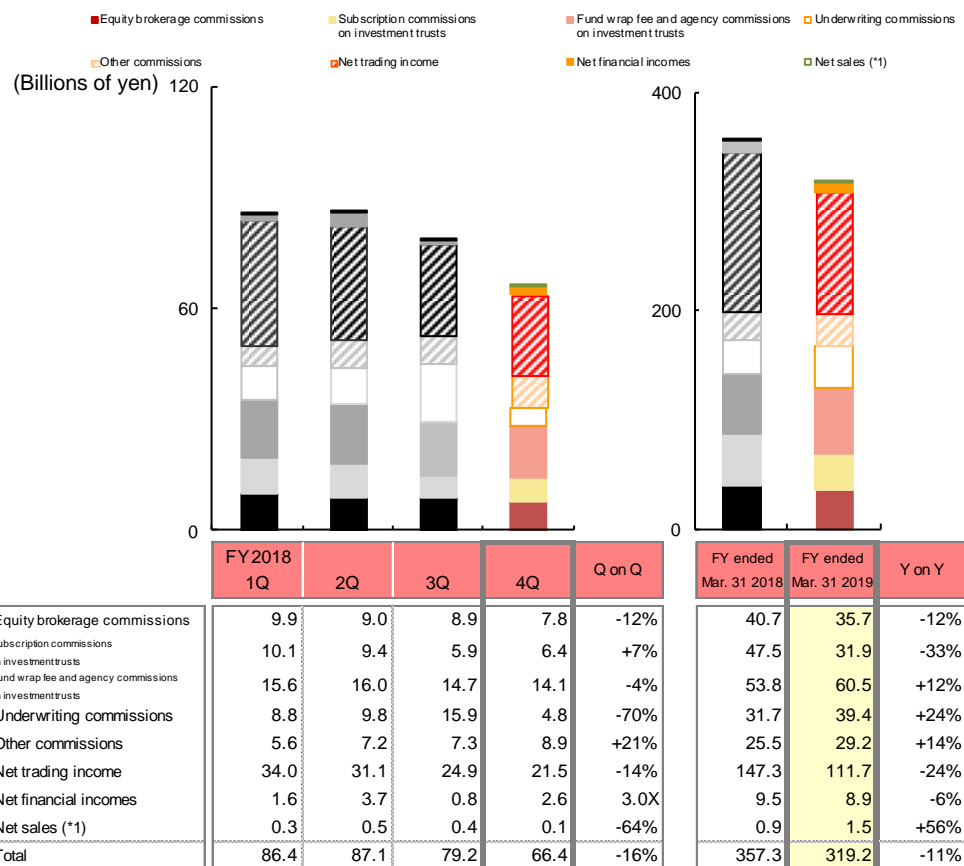


(\*) profit attributable to owners of parent

# Net operating revenue / Product sales

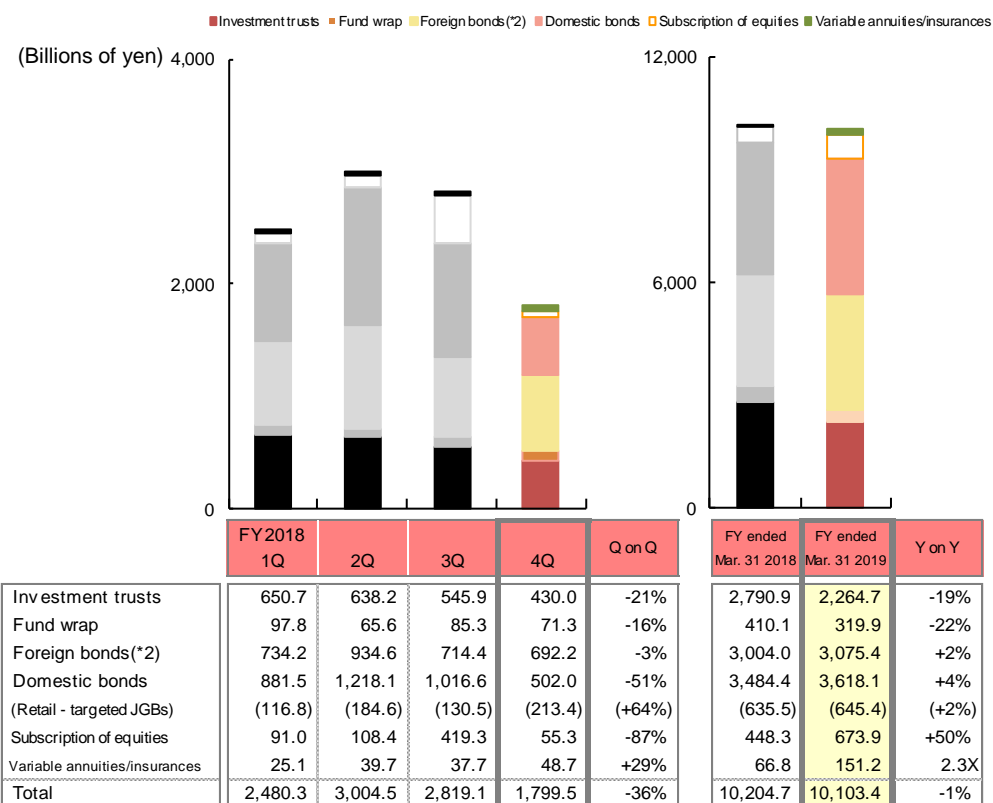
- ◇ Net operating revenue for the FY ended Mar. 2019 was ¥ 319.2 B (-11% Y on Y), aggregated sales of products was ¥ 10,103.4 B (-1%).
- ◇ Net operating revenue for this quarter was ¥ 66.4 B (-16% Q on Q), aggregated sales of products was ¥ 1,799.5 B (-36%).

## Net operating revenue



## Product Sales

【non-consolidated】



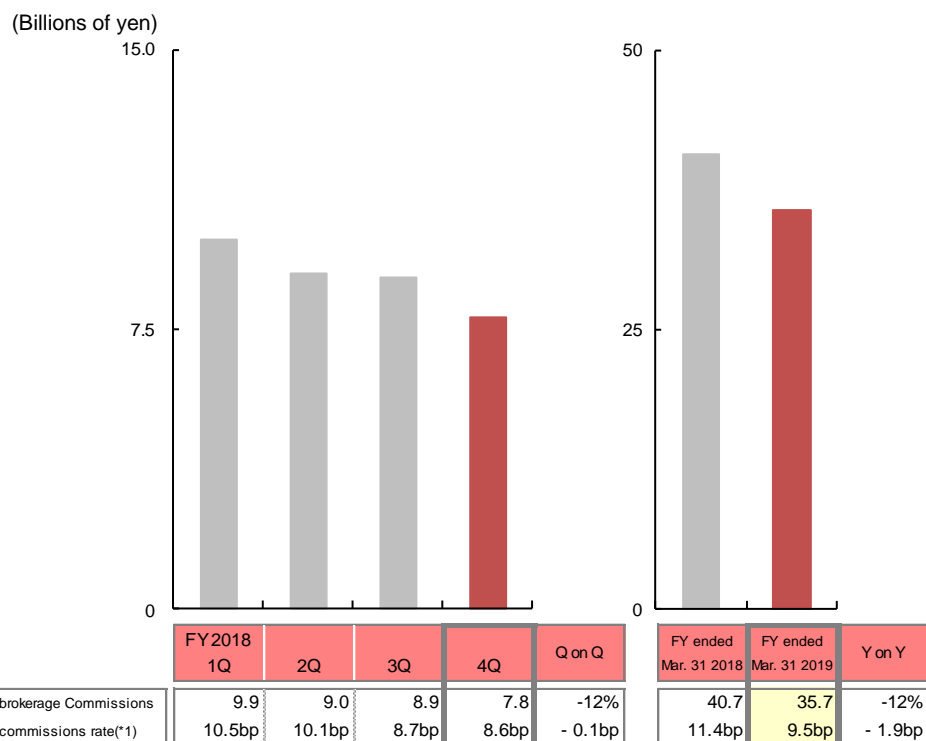
(\*1) other sales minus cost of sales

(\*2) Sale of foreign bonds include already-issued bonds and yen-denominated foreign bonds.

