



Date: January 29, 2019

SMBC NIKKO SECURITIES INC.

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

Consolidated Financial Results for the Nine Months ended December 31, 2018 (JGAAP)

(Amounts less than one million yen are omitted.)

1. Overall business performance for the Nine Months ended December 31, 2018

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

Nine months ended	Operating revenue		Net operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2018	287,135	(1.9)	252,801	(3.7)	43,122	(38.0)	47,171	(34.9)	34,570	(30.2)
December 31, 2017	292,800	16.9	262,537	15.6	69,511	50.9	72,429	48.7	49,534	88.3

Note : Comprehensive income December 31, 2018 26,784million yen <(52.2%)> December 31, 2017 56,035million yen <145.5%>

(2) Consolidated financial condition

As of	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
December 31, 2018	11,700,555	828,097	7.1
March 31, 2018	10,681,280	818,734	7.7

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

As of December 31, 2018 828,044 million yen As of March 31, 2018 818,586 million yen

2. Others

(1) Changes in significant subsidiaries during the period : None

(2) Adoption of the accounting method peculiar to quarterly financial statements : Yes

(3) Changes in the accounting policies, estimates and retrospective restatements

(i) Changes in the accounting policies with accounting standards revisions : None

(ii) Changes in the accounting policies other than the above : None

(iii) Changes in accounting estimates : None

(iv) Retrospective restatements : None

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I. Summary information (Notes)

1. Changes in significant subsidiaries during the period

Not applicable

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

Income taxes of SMBC Nikko Securities Inc. ("SMBC Nikko") and some of its consolidated domestic subsidiaries are calculated by applying a reasonably estimated effective tax rate for the full fiscal year to profit before income taxes for the nine months ended December 31, 2018. The effective tax rate is determined by estimating the effective tax rate for the full fiscal year, which includes the nine months ended December 31, 2018, after taking into account the effect of deferred tax accounting. Income taxes-deferred are included in the income taxes.

3. Changes in the accounting policies, estimates and retrospective restatement

Not applicable

4. Additional information

Changes caused by the application of the Partial Amendments to Accounting Standard for the Tax Effect Accounting

As the "Partial Amendments to Accounting Standard for the Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) has been applied to the consolidated financial statements as of the accounting period starting on April 1, 2018, SMBC Nikko has applied this amendment from the beginning of the current financial year. Accordingly, deferred tax assets and deferred tax liabilities are reclassified and included in the investments and other assets section and the non-current liabilities section, respectively.

II. Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	1,003,617	1,025,948
Cash segregated as deposits	611,302	475,852
Trading products	3,179,742	3,591,794
Trading securities and other	2,681,112	3,019,984
Derivatives	498,629	571,809
Margin transaction assets	212,033	142,839
Loans on margin transactions	192,717	134,933
Cash collateral pledged for securities borrowing on margin transactions	19,315	7,906
Loans secured by securities	5,027,756	5,806,438
Cash collateral pledged for securities borrowed	4,956,494	2,960,563
Loans on Gensaki transactions	71,261	2,845,874
Short-term guarantee deposits	259,258	298,738
Accrued income	22,707	24,894
Other	49,492	35,529
Allowance for doubtful accounts	(12)	(2)
Total current assets	10,365,897	11,402,033
Non-current assets		
Property, plant and equipment	27,347	27,561
Intangible assets	74,203	68,944
Investments and other assets	213,832	202,015
Investment securities	180,819	170,460
Long-term loans receivable	4,951	4,945
Long-term guarantee deposits	18,366	18,113
Deferred tax assets	3,754	3,038
Other	7,530	6,944
Allowance for doubtful accounts	(1,589)	(1,487)
Total non-current assets	315,383	298,521
Total assets	10,681,280	11,700,555

