

SMBC Nikko Securities (Scheduled to merge with SMBC Friend Securities in 2018)



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Fiscal 2015 performance

In fiscal 2015, consolidated gross profit declined by ¥31.7 billion from fiscal 2014, to ¥318.0 billion, and consolidated net business profit declined by ¥39.6 billion, to ¥60.8 billion. Earnings were strong in the first quarter, when markets were buoyant. However, markets started falling in August due to the impact from China's slowing economy and we experienced a downturn in sales of investment products, such as investment trusts and bonds, and in our net trading income.

Business environment and strategy going forward

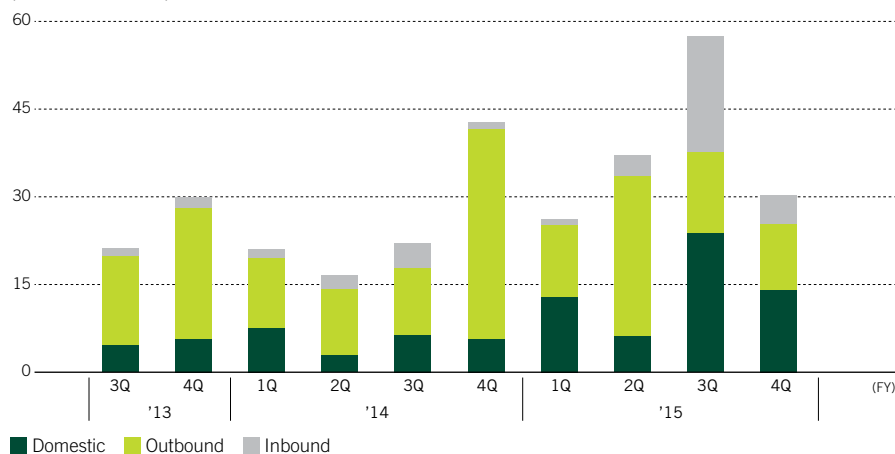
Uncertain market conditions have persisted in fiscal 2016 due to such factors as concern over the global economic slowdown and the Bank of Japan's negative interest rate policy. However, we see current conditions as an opportunity to demonstrate our true consulting abilities as we seek to provide optimal products and solutions for clients.

In our retail operations, we have been conducting a strategic review of our staff allocation since April 2016 and we have moved a large number of staff to branches. In continuing our pursuit of retail banking-securities integration, we will pay even closer attention to our customers' views and provide high-quality solutions. On the wholesale side, we expect negative interest rate conditions to increase the importance of the bond market and we will therefore strengthen our bond underwriting operations. We have also established the Investment Banking Group in the United States based on the prospects for growth driven by our tie-up with SMBC. We intend to strengthen our businesses in bonds and M&A as we globally offer various solutions with SMFG group.

SMBC Nikko Securities is scheduled to merge with SMBC Friend Securities in 2018. We plan to leverage our respective strengths in realizing synergies and increasing our competitiveness.

M&A involving Japanese companies

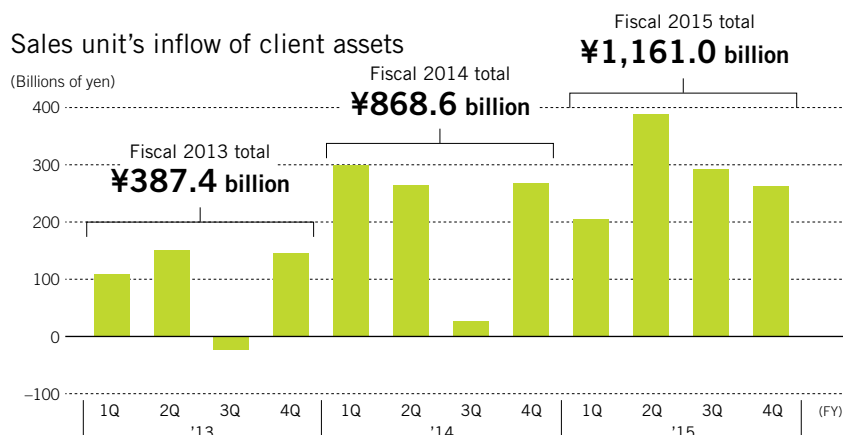
(Billions of U.S. dollars)



Source: Thomson Reuters (Values are based on ranking dates and exclude share repurchasing and real estate acquisition.)

► Strengthened inflow of client assets

We are working as a company to increase client assets with the aim of achieving sustained, steady growth in our assets under management. In fiscal 2015, the sales unit's inflow of client assets increased by 34% from fiscal 2014, to ¥1,161.0 billion.



► League tables

In fiscal 2015 also, we were able to become lead manager for several major equity and bond issues. The strengthening of our underwriting operations for IPOs resulted in the No. 2 ranking for the number of IPOs lead managed.

We rose to No. 3 in the M&A league table, assisted by our joint position with Citigroup Global Markets Japan as financial advisor for the New Kansai International Airport.

	Fiscal 2013	Fiscal 2014	Fiscal 2015
Equity-related (book runner, underwriter, by value)* ¹	No. 3	No. 2	No. 4
Yen bonds (lead manager, underwriter, by value)* ²	No. 5	No. 5	No. 5
IPO (lead manager, by number of IPOs)* ³	No. 2	No. 3	No. 2
M&A (financial advisor, by deal value)* ⁴	No. 3	No. 13	No. 3

*1 Involving Japanese companies, includes overseas offices

*2 Corporate bonds, FILP bonds, regional government bonds (lead manager), and samurai bonds

*3 Excludes REITs

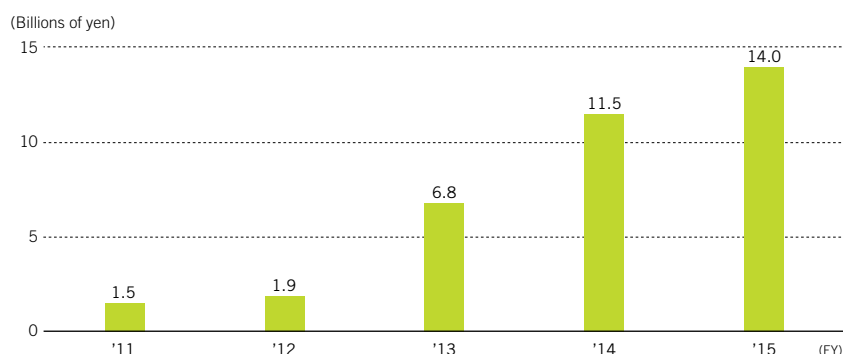
*4 Announced deals involving Japanese firms, Group total

Source: Thomson Reuters

► Growth in overseas profit

Our four key overseas operations—in the United Kingdom, the United States, Hong Kong, and Singapore—in aggregate, are sustaining steady profits. In fiscal 2015, their total profit increased by 22% from fiscal 2014, to ¥14.0 billion. Our ties with SMBC were particularly beneficial for our fixed income earnings in the United States.

Overseas profit (Aggregate of four overseas operations)*



* Aggregate of SMBC Nikko Capital Markets Limited, SMBC Nikko Securities America, Inc., SMBC Nikko Securities (Hong Kong) Limited, and SMBC Nikko Securities (Singapore) Pte. Ltd.