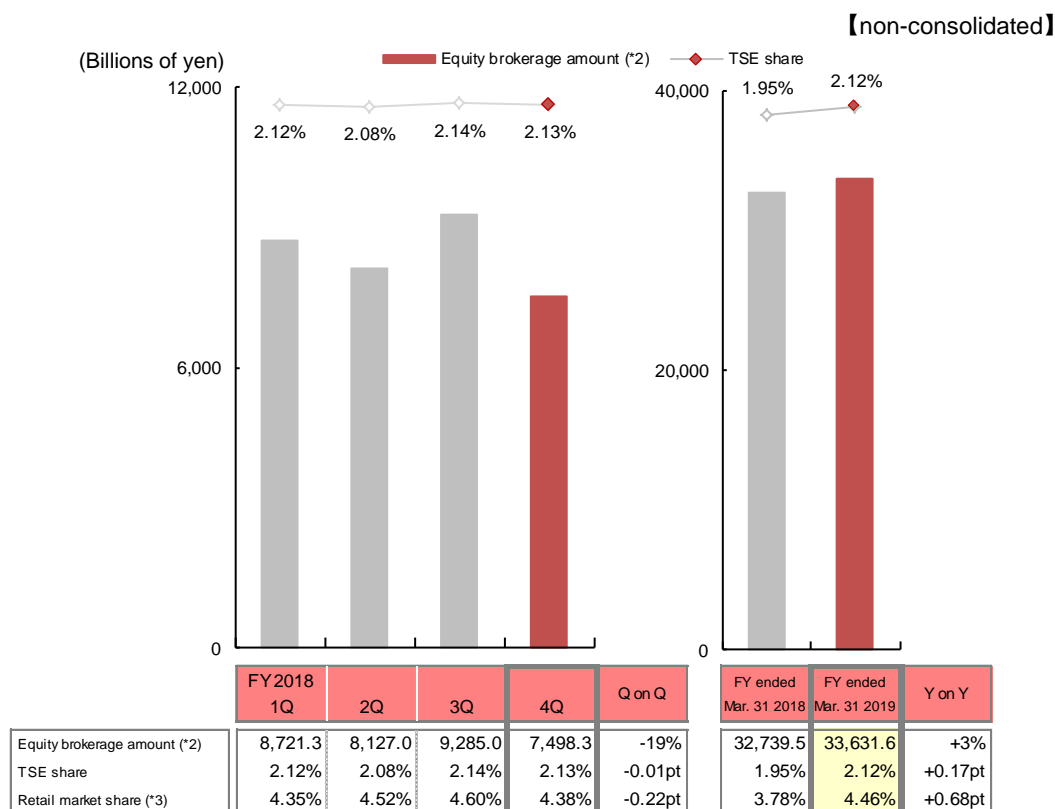
# Equity brokerage commissions

- ◇ Equity brokerage commissions of the FY ended Mar. 2019 was ¥ 35.7 B (-12% Y on Y), and equity brokerage amount was ¥ 33,631.6 B (+3%). Equity brokerage amount and TSE share has grown. However, since the growth was mainly driven by a large order from the wholesale clients, the equity commission has decreased.
- ◇ Equity brokerage commissions for this quarter was ¥ 7.8 B (-12% Q on Q), and equity brokerage amount was ¥ 7,498.3 B (-19%). The decrease in equity brokerage amount has led to the decrease of equity brokerage commissions.

## Equity brokerage commissions



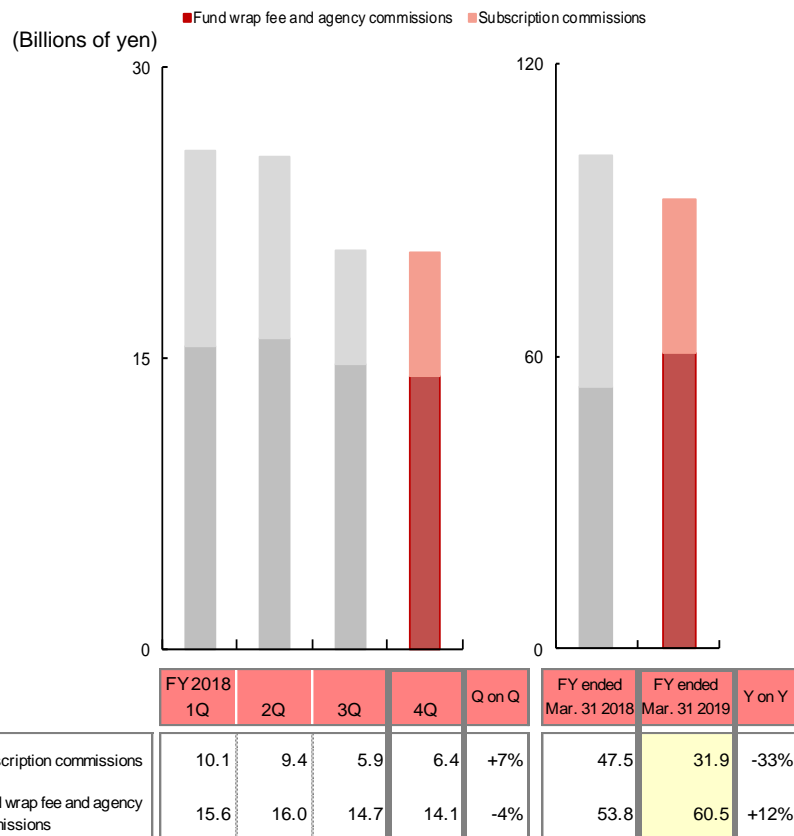
## Equity brokerage amount / TSE share



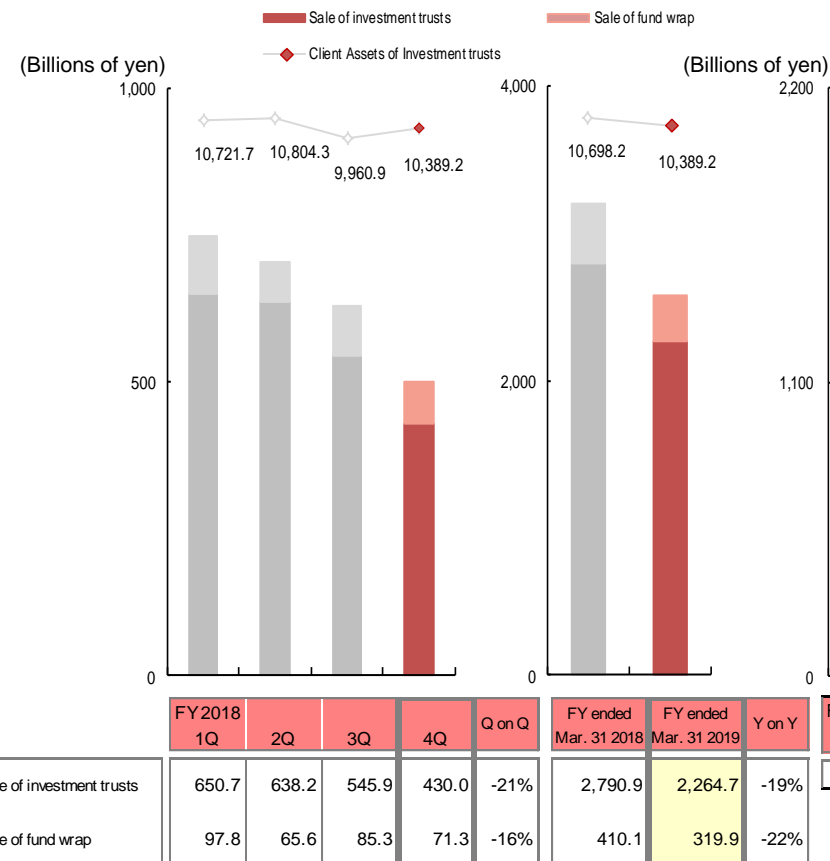
# Commissions on investment trusts and fund wrap

- ◇ Subscription commissions on investment trusts for the FY ended Mar. 2019 was ¥ 31.9 B (-33% Y on Y), sales of investment trusts were 2,264.7 B (-19%). Due to the decrease in total sales of investment trusts, as well as the main source of sales being driven by the wholesale clients, the subscription commission has decreased.
- ◇ Subscription commissions on investment trusts for this quarter was ¥ 6.4 B (+7% Q on Q), sales of investment trusts were 430.0 B (-21%).