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Trading products	2,494,694	2,483,446
Trading securities and other	1,993,514	1,909,564
Derivatives	501,179	573,881
Trade date accrual	55,326	432,046
Margin transaction liabilities	14,844	11,511
Borrowings on margin transactions	2,498	571
Cash received for securities lending on margin transactions	12,345	10,940
Loans payable secured by securities	5,006,004	5,375,115
Cash received on debt credit transaction of securities	4,042,870	908,709
Borrowings on Gensaki transaction	963,134	4,466,406
Deposits received	502,506	509,900
Guarantee deposits received	130,384	132,695
Short-term loans payable	484,108	829,460
Current portion of long-term loans payable	100,000	50
Commercial papers	145,700	65,600
Current portion of bonds payable	68,160	81,628
Income taxes payable	4,133	3,031
Other	73,694	64,518
Total current liabilities	9,079,558	9,989,005
Non-current liabilities		
Bonds payable	585,836	674,558
Long-term loans payable	175,550	184,200
Lease obligations	3,229	2,906
Deferred tax liabilities	10,385	12,294
Net defined benefit liabilities	2,891	3,105
Asset retirement obligations	2,207	2,943
Other	490	485
Total non-current liabilities	780,591	880,493
Reserves under special laws		
Reserve for financial products transaction liabilities	2,397	2,959
Total reserves under-special laws	2,397	2,959
Total liabilities	9,862,546	10,872,458
Net assets		
Shareholders' equity		
Capital stock	10,000	10,000
Capital surplus	457,714	457,722
Retained earnings	304,064	321,315
Total shareholders' equity	771,779	789,038
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	45,945	37,615
Deferred gains or losses on hedges	8	(35)
Foreign currency translation adjustment	859	1,432
Remeasurements of defined benefit plans	(5)	(6)
Total accumulated other comprehensive income	46,807	39,005
Non-controlling interests	147	53
Total net assets	818,734	828,097
Total liabilities and net assets	10,681,280	11,700,555

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

Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Operating revenue		
Commission received	141,480	154,871
Commissions to consignees	30,809	29,754
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	22,661	34,654
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	33,910	27,797
Other fees received	54,099	62,664
Net trading income	113,272	90,219
Financial revenue	31,257	31,932
Other sales	6,789	10,112
Total operating revenue	292,800	287,135
Financial expenses	24,257	25,588
Cost of other sales	6,004	8,745
Net operating revenue	262,537	252,801
Selling, general and administrative expenses		
Trading related expenses	30,498	32,485
Personnel expenses	92,826	98,331
Real estate expenses	16,581	20,348
Office cost	20,528	22,259
Depreciation	18,237	19,514
Taxes and dues	3,513	4,116
Other	10,841	12,624
Total selling, general and administrative expenses	193,026	209,679
Operating profit	69,511	43,122
Non-operating income		
Dividend income	836	1,715
Share of profit of investments accounted for using equity method	1,581	1,431
Foreign exchange gains	407	337
Other	578	1,135
Total non-operating income	3,403	4,621
Non-operating expenses		
Interest expenses	110	96
Bond issuance cost	239	112
Other	135	362
Total non-operating expenses	485	572
Ordinary profit	72,429	47,171

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Extraordinary income		
Total extraordinary income	—	—
Extraordinary losses		
Impairment losses	282	1,109
Loss on valuation of investment securities	—	454
Provision of reserve for financial products transaction liabilities	455	562
Integration related costs	1,084	—
Total extraordinary loss	1,821	2,126
Profit before income taxes and non-controlling interests	70,608	45,045
Income taxes	21,067	10,459
Profit	49,540	34,586
Profit attributable to non-controlling interests	5	15
Profit attributable to owners of parent	49,534	34,570

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit	49,540	34,586
Other comprehensive income		
Valuation difference on available-for-sale securities	5,930	(8,327)
Foreign currency translation adjustment	2,258	291
Share of other comprehensive income of affiliates accounted for using equity method	(1,693)	233
Total other comprehensive income	6,495	(7,801)
Comprehensive income	56,035	26,784
Comprehensive income attributable to:		
Owners of parent	56,030	26,769
Non-controlling interests	5	15

3. Notes on Going Concern Assumption

Not applicable

4. Notes on Significant Changes in Shareholder's Equity

Appropriation of surplus was resolved at the ordinary general meeting of shareholders held on June 18, 2018. As a result, the retained earnings decreased by 17,320 million yen in the nine months ended December 31, 2018, and outstanding amount of retained earnings at the end of the period was 321,315 million yen.