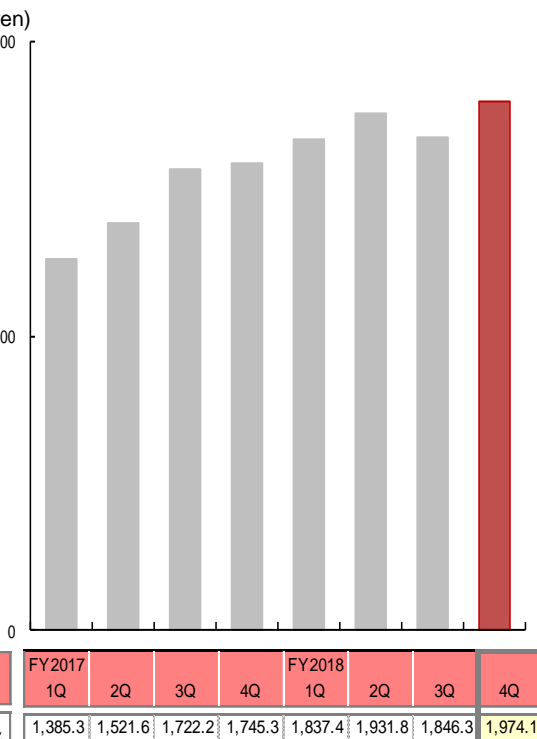
## Subscription commissions



## Sales / Client Assets of Investment trusts



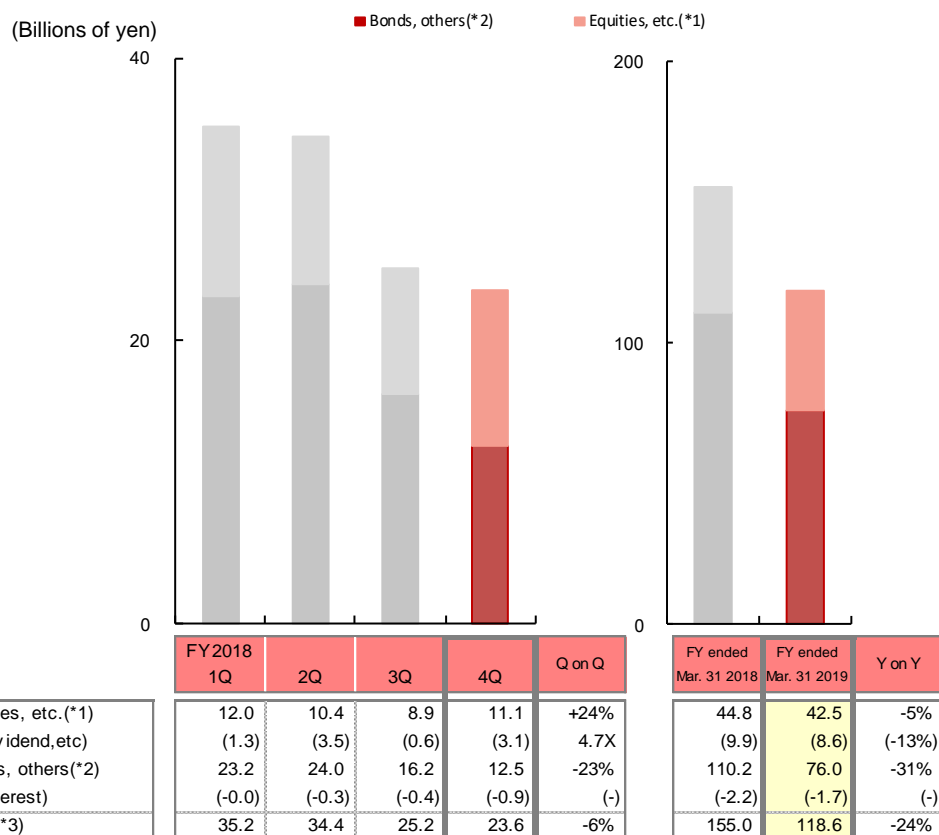
## Client Assets of Fund wrap (\*)



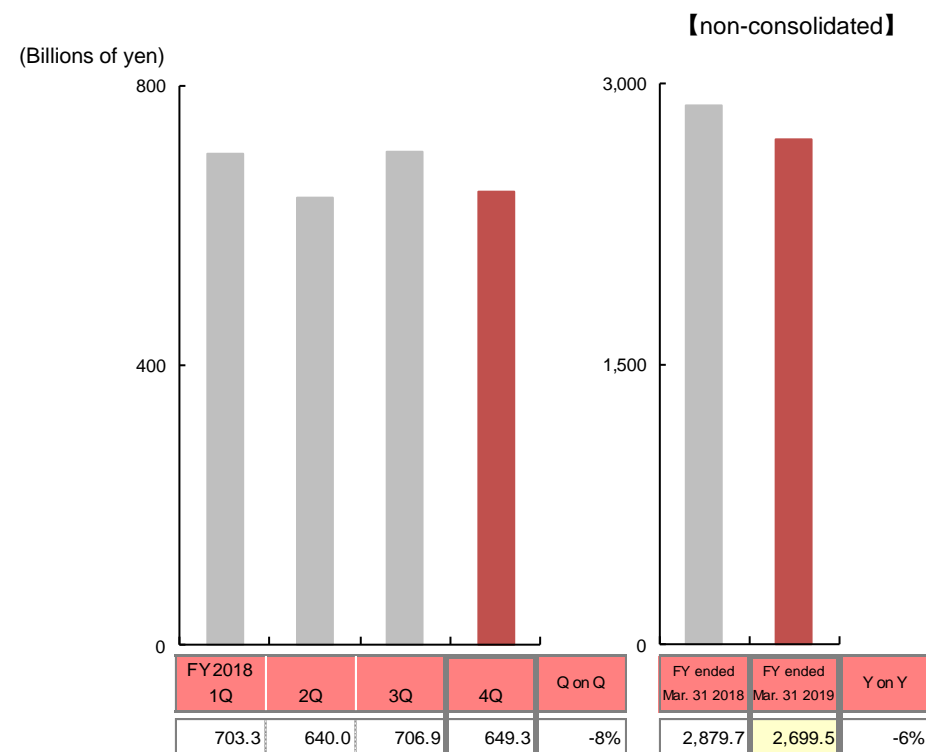
# Net trading income

- ◇ Net trading income (adjusted net financial income) for the FY ended Mar. 2019 was ¥ 118.6 B (-24% Y on Y), and sale of foreign bonds(\*4) were ¥ 2,699.5 B (-6%).  
Due to the decrease in the sales of foreign bonds in the retail sector, the net trading income of bonds has declined.
- ◇ Net trading income (adjusted net financial income) for this quarter was ¥ 23.6 B (-6% Q on Q), and sale of foreign bonds(\*4) were ¥ 649.3 B (-8%).  
Due to the equity market steadily flowing, the net trading income of equities grew. However, due to the decrease of sales of foreign bonds in the retail sector and slump in credit, the net trading income of bonds decreased.

## Net trading income (adjusted net financial income)



## Sale of foreign bonds(\*4)

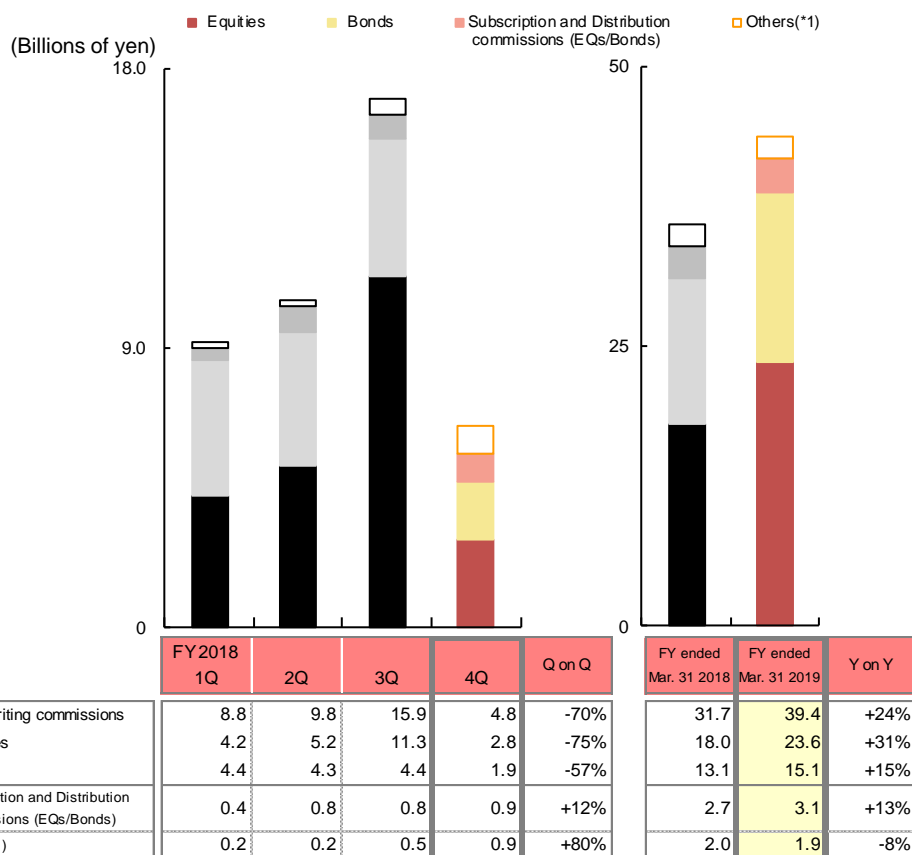




# Underwriting commissions (Equities / Bonds)

- ◇ Underwriting commissions for the FY ended Mar. 2019 was ¥ 39.4 B (+24% Y on Y).
- ◇ Underwriting commissions for this quarter was ¥ 4.8 B (-70% Q on Q).
- ◇ For Apr. 2018 - Mar. 2019, book runner in Global Equity & Equity-Related-Japan: 2nd place holding 15.4% market share, underwriter in IPO: 1st place in terms of number of deals and 4th place in terms of proceeds, lead manager in All Bonds in Yen: 4th place holding 17.3% market share.

## Underwriting commissions (Equities / Bonds)



## Global Equity & Equity-Related-Japan (\*2) Apr. 2018 - Mar. 2019

Rank	Book runner	Proceeds (bill of yen)	Mkt.Share (%)
1	Nomura	1,065.9	18.7%
2	SMBC Nikko	875.0	15.4%
3	Daiwa	823.0	14.4%
4	Mitsubishi UFJ Morgan Stanley	766.3	13.4%
5	Mizuho	758.5	13.3%

## IPO (\*3) Apr. 2018 - Mar. 2019

Rank	Book runner	No. Deals	Rank	Underwriter	Proceeds (bill of yen)
1	Sumitomo Mitsui Financial Group	25	1	Nomura	741.3
2	Nomura	24	2	Daiwa Securities Group Inc	572.6
3	Mizuho Financial Group	23	3	Mizuho Financial Group	473.6
4	Daiwa Securities Group Inc	16	4	Sumitomo Mitsui Financial Group	453.4
5	SBI Holdings	11	5	Morgan Stanley	400.9

## All Bonds in Yen (\*4) Apr. 2018 - Mar. 2019

Rank	Manager	Proceeds (bill of yen)	Mkt.Share (%)
1	Mizuho	4,465.8	22.0%
2	Nomura	3,897.2	19.2%
3	Daiwa	3,512.9	17.3%
4	SMBC Nikko	3,507.9	17.3%
5	Mitsubishi UFJ Morgan Stanley	3,359.6	16.6%

(\*1) including revenues related to securitization arrangements. The errors of the first quarter and second quarter has been amended in the third quarter of FY2018..