• Dividends information

- (1) Total amount of dividends: 17,320 million yen (Dividends per share is an amount derived by dividing the total amount of dividends by the total number of issued shares(200,001 shares))
- (2) Effective date: June 19, 2018
- (3) Dividend resource: Retained earnings

III. Supplementary Information

1. Commission Received

(1) Breakdown by Categories

(Millions of yen, except for percentages)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018	Increase/(Decrease)	
			Amount	Rate of change
Commissions to consignees	30,809	29,754	(1,054)	(3.4) %
< Equities >	< 29,647 >	< 27,897 >	< (1,750) >	< (5.9) >
< Bonds >	< 81 >	< 133 >	< 51 >	< 63.2 >
< Investment trusts >	< 986 >	< 1,492 >	< 506 >	< 51.3 >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	22,661	34,654	11,993	52.9
< Equities >	< 11,719 >	< 20,840 >	< 9,120 >	< 77.8 >
< Bonds >	< 10,493 >	< 13,282 >	< 2,788 >	< 26.6 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	33,910	27,797	(6,112)	(18.0)
< Investment trusts >	< 31,903 >	< 25,562 >	< (6,341) >	< (19.9) >
Other fees received	54,099	62,664	8,565	15.8
Total	141,480	154,871	13,391	9.5

(2) Breakdown by Products

(Millions of yen, except for percentages)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018	Increase/(Decrease)	
			Amount	Rate of change
Equities	41,864	49,480	7,615	18.2 %
Bonds	14,332	16,984	2,652	18.5
Investment trusts	57,782	56,854	(927)	(1.6)
Other	27,502	31,552	4,050	14.7
Total	141,480	154,871	13,391	9.5

2. Net Trading Income

(Millions of yen, except for percentages)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018	Increase/(Decrease)	
			Amount	Rate of change
Net trading income on equities	27,645	25,855	(1,789)	(6.5) %
Net trading income on bonds and others	85,627	64,364	(21,262)	(24.8)
Total	113,272	90,219	(23,052)	(20.4)

3. Quarterly Consolidated Statements of Income

(Millions of yen)

	FY2017 3Q (October 1 to December 31, 2017)	FY2017 4Q (January 1 to March 31, 2018)	FY2018 1Q (April 1 to June 30, 2018)	FY2018 2Q (July 1 to September 30, 2018)	FY2018 3Q (October 1 to December 31, 2018)
Operating revenue					
Commission received	56,257	57,984	50,357	51,566	52,947
Commissions to consignees	12,822	11,785	10,393	9,657	9,703
< Equities >	< 12,447 >	< 11,061 >	< 9,987 >	< 9,006 >	< 8,902 >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	10,180	9,078	8,866	9,820	15,968
< Equities >	< 6,191 >	< 6,314 >	< 4,244 >	< 5,230 >	< 11,364 >
< Bonds >	< 3,858 >	< 2,704 >	< 4,469 >	< 4,392 >	< 4,420 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	12,948	16,585	10,669	10,308	6,819
< Investment trusts >	< 12,332 >	< 15,628 >	< 10,132 >	< 9,437 >	< 5,992 >
Other fees received	20,306	20,534	20,427	21,780	20,456
Net trading income	40,493	34,057	34,057	31,196	24,965
Financial revenue	10,669	9,740	9,547	10,698	11,686
Other sales	2,352	2,822	3,404	3,453	3,253
Total operating revenue	109,773	104,605	97,367	96,914	92,853
Financial expenses	10,025	7,156	7,871	6,904	10,812
Cost of other sales	2,090	2,631	3,055	2,868	2,820
Net operating revenue	97,657	94,816	86,439	87,141	79,220
Selling, general and administrative expenses					
Trading related expenses	11,224	12,289	10,420	11,472	10,591
Personnel expenses	32,996	35,685	33,290	33,380	31,661
Real estate expenses	5,649	6,569	6,585	6,687	7,074
Office cost	7,264	7,497	7,690	7,313	7,255
Depreciation	6,170	6,471	6,499	6,482	6,533
Taxes and dues	1,220	1,602	1,537	1,201	1,376
Other	3,728	4,522	4,268	4,012	4,343
Total selling, general and administrative expenses	68,254	74,637	70,291	70,551	68,836
Operating profit	29,402	20,178	16,148	16,589	10,383
Non-operating income	1,233	2,534	2,082	1,795	742
Non-operating expenses	105	160	180	191	200
Ordinary profit	30,531	22,552	18,051	18,194	10,925
Extraordinary income	—	—	—	—	—
Extraordinary losses	931	4,210	652	133	1,340
Profit before income taxes and non-controlling interests	29,599	18,342	17,398	18,060	9,585
Income taxes	8,918	4,169	2,397	5,123	2,937
Profit	20,681	14,172	15,001	12,936	6,648
Profit attributable to non-controlling interests	4	1	4	8	2
Profit attributable to owners of parent	20,677	14,170	14,996	12,928	6,645

IV. Non-consolidated Financial Statements

1. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	883,338	916,730
Cash segregated as deposits	611,280	475,830
Trading products	3,179,742	3,591,794
Trading securities and other	2,681,112	3,019,984
Derivatives	498,629	571,809
Margin transaction assets	212,033	142,839
Loans on margin transactions	192,717	134,933
Cash collateral pledged for securities borrowing on margin transactions	19,315	7,906
Loans secured by securities	5,027,756	5,806,438
Cash collateral pledged for securities borrowed	4,956,494	2,960,563
Loans on Gensaki transactions	71,261	2,845,874
Short-term guarantee deposits	259,258	298,738
Short-term loans receivable	38,143	34,838
Accrued income	20,620	23,862
Other	46,840	25,151
Allowance for doubtful accounts	(12)	(2)
Total current assets	10,279,002	11,316,223
Non-current assets		
Property, plant and equipment	9,056	10,042
Intangible assets	18,466	15,386
Investments and other assets	234,968	225,703
Investment securities	114,266	102,711
Stocks of subsidiaries and affiliates	95,023	97,646
Long-term loans receivable	4,937	4,934
Long-term guarantee deposits	17,573	17,191
Other	4,756	4,706
Allowance for doubtful accounts	(1,589)	(1,487)
Total non-current assets	262,491	251,132
Total assets	10,541,493	11,567,355

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Trading products	2,494,694	2,483,446
Trading securities and other	1,993,514	1,909,564
Derivatives	501,179	573,881
Trade date accrual	55,326	432,046
Margin transaction liabilities	14,844	11,511
Borrowings on margin transactions	2,498	571
Cash received for securities lending on margin transactions	12,345	10,940
Loans payable secured by securities	5,006,004	5,375,115
Cash received on debt credit transaction of securities	4,042,870	908,709
Borrowings on Gensaki transaction	963,134	4,466,406
Deposits received	416,289	440,924
Guarantee deposits received	130,384	132,695
Short-term loans payable	488,700	832,800
Current portion of long-term loans payable	100,000	50
Commercial papers	145,700	65,600
Current portion of bonds payable	68,160	81,628
Income taxes payable	2,935	1,779
Other	58,393	44,976
Total current liabilities	8,981,432	9,902,575
Non-current liabilities		
Bonds payable	585,836	674,558
Long-term loans payable	175,550	184,200
Lease obligations	474	395
Deferred tax liabilities	8,533	11,129
Provision for retirement benefits	2,559	2,751
Asset retirement obligations	1,986	2,716
Other	249	214
Total non-current liabilities	775,189	875,966
Reserves under special laws		
Reserve for financial products transaction liabilities	2,397	2,959
Total reserves under special laws	2,397	2,959
Total liabilities	9,759,019	10,781,501
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	268,044	279,842
Legal retained earnings	2,500	2,500
Other retained earnings	265,544	277,342
Retained earnings brought forward	265,544	277,342
Total shareholders' equity	735,758	747,556
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	46,715	38,297
Total valuation and translation adjustments	46,715	38,297
Total net assets	782,473	785,854
Total liabilities and net assets	10,541,493	11,567,355

2. Non-consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Operating revenue		
Commission received	133,258	147,254
Commissions to consignees	28,654	27,541
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	22,661	34,654
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	33,801	27,479
Other fees received	48,140	57,579
Net trading income	113,269	89,487
Financial revenue	30,631	31,035
Total operating revenue	277,159	267,778
Financial expenses	23,782	24,986
Net operating revenue	253,376	242,791
Selling, general and administrative expenses		
Trading related expenses	28,321	30,787
Personnel expenses	83,949	87,840
Real estate expenses	14,642	18,203
Office cost	42,568	46,152
Depreciation	5,426	6,319
Taxes and dues	3,083	3,543
Other	9,991	11,174
Total selling, general and administrative expenses	187,983	204,020
Operating profit	65,393	38,771
Non-operating income		
Dividend income	831	1,713
Other	474	1,056
Total non-operating income	1,306	2,770
Non-operating expenses		
Bond issuance cost	239	112
Other	118	297
Total non-operating expenses	357	410
Ordinary profit	66,341	41,131