(\*2) (\*3) prepared by SMBC Nikko based on the information published by REFINITIV (including overseas entities)

(\*4) prepared by SMBC Nikko based on the information published by REFINITIV (corporate bonds, FILP agency/municipality bonds(proportional shares as lead manager),samurai bonds)

- ◇ For Apr. 2018 - Mar. 2019 in the league table of M&A financial advisor for Japanese involvement announced deals:  
Ranked 9th in terms of value (market share 23.5%) and 1st in terms of number of deals (market share 5.7%).

## Financial Advisor Rank value basis Apr. 2018 - Mar. 2019

Rank	Advisor	Rank value (bill of yen)	Mkt.Share (%)
1	Morgan Stanley	21,916.5	60.8%
2	Goldman Sachs	19,713.6	54.7%
3	J.P. Morgan	18,221.3	50.6%
4	Evercore Partners	14,935.0	41.5%
9	Sumitomo Mitsui Financial Group	8,469.3	23.5%

## Financial Advisor No. of deals Apr. 2018 - Mar. 2019

Rank	Advisor	No. Deals	Mkt.Share (%)
1	Sumitomo Mitsui Financial Group	212	5.7%
2	Mizuho Financial Group	167	4.5%
3	Nomura	108	2.9%
4	Kaede Group	79	2.1%
5	KPMG	76	2.0%

## Major announced deals Apr. 2018 – Mar. 2019

Sprint Corporation (subsidiary of SoftBank Group Corp) announced to merge with T-Mobile US Inc. (SMBC Nikko acted as advisor to SoftBank Group Corp.)

Sanyo Special Steel Co., Ltd. announced to become a subsidiary of Nippon Steel & Sumitomo Metal Corporation (Current: Nippon Steel Corporation) (SMBC Nikko acted as advisor to Sanyo Special Steel Co., Ltd.)

NTT DOCOMO, INC. announced a tender offer to repurchase its own treasury stock (SMBC Nikko acted as advisor and agent to NTT DOCOMO, INC.)

Hennape Six SAS (subsidiary of Faurecia S.E.) announced a tender offer for Clarion Co., Ltd. (SMBC Nikko acted as advisor to Faurecia S.E. and agent to Hennape Six SAS)

Kokusai Pulp & Paper Co., Ltd. announced to acquire Spicers Limited. (SMBC Nikko acted as advisor to Kokusai Pulp & Paper Co., Ltd.)

Tadano Ltd. announced to acquire the Demag Brand Crane Business from Terex Corporation. (SMBC Nikko acted as advisor to Tadano Ltd.)

# Business collaboration with Sumitomo Mitsui Banking Corporation

【non-consolidated】

◇ Collaboration with SMBC kept on track as the number of individual customers' accounts and the referral of corporate clients grew steadily.

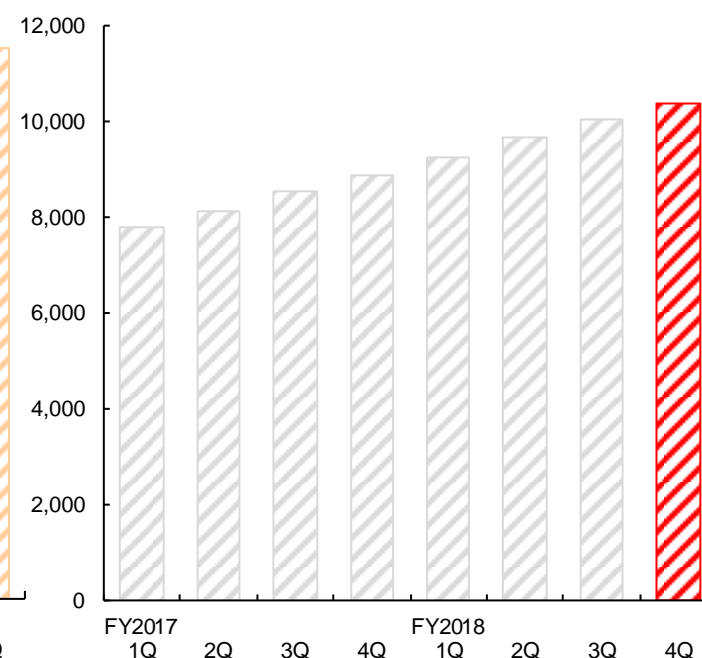
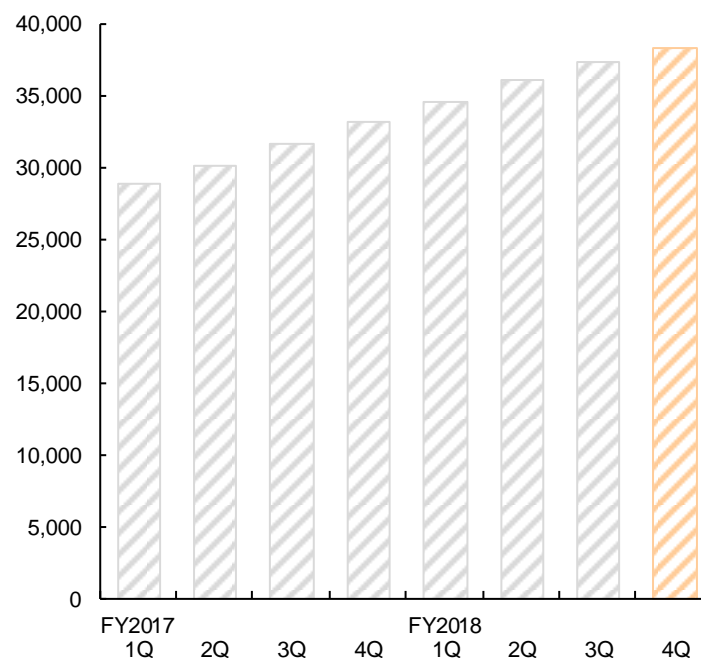
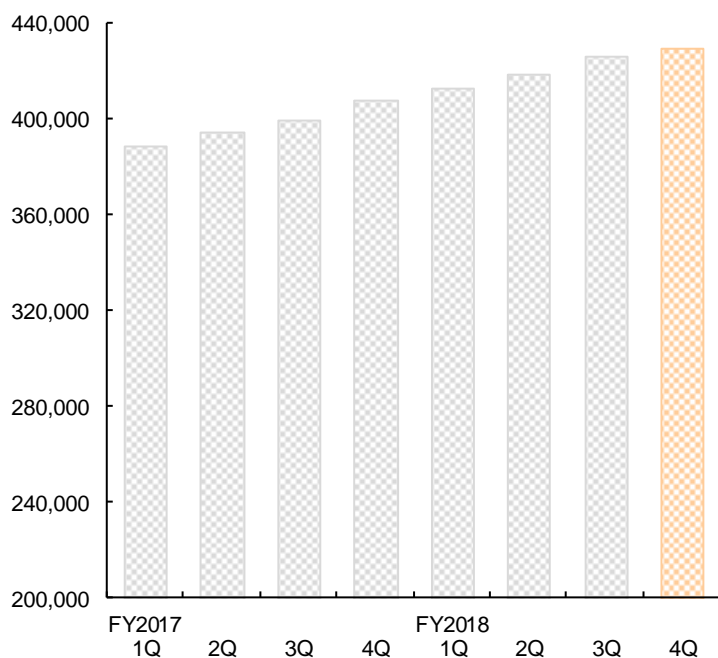
## Asset management (Referral service and financial products intermediary service (\*1))

## Investment banking (Referral service)

Individual customer (No. of accounts) (\*2)

Corporate clients (No. of deals) (\*3)

Corporate clients (No. of deals)



Note) No. of accounts shows the number of the accounts existed at the end of respective quarters. No. of deals shows accumulated acquired deals in either asset management or investment banking since its inception.

(\*1) Financial products intermediary services by SMBC: SMBC Nikko commissions SMBC to solicit and intermediate securities transactions to customers.

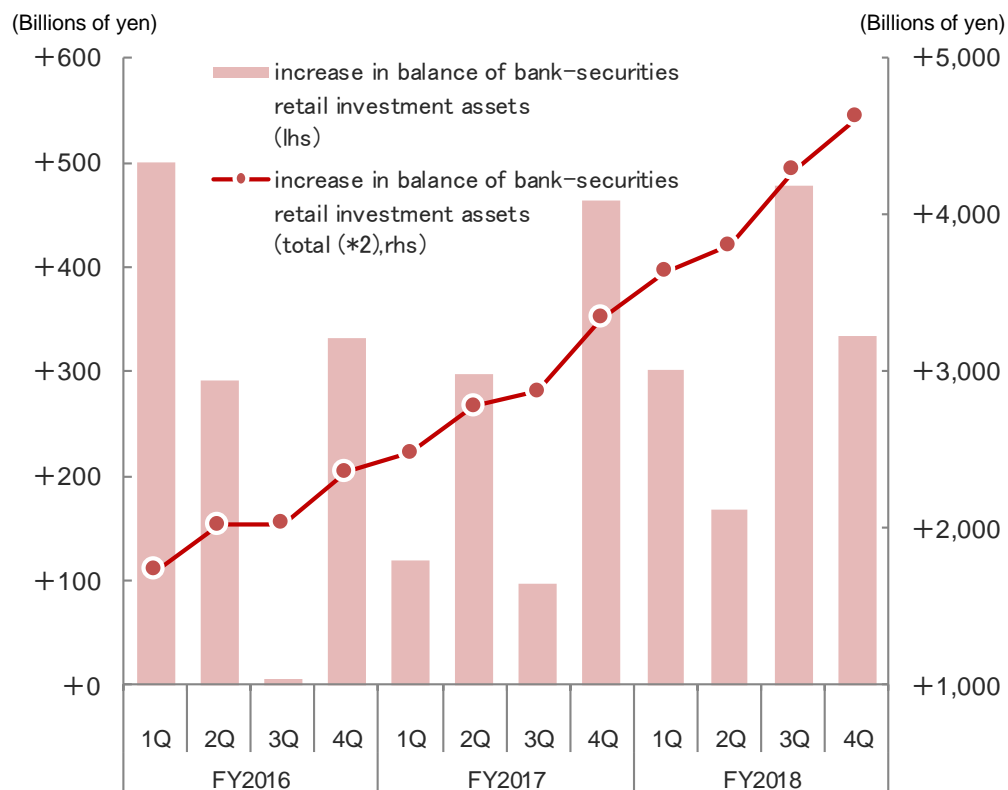
(\*2) The number of accounts at the end of each quarter with regards to individual customer who either was referred by SMBC to SMBC Nikko or opened an account with SMBC Nikko via SMBC's financial products intermediary service.