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Extraordinary income		
Total extraordinary income	—	—
Extraordinary losses		
Impairment losses	282	1,109
Loss on valuation of investment securities	—	382
Provision of reserve for financial products transaction liabilities	455	562
Integration related costs	1,096	—
Total extraordinary loss	1,833	2,054
Profit before income taxes	64,507	39,076
Income taxes	19,708	9,958
Profit	44,799	29,118

3. Capital Adequacy Ratio on a stand-alone basis

(Millions of yen)

		As of March 31, 2018	As of December 31, 2018
Basic items	(A)	735,758	747,556
Supplementary items	Valuation difference on available-for-sale securities and others	46,715	38,297
	Reserve for financial products transaction liabilities	2,397	2,959
	Allowance for doubtful accounts	2	2
	Short-term subordinated debt	100,000	—
Total (B)		149,114	41,259
Deductible assets	(C)	166,043	168,245
Net capital	(A) + (B) - (C) (D)	718,829	620,570
Risk items	Market Risk	62,440	65,440
	Counterparty Risk	24,282	34,925
	Basic Risk	74,245	72,793
Total (E)		160,968	173,159
Capital adequacy ratio	(D) / (E)*100	446.5%	358.3%

4. Quarterly Non-consolidated Statements of Income

(Millions of yen)

	FY2017 3Q (October 1 to December 31, 2017)	FY2017 4Q (January 1 to March 31, 2018)	FY2018 1Q (April 1 to June 30, 2018)	FY2018 2Q (July 1 to September 30, 2018)	FY2018 3Q (October 1 to December 31, 2018)
Operating revenue					
Commission received	53,276	55,292	47,490	48,552	51,211
Commissions to consignees	12,055	11,324	9,673	8,857	9,010
< Equities >	< 11,680 >	< 10,599 >	< 9,267 >	< 8,354 >	< 8,258 >
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	10,180	9,078	8,866	9,820	15,968
< Equities >	< 6,191 >	< 6,314 >	< 4,244 >	< 5,230 >	< 11,364 >
< Bonds >	< 3,858 >	< 2,704 >	< 4,469 >	< 4,392 >	< 4,420 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	12,925	16,485	10,635	10,177	6,666
< Investment trusts >	< 12,332 >	< 15,628 >	< 10,132 >	< 9,437 >	< 5,992 >
Other fees received	18,114	18,404	18,315	19,697	19,567
Net trading income	40,492	34,056	34,053	30,943	24,491
Financial revenue	10,456	9,508	9,292	10,363	11,379
Total operating revenue	104,225	98,857	90,835	89,859	87,082
Financial expenses	9,856	7,010	7,683	6,692	10,609
Net operating revenue	94,368	91,846	83,152	83,166	76,472
Selling, general and administrative expenses					
Trading related expenses	10,432	11,604	9,695	10,484	10,607
Personal expenses	29,908	32,411	29,903	29,920	28,015
Real estate expenses	4,949	5,910	5,934	5,945	6,323
Office cost	14,212	14,923	15,673	15,277	15,200
Depreciation	1,860	2,070	2,068	2,072	2,179
Taxes and dues	1,044	1,490	1,339	1,036	1,167
Other	3,407	3,938	3,858	3,560	3,754
Total selling, general and administrative expenses	65,815	72,349	68,473	68,297	67,249
Operating profit	28,552	19,497	14,678	14,869	9,223
Non-operating income	360	1,782	1,165	1,305	298
Non-operating expenses	148	124	129	137	143
Ordinary profit	28,764	21,155	15,714	16,038	9,377
Extraordinary income	—	—	—	—	—
Extraordinary losses	943	4,464	655	133	1,265
Profit before income taxes	27,821	16,691	15,059	15,905	8,112
Income taxes	8,571	3,736	2,742	4,675	2,539
Profit	19,249	12,954	12,316	11,229	5,572