(\*3) The number of the accumulated acquired deals on asset management with corporate clients via SMBC's referral services and financial products intermediary services on behalf of SMBC Nikko since the inception of respective services.

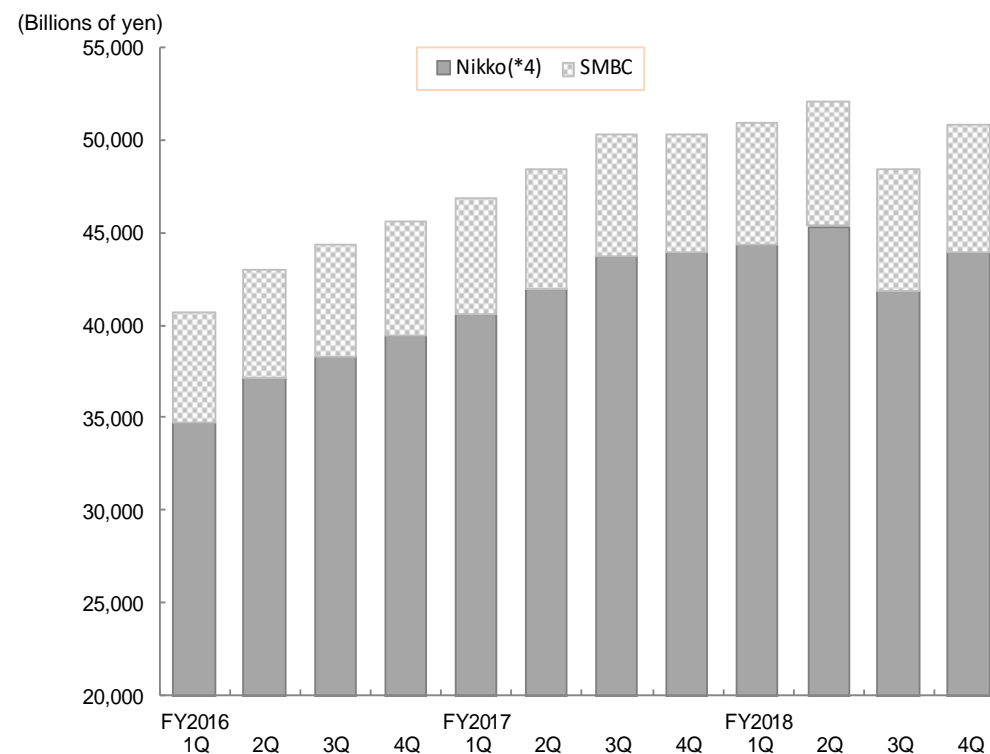
# 【Reference】 Sum of bank-securities retail investment assets

◇ In retail business, sum of bank-securities investment assets flowed steadily.

Increase in balance of bank-securities retail investment assets (\*1)



Balance of bank-securities retail investment assets (\*3)



(\*1) Sum of retail investment assets (foreign deposit, investment trusts, single premium life insurance) change of SMBC and investment assets (net inflow of assets) change at the sales division (retail) of Nikko

(\*2) cumulative amount since FY 2013 1Q

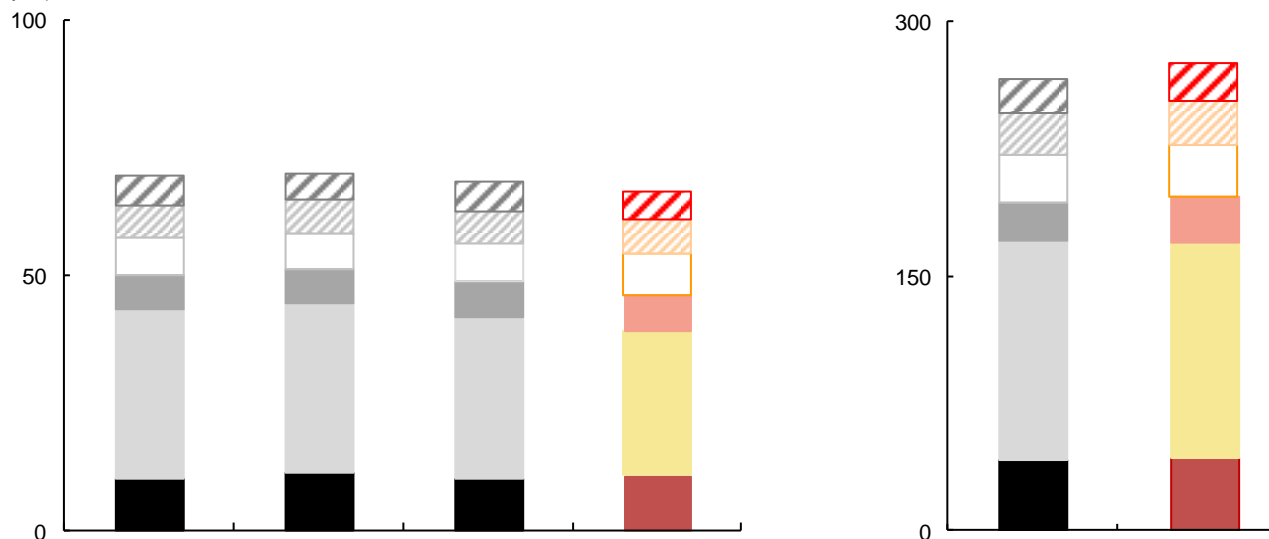
(\*3) Sum of retail investment assets (foreign deposit, investment trusts, single premium life insurance) of SMBC and investment assets (client assets) at the sales division (including Public Institutions Divisions and etc.) of Nikko

(\*4) The amount of investment assets of former SMBC Friend Securities Co. Ltd. are included since FY 2016 1Q to FY2017 3Q

# SG&A

- ◇ SG&A for the FY ended Mar. 2019 was ¥ 276.5 B (+3% Y on Y).
- ◇ SG&A for this quarter was ¥ 66.8 B (-3% Q on Q).

(Billions of yen) 
■ Trading related expenses 
 ■ Personnel expenses 
 ■ Real estate expenses 
 ■ Office cost 
 ■ Depreciation and amortization 
 ▨ Other



(Billions of yen)	FY2018 1Q	2Q	3Q	4Q	Q on Q	FY ended Mar. 31 2018	FY ended Mar. 31 2019	Y on Y
Trading related expenses	10.4	11.4	10.5	10.9	+3%	42.7	43.4	+2%
Personnel expenses	33.2	33.3	31.6	28.3	-10%	128.5	126.7	-1%
Real estate expenses	6.5	6.6	7.0	7.1	+0%	23.1	27.4	+19%
Office cost	7.6	7.3	7.2	8.2	+13%	28.0	30.4	+9%
Depreciation and amortization	6.4	6.4	6.5	6.4	-1%	24.7	25.9	+5%
Other	5.8	5.2	5.7	5.7	+1%	20.4	22.4	+10%
SG&A / Fixed expense	70.2	70.5	68.8	66.8	-3%	267.6	276.5	+3%
SG&A / Net operating revenue	81%	81%	87%	101%	+14pt	75%	87%	+12pt

# Balance Sheet / Capital Adequacy Ratio

(Billions of Yen)	Mar.18	Mar.19	Variance
<b>Current assets</b>	10,365.8	10,613.8	+247.9
Trading products	3,179.7	2,944.2	-235.4
Loans secured by securities	5,027.7	5,206.4	+178.7
Other current assets	2,158.3	2,463.1	+304.7
<b>Noncurrent assets</b>	315.3	303.7	-11.6
Tangible assets	27.3	28.1	+0.8
Intangible assets	74.2	68.8	-5.3
Investments and other assets	213.8	206.7	-7.1
<b>Total assets</b>	<b>10,681.2</b>	<b>10,917.6</b>	<b>+236.3</b>
<b>Current liabilities</b>	9,079.5	9,247.8	+168.3
Trading products	2,494.6	2,454.7	-39.9
Loans payable secured by securities	5,006.0	4,871.5	-134.4
Short-term loans payable / Commercial papers	729.8	1,064.5	+334.7
Other current liabilities	849.0	857.1	+8.1
<b>Noncurrent liabilities / Reserves under the special laws</b>	782.9	838.4	+55.4
<b>Total liabilities</b>	<b>9,862.5</b>	<b>10,086.3</b>	<b>+223.7</b>
<b>Total net assets</b>	<b>818.7</b>	<b>831.2</b>	<b>+12.5</b>
<b>Total liabilities and net assets</b>	<b>10,681.2</b>	<b>10,917.6</b>	<b>+236.3</b>

【non-consolidated】

(Billions of Yen)	Mar.18	Mar.19	Variance
Basic items	735.7	738.0	+2.3
Supplementary items	149.1	45.2	-103.8
Deductible assets	166.0	174.1	+8.1
Net capital	718.8	609.1	-109.6
Risk total	160.9	166.8	+5.8
Market Risk	62.4	55.0	-7.3
Counterparty Risk	24.2	40.8	+16.5
Basic Risk	74.2	70.9	-3.3
<b>Capital Adequacy Ratio</b>	<b>447%</b>	<b>365%</b>	<b>-81pt</b>

【non-consolidated】

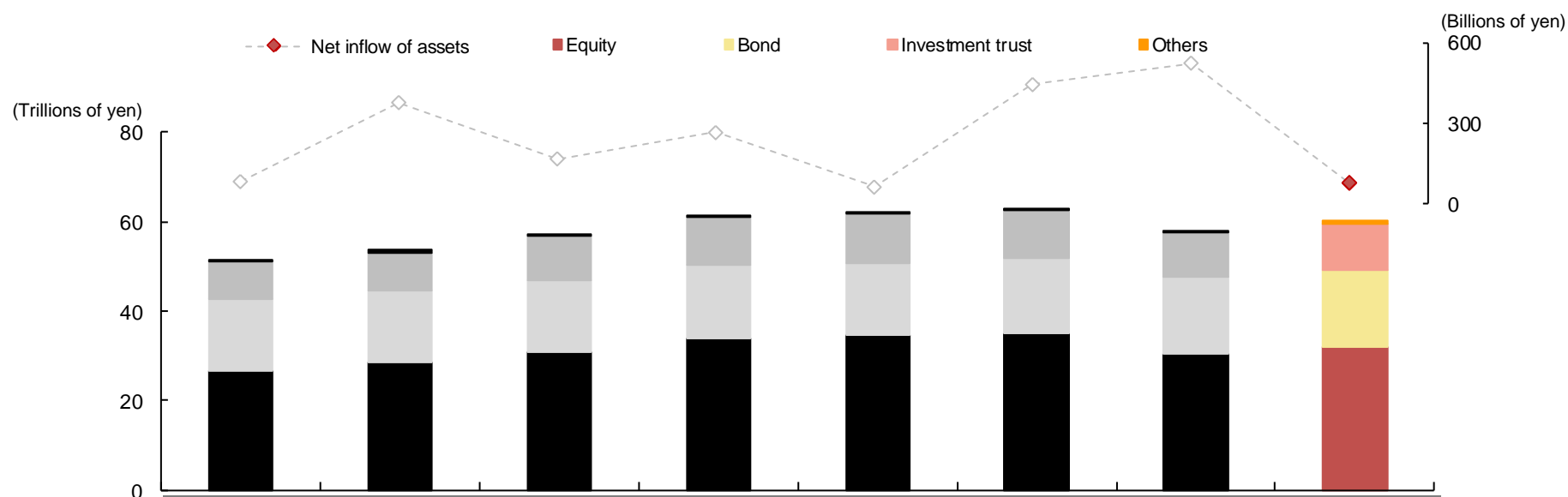
Credit ratings on Long Term (as of April 25, 2019)

Moody's	S&P	R&I	JCR
A1 [ Stable ]	A [ Positive ]	AA- [ Stable ]	AA [ Stable ]

# Client Assets / Net Inflow of Assets

【non-consolidated】

- ◇ Overall client assets at the end of Mar. 2019 was ¥ 60.2 trillion (+3.7% Q on Q).
- ◇ Net inflow of assets at sales division for this quarter was ¥ 74.6 B.



(Trillions of yen)

	FY2017				FY2018			
	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.
Equity	26.8	28.4	31.0	34.0	34.5	34.9	30.5	31.9
Bond	16.0	16.2	16.0	16.4	16.4	16.8	17.1	17.4
Investment trust	8.4	8.6	9.7	10.7	10.7	10.8	10.0	10.4
Others	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5
Client assets	51.6	53.6	57.2	61.6	62.2	63.0	58.0	60.2

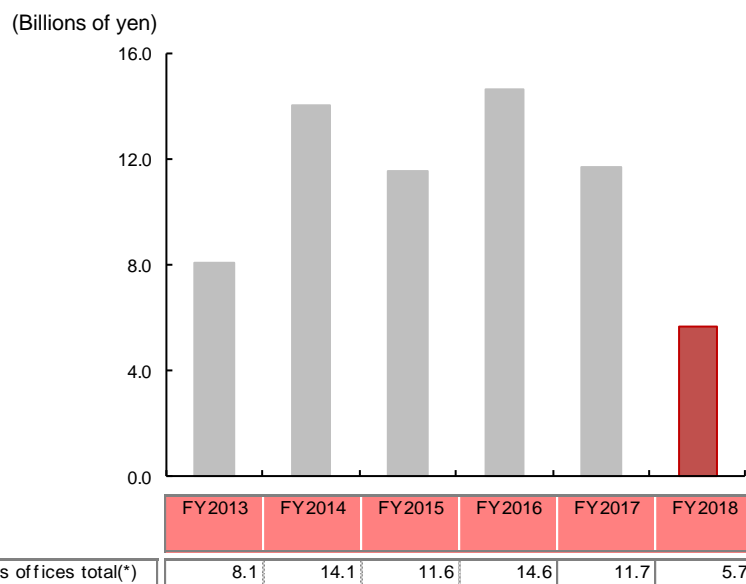
(Billions of yen)

	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net inflow (outflow) of assets(*)	82.4	376.8	167.1	264.8	61.7	443.6	523.8	74.6
Inflow of assets	1,096.8	1,475.0	1,437.7	1,766.9	1,266.3	1,466.6	1,662.3	1,232.8
Outflow of assets	-1,014.4	-1,098.2	-1,270.6	-1,502.1	-1,204.6	-1,022.9	-1,138.5	-1,158.2

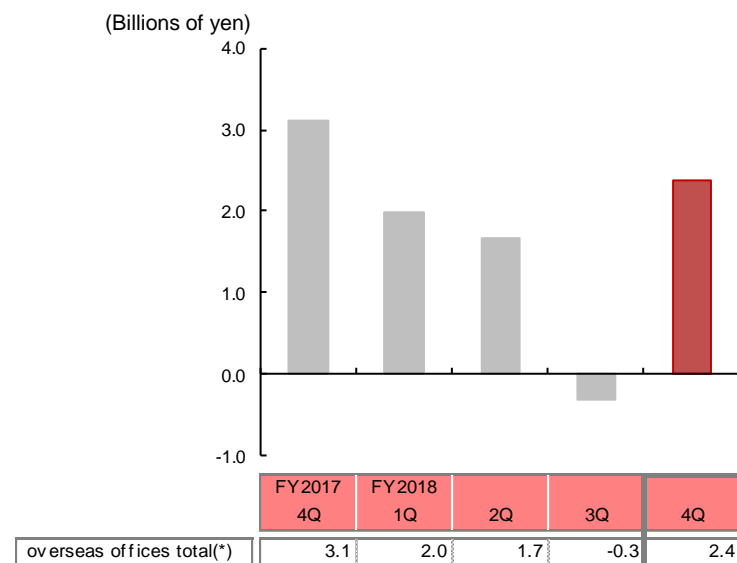
# Business Trends of Overseas Offices

- ◇ Earnings based on managerial accounting for this quarter was ¥ 2.4 B.  
Due to the growth in Fixed Income Sales and Trading and underwriting of bonds in western countries, the overseas office returned to a profit.

Earnings based on managerial accounting  
Annual trend



Earnings based on managerial accounting  
Quarterly trend



(Notes) Until the previous quarter, we have been consolidating SMBC Nikko Capital Markets and SMBC Nikko Securities America's previous quarters earnings.  
From 1Q of FY2018, we have consolidated the earnings of the current period.

(\*) Overseas offices total is defined as the total of:

- ✓ Earnings of consolidated subsidiaries: SMBC Nikko Securities (Hong Kong), SMBC Nikko Securities (Singapore) and SMBC Nikko Capital Markets Europe GmbH (Included from First Quarter of FY2018); and
- ✓ Earnings of affiliated companies: Securities Product Group of SMBC Nikko Capital Markets (Percentage of voting rights: SMBC Nikko Securities 15.15%, SMBC 84.85%) and SMBC Nikko Securities America (Percentage of voting rights: SMBC Nikko Securities 20.00%, SMBC Americas Holdings, Inc.(subsidiary of SMBC) 80.00%).



# Overseas Network

## SMBC Nikko Bank (Luxembourg)

- Fund custody
- Fund administration

## SMBC Nikko Investment Fund Management Company

- Fund management

## SMBC Nikko Capital Markets

- Japanese equity and fixed-income sales and trading
- Equity and bond underwriting
- M&A advisory
- IR arrangement
- Swap related business

## SMBC Nikko Securities (Hong Kong)

- Japanese equity and fixed-income sales and trading
- Coverage of bond underwriting
- M&A advisory
- Market entry consulting for Japanese companies in Greater China
- IR arrangement

## SMBC Nikko Securities (Singapore)

- Japanese equity and fixed-income sales and trading
- M&A advisory
- Private wealth business
- IR arrangement

## SMBC Nikko Capital Markets Europe

- Japanese equity and fixed-income sales and trading
- Equity and bond underwriting
- IR arrangement
- Swap related business

## SMBC Nikko Investment Consulting (Shanghai)

- M&A advisory related services

## SMBC Nikko Securities America (San Francisco Branch)

- Japanese equity sales and trading, US equity brokerage
- M&A advisory
- IR arrangement

## SMBC Nikko Securities America

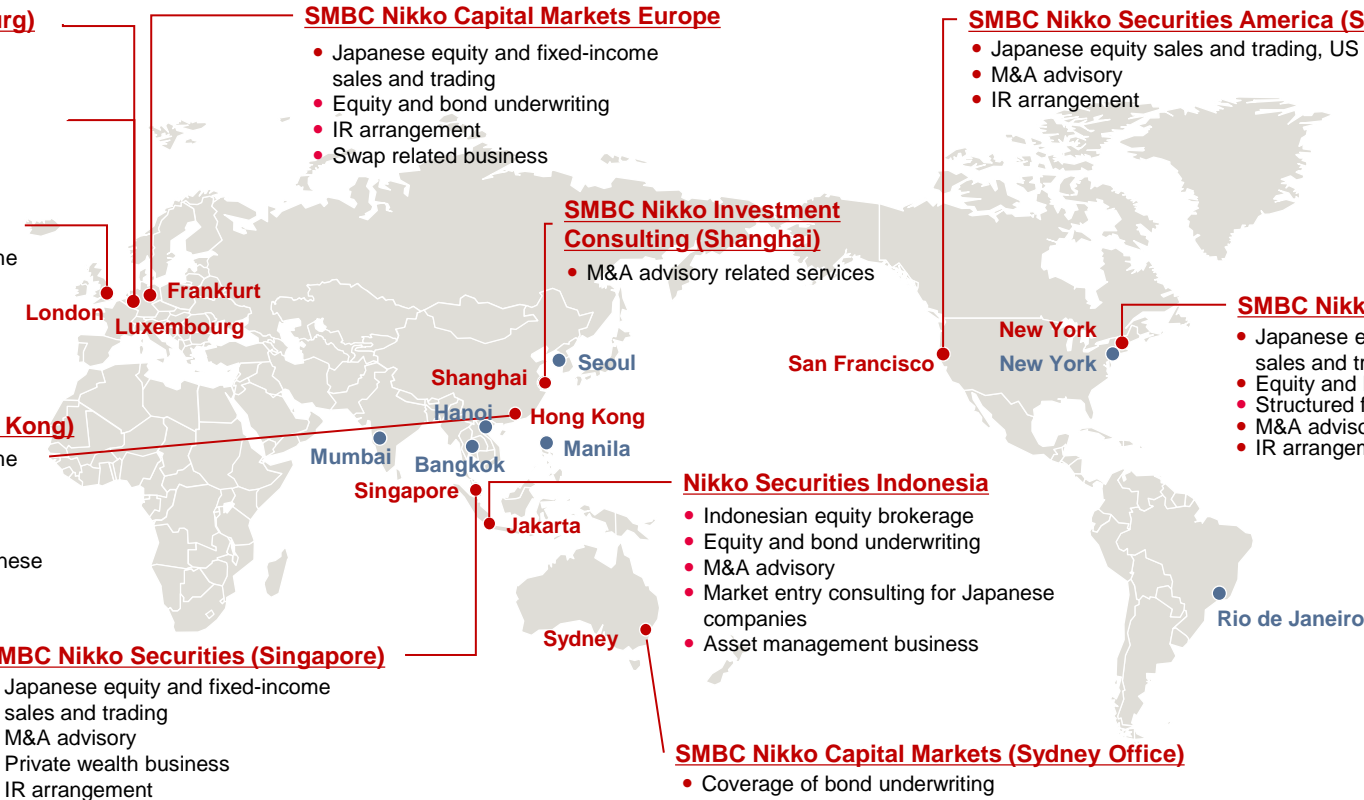
- Japanese equity and fixed-income sales and trading, US equity brokerage
- Equity and bond underwriting
- Structured finance
- M&A advisory
- IR arrangement

## Nikko Securities Indonesia

- Indonesian equity brokerage
- Equity and bond underwriting
- M&A advisory
- Market entry consulting for Japanese companies
- Asset management business

## SMBC Nikko Capital Markets (Sydney Office)

- Coverage of bond underwriting



### Business Partners (Asia)

#### KB Securities (Seoul)

- Alliance in M&A advisory, DCM and IPO business

#### First Metro Securities (Manila)

- Alliance in M&A advisory and DCM business

#### Petro Vietnam Securities (Hanoi)

- Market entry consulting for Japanese companies in Vietnam

#### Phatra Securities (Bangkok)

- Alliance in M&A advisory and DCM/ECM business

#### Kotak Mahindra Capital Company (Mumbai)

- Alliance in M&A advisory

### Business Partners (Americas)

#### Citigroup (New York)

- Collaboration in various business worldwide

#### Moelis & Company (New York)

- Alliance in M&A advisory

#### BTG Pactual (Rio de Janeiro)

- Alliance in M&A advisory

- SMBC Nikko Group Company
- SMBC Nikko Business Partner

## Strengthen non face to face Service by using digital technology

As from the expansion of digital technology, most individual investors collect information by themselves. To meet the trend, we have planned to strengthen our online services.

- AI Stock Portfolio Analysis Service (Direct-course customers only)
  - In order to have a better customer-oriented business operation, we are collaborating with HEROZ Inc.'s AI Technology to manage a diversified investment portfolio which follow the Modern Portfolio Theory.
- Investment Information Media "FROGGY"
  - From February, we have updated our system infrastructure so that our customers can buy Stocks from the article site.
  - About 3,700 Stocks listed on Tokyo Stock Exchange are able to buy from "500 Yen".
  - For the first time out of the major securities company, we have managed "zero buying cost" for Stocks under 1 million Yen .



## Development of Employees Supporting Structure

For effective use of time created from promotion of work style reforms, we introduced a self-development support for our employees.

- Bonus for Qualifications
  - To encourage our employees to develop one's skills, we will provide bonuses (max.100,000Yen) when one successfully achieves a Qualification.
- Support in Qualification Achievement for Sales
  - To provide better service for customers in the 100-Year Life Society, we plan to support the sales staffs fees in achieving Qualifications.(targeted Qualifications are still under discussion)

## Analyst Ranking

- In the Institutional Investor "2019All-Japan Research Team" Companies Ranking, we were ranked as 3rd place (last year 4th place). In Analyst Ranking we ranked 3rd place(last year 3rd place). In Industry Ranking, 9 teams were selected as the Top team (last year 3 teams)
 

• Steel / Non-ferrous Metals	Atsushi Yamaguchi
• Foods & Beverages	Naomi Takagi
• Plant / Shipbuilding	Taku Ouchi
• Banks	Shinichiro Nakamura
• Housing / Real Estate	Junichi Tazawa / Hiroki Kawashima
• Functional Materials	Yu Sato
• Trading companies	Akira Morimoto
• REITs	Hiroshi Torii
• Economist	Junichi Makino

※From this year ranking based on commission base
- Our company ranked 4th place in Nikkei Veritas "31st Analyst Ranking" (last year 4th place) Industry & Department wise, 7 Analysts were nominated as Top Analysts(last year 4 Analysts)
 

• Steel / Non-ferrous Metals	Atsushi Yamaguchi
• Foods & Beverages	Naomi Takagi
• Banks	Shinichiro Nakamura
• Trading companies	Akira Morimoto
• Transportation / Warehousing	Hiroshi Hasegawa
• REITs	Hiroshi Torii
• Technical Analyst	Yutaka Yoshino
- In the Nikkei Veritas "24th Fixed Income & Foreign Exchange Analyst Economist Popularity Survey" we achieved 1st place in Company・Group Ranking(last year 3rd place) for the first time. Department wise, 2 Analysts were selected as Top Analysts (last year 2 people)
 

• Fixed Income Analyst	Chotaro Morita
• Securitization Analyst	Tomohiro Miyasaka

# Reference Data

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# Consolidated Business Results (Quarterly Trend)

(Millions of yen)	FY2017					FY2018				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Operating revenue	91,483	91,543	109,773	104,605	397,405	97,367	96,914	92,853	82,389	369,525
Commissions received	41,726	43,495	56,257	57,984	199,464	50,357	51,566	52,947	42,161	197,033
Commissions to consignees	9,165	8,821	12,822	11,785	42,595	10,393	9,657	9,703	8,415	38,170
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	5,659	6,820	10,180	9,078	31,739	8,866	9,820	15,968	4,824	39,479
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	10,656	10,304	12,948	16,585	50,495	10,669	10,308	6,819	7,422	35,220
Other fees received	16,243	17,549	20,306	20,534	74,633	20,427	21,780	20,456	21,498	84,162
Net trading income	38,008	34,770	40,493	34,057	147,329	34,057	31,196	24,965	21,518	111,738
Equities	8,568	5,569	13,506	7,234	34,879	10,721	6,824	8,309	7,992	33,848
Bonds / Others	29,439	29,200	26,987	26,823	112,450	23,336	24,371	16,656	13,525	77,890
Financial revenue	9,600	10,988	10,669	9,740	40,998	9,547	10,698	11,686	15,708	47,640
Other sales	2,148	2,288	2,352	2,822	9,611	3,404	3,453	3,253	3,001	13,113
Financial expenses	7,462	6,769	10,025	7,156	31,414	7,871	6,904	10,812	13,052	38,641
Cost of other sales	1,856	2,057	2,090	2,631	8,636	3,055	2,868	2,820	2,844	11,589
Net operating revenue	82,164	82,716	97,657	94,816	357,354	86,439	87,141	79,220	66,492	319,294
SG&A	62,353	62,418	68,254	74,637	267,664	70,291	70,551	68,836	66,870	276,550
Operating profit / loss	19,811	20,297	29,402	20,178	89,690	16,148	16,589	10,383	-378	42,743
Ordinary profit / loss	20,960	20,938	30,531	22,552	94,982	18,051	18,194	10,925	1,284	48,456
Extraordinary income / loss	-372	-517	-931	-4,210	-6,032	-652	-133	-1,340	-2,818	-4,944
Profit before income taxes	20,587	20,420	29,599	18,342	88,950	17,398	18,060	9,585	-1,533	43,511
Income taxes	6,093	6,054	8,918	4,169	25,237	2,397	5,123	2,937	-140	10,318
Profit / loss	14,493	14,365	20,681	14,172	63,712	15,001	12,936	6,648	-1,393	33,192
Profit attributable to owners of parent	14,491	14,365	20,677	14,170	63,705	14,996	12,928	6,645	-1,260	33,310

# Non-consolidated Business Results (Quarterly Trend)

(Millions of yen)	FY2017					FY2018				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Operating revenue	86,651	86,282	104,225	98,857	376,016	90,835	89,859	87,082	76,918	344,696
Commissions received	39,243	40,737	53,276	55,292	188,550	47,490	48,552	51,211	40,225	187,480
Commissions to consignees	8,449	8,149	12,055	11,324	39,978	9,673	8,857	9,010	7,673	35,214
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	5,659	6,820	10,180	9,078	31,739	8,866	9,820	15,968	4,824	39,479
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	10,594	10,281	12,925	16,485	50,286	10,635	10,177	6,666	7,367	34,846
Other fees received	14,540	15,485	18,114	18,404	66,545	18,315	19,697	19,567	20,359	77,939
Net trading income	38,006	34,770	40,492	34,056	147,326	34,053	30,943	24,491	21,313	110,801
Equities	8,568	5,569	13,506	7,234	34,879	10,721	6,567	7,834	7,787	32,911
Bonds / Others	29,437	29,200	26,985	26,822	112,446	23,331	24,376	16,656	13,525	77,890
Financial revenue	9,401	10,773	10,456	9,508	40,140	9,292	10,363	11,379	15,378	46,414
Financial expenses	7,315	6,609	9,856	7,010	30,792	7,683	6,692	10,609	12,833	37,820
Net operating revenue	79,336	79,672	94,368	91,846	345,223	83,152	83,166	76,472	64,084	306,876
SG&A	61,189	60,978	65,815	72,349	260,333	68,473	68,297	67,249	64,181	268,202
Operating profit / loss	18,146	18,693	28,552	19,497	84,890	14,678	14,869	9,223	-96	38,674
Ordinary profit / loss	18,348	19,228	28,764	21,155	87,497	15,714	16,038	9,377	1,050	42,181
Extraordinary income / loss	-372	-517	-943	-4,464	-6,298	-655	-133	-1,265	-2,511	-4,565
Profit before income taxes	17,975	18,710	27,821	16,691	81,199	15,059	15,905	8,112	-1,460	37,616
Income taxes	5,460	5,676	8,571	3,736	23,444	2,742	4,675	2,539	-408	9,549
Profit / loss	12,515	13,034	19,249	12,954	57,754	12,316	11,229	5,572	-1,051	28,066

# Operational Indicators -1

【non-consolidated】

## ◇ Sales of Products

(Billions of yen)	FY2017					FY2018				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Investment trusts	550.7	566.0	661.3	1,013.0	2,790.9	650.7	638.2	545.9	430.0	2,264.7
(Equity investment trusts)	( 453.7)	( 462.0)	( 542.0)	( 859.5)	( 2,317.2)	( 535.4)	( 509.3)	( 382.0)	( 267.5)	( 1,694.2)
(Foreign registered investment trusts)	( 71.1)	( 88.3)	( 102.8)	( 136.6)	( 398.9)	( 98.2)	( 98.8)	( 131.8)	( 129.4)	( 458.1)
Fund wrap	105.6	102.4	136.9	65.3	410.1	97.8	65.6	85.3	71.3	319.9
Foreign bonds (*1)	787.3	725.2	735.8	755.7	3,004.0	734.2	934.6	714.4	692.2	3,075.4
(Foreign currency bonds)	( 221.2)	( 256.6)	( 153.4)	( 226.5)	( 857.6)	( 233.4)	( 233.3)	( 315.8)	( 248.8)	( 1,031.4)
Domestic bonds	1,041.6	773.9	991.7	677.3	3,484.4	881.5	1,218.1	1,016.6	502.0	3,618.1
(Retail target JGBs)	( 129.1)	( 175.0)	( 132.7)	( 198.7)	( 635.5)	( 116.8)	( 184.6)	( 130.5)	( 213.4)	( 645.4)
Public offering	35.8	156.6	119.5	136.5	448.3	91.0	108.4	419.3	55.3	673.9
Annuity / insurance	8.5	16.6	24.2	17.5	66.8	25.1	39.7	37.7	48.7	151.2
<b>Total</b>	<b>2,529.5</b>	<b>2,340.6</b>	<b>2,669.3</b>	<b>2,665.2</b>	<b>10,204.7</b>	<b>2,480.3</b>	<b>3,004.5</b>	<b>2,819.1</b>	<b>1,799.5</b>	<b>10,103.4</b>

(\*1) Foreign bonds sales include already-issued bonds and yen-denominated foreign bonds.

## ◇ Market Share

	FY2017				FY2018			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
ECM Global Equity (*2)	9.9%	6.2%	8.6%	11.4%	15.9%	13.4%	15.4%	15.4%
DCM All bonds in Yen (*3)	19.5%	16.1%	16.9%	17.2%	16.4%	18.7%	18.7%	17.3%
M&A Japan related (*4)	14.8%	9.1%	9.1%	9.1%	36.9%	29.5%	25.9%	23.5%

(\*2) Global Equity & Equity-Related-Japan : Book runner

(\*3) All Bonds in Yen, Lead manager

(\*4) Any Japanese involvement announced : Rank value

Source: prepared by SMBC Nikko based on the information published by REFINITIV

Source: prepared by SMBC Nikko based on the information published by REFINITIV

Source: prepared by REFINITIV

# Operational Indicators -2

【non-consolidated】

## ◇ Direct Channel Ratio (\*1)

	FY2017				FY2018			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Based on number of transaction	92.2%	91.1%	90.7%	91.3%	91.3%	92.1%	90.7%	92.9%
(Nikko EZ Trade)	( 88.1%)	( 87.1%)	( 86.2%)	( 86.8%)	( 87.3%)	( 88.3%)	( 87.0%)	( 89.9%)
Based on commissions	26.7%	24.4%	27.6%	26.5%	20.5%	22.1%	22.6%	28.7%
(Nikko EZ trade)	( 17.7%)	( 16.1%)	( 17.8%)	( 16.8%)	( 12.5%)	( 13.0%)	( 14.3%)	( 18.5%)

(\*1) Percentage of transactions via non-face-to-face channels in equities & CBs (brokerage & subscription) with individual clients.

## ◇ Brokerage Commissions Rate (\*2)

(Billions of yen)	FY2017				FY2018			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Equity brokerage amount	7,295.9	7,354.1	9,242.7	8,846.7	8,721.3	8,127.0	9,285.0	7,498.3
Equity brokerage commissions (*3)	8.6	8.5	12.4	11.0	9.9	9.0	8.9	7.8
Equity commissions rate	10.8bp	10.6bp	12.3bp	11.7bp	10.5bp	10.1bp	8.7bp	8.6bp

(\*2) "Equity brokerage amount" and "Equity commissions rate" in the table represent the total of cash and margin transactions.

(\*3) on a consolidated basis

# Operational Indicators -3

## ◇ Number of Accounts

【non-consolidated】

(Thousands of accounts)	FY2017				FY2018			
	Jun.17	Sep.17	Dec.17	Mar.18	Jun.18	Sep.18	Dec.18	Mar.19
Total accounts	2,813	2,829	2,838	3,327	3,352	3,370	3,397	3,425
Cash management accounts	2,486	2,500	2,512	2,851	2,872	2,883	2,911	2,929
Newly opened accounts	31	30	30	41	40	39	48	38

## ◇ Number of Branches

【non-consolidated】

	FY2017				FY2018			
	Jun.17	Sep.17	Dec.17	Mar.18	Jun.18	Sep.18	Dec.18	Mar.19
Number of branches	124	124	123	148	149	148	148	142

## ◇ Number of Employees

	FY2017				FY2018			
	Jun.17	Sep.17	Dec.17	Mar.18	Jun.18	Sep.18	Dec.18	Mar.19
Number of employees	10,698	10,559	10,456	11,987	12,382	12,169	12,010	11,759
Number of 4 overseas employees	491	524	556	579	601	631	654	682

(\*)Overseas offices total is defined as the total of:

- ✓ Employees of consolidated subsidiaries which are SMBC Nikko Securities (Hong Kong), SMBC Nikko Securities (Singapore) and SMBC Nikko Capital Markets Europe GmbH.
- ✓ Employees of affiliated companies which are Securities Product Group of SMBC Nikko Capital Markets and SMBC Nikko Securities America.





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