

NIKKO CORDIAL SECURITIES INC.

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Non-Consolidated financial summary under Japanese GAAP for the nine months ended December 31, 2002

(1) Operating results (from April 1, 2002 to December 31, 2002)

Note: 1. Figures are rounded down to the nearest

2. The business results for the fiscal year 2001 present the results for 6 months (From October 1, 2001 to March 31, 2002) and the business results for the fiscal year 2001 3Q present the results for 3 months (From October 1, 2001 to December 31, 2001), since the company took over all of the securities business and other businesses of Nikko Cordial Corporation on October 1, 2001. Accordingly percentage change is not noted.

*1 FY2002 3Q(9months): 9 months of securities company (1Q, 2Q, 3Q)

*2 FY2001 3Q(9months): 6 months of preparatory company (It does not carry on business)
+ 3 months of securities company (3Q)

*3 FY2001: 6 months of preparatory company (It does not carry on business)
+ 6 months of securities company (3Q, 4Q)

(Millions of Yen)

	Operating revenue	Net operating revenue	Operating income (loss)
FY2002 3Q (9 months) *1	93,700	89,451	5,246
FY2001 3Q (9 months) *2	29,980	28,510	(4,416)
FY2001 *3	58,339	55,399	(10,297)

	Ordinary income (loss)	Net income (loss)
FY2002 3Q (9 months) *1	5,216	5,558
FY2001 3Q (9 months) *2	(3,706)	(12,397)
FY2001 *3	(9,685)	(41,829)

(2) Financial condition

(Millions of Yen except percentage)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Capital adequacy ratio
As of Dec.31, 2002	1,432,699	354,170	24.7 %	437.3 %
As of Dec.31, 2001	1,566,249	374,827	23.9	317.2
As of Mar.31,2002	1,281,191	351,376	27.4	276.9

STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Dec.31, 2002	Dec.31, 2001	Mar.31, 2002
< ASSETS >			
Current assets	1,269,537	1,322,991	1,076,376
Cash on hand, Cash in banks	119,235	248,947	89,090
Cash segregated for customers and others	85,044	106,098	103,937
Trading assets	606,654	498,774	487,547
Trading securities	563,752	437,019	434,483
Derivatives	42,902	61,754	53,063
Margin account receivables	65,062	58,242	59,286
Loans on margin transactions	57,226	50,498	50,723
Cash collateral pledged for securities borrowing on margin transaction	7,836	7,744	8,563
Loans secured by securities	333,358	301,668	198,682
Cash collateral pledged for securities borrowing	333,358	293,173	198,682
Loans on Gensaki transaction	-	8,495	-
Advance payments	2,295	3,244	1,520
Cash paid for subscription	4,793	2,122	2,700
Short-term loans	1,106	71,823	71,699
Deferred tax assets	15,853	15,853	15,853
Other current assets	36,355	16,469	46,335
Allowance for bad debts	(223)	(252)	(276)
Fixed assets	163,161	243,257	204,814
Tangible fixed assets	8,447	9,763	8,878
Intangible fixed assets	1,420	1,809	1,771
Investments and others	153,294	231,684	194,164
Investment securities	26,217	84,900	52,168
Investment in subsidiaries and affiliates	15,510	14,791	14,754
Long-term loans	66,909	67,112	67,013
Long-term guaranty deposits	27,666	43,779	41,155
Deferred tax assets	62,231	63,414	63,414
Other investments	20,798	23,394	21,359
Allowance for bad debts	(66,039)	(65,707)	(65,700)
Total assets	1,432,699	1,566,249	1,281,191

STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Dec.31, 2002	Dec.31, 2001	Mar.31, 2002
< LIABILITIES >			
<u>Current liabilities</u>	<u>875,183</u>	<u>1,023,294</u>	<u>726,379</u>
Trading liabilities	241,054	189,806	220,437
Trading securities	169,879	98,043	136,825
Derivatives	71,175	91,763	83,612
Trading payables	5,095	1,488	1,128
Margin account payables	19,084	26,045	30,436
Borrowings on margin transactions	7,781	12,382	15,704
Cash received for securities lending on margin transactions	11,303	13,663	14,731
Borrowings pledged by securities	461,116	532,614	344,220
Cash collateral received for securities lending	231,855	500,698	317,062
Borrowings on Gensaki transaction	229,261	31,915	27,157
Deposits received	71,329	75,370	70,255
Guaranty deposits received	18,164	36,770	19,986
Short-term borrowings	15,695	62,795	17,495
Commercial paper	28,000	85,000	-
Income taxes payable	121	45	90
Other current liabilities	15,519	13,357	22,328
<u>Long-term liabilities</u>	<u>203,173</u>	<u>168,080</u>	<u>203,343</u>
Corporate debts	100,000	100,000	100,000
Long-term borrowings	90,000	51,000	90,000
Deferred tax liabilities	-	-	1,667
Accrued pension benefits	13,173	17,080	11,676
Statutory reserves	172	47	91
Total liabilities	1,078,528	1,191,421	929,814
< SHAREHOLDERS' EQUITY >			
Common stock	100,000	-	-
Additional paid-in capital	290,880	-	-
Legal capital reserve	290,880	-	-
Retained earnings	(36,273)	-	-
Unappropriated retained earnings	(36,273)	-	-
[Net income]	[5,558]	[-]	[-]
Net unrealized losses on investments	(436)	-	-
Common stock	-	100,000	100,000
Legal capital reserve	-	290,880	290,880
Other retained earnings	-	(12,401)	(41,832)
Unappropriated retained earnings	-	(12,401)	(41,832)
[Net loss]	[-]	[(12,397)]	[(41,829)]
Net unrealized gains (losses) on investments	-	(3,652)	2,329
Total shareholders' equity	354,170	374,827	351,376
Total liabilities and shareholders' equity	1,432,699	1,566,249	1,281,191

STATEMENT OF OPERATIONS

(Millions of Yen)

	FY2002 3Q (4/1/02 ~ 12/31/02)	FY2001 3Q (4/1/01 ~ 12/31/01)	FY2001 (4/1/01 ~ 3/31/02)
Operating revenue	93,700	29,980	58,339
Commissions	69,672	23,561	46,431
Net gain on trading	18,246	4,857	8,613
Net gain on other trading	2	1	2
Interest and dividend income	5,778	1,560	3,291
Interest expense	4,249	1,470	2,939
Net operating revenue	89,451	28,510	55,399
Selling, general and administrative expense	84,204	32,926	65,697
Floor brokerage, communication and other transaction related costs	10,661	3,858	7,887
Employee compensation and benefits	38,401	14,526	29,078
Occupancy and equipment	12,422	4,979	10,070
Data processing and other services	13,408	5,939	11,563
Depreciation and amortization	1,645	544	1,262
Taxes, other than income taxes	504	336	440
Other expenses	7,160	2,741	5,394
Operating income (loss)	5,246	(4,416)	(10,297)
Non-operating income	936	828	775
Non-operating expense	966	118	163
Ordinary income (loss)	5,216	(3,706)	(9,685)
Extraordinary gain	3,114	679	601
Extraordinary loss	1,159	9,325	32,654
Income (Loss) before income taxes	7,170	(12,352)	(41,739)
Income taxes-current	113	45	90
Income taxes-deferred	1,499	-	-
Net income (loss)	5,558	(12,397)	(41,829)
Retained earnings at the beginning of period	(41,832)	(3)	(3)
Retained earnings at the end of period	(36,273)	(12,401)	(41,832)

Note: The business results for the FY 2001 present the results for 6 months (From October 1, 2001 to March 31, 2002) and the business results for the FY 2001 3Q present the results for 3 months (From October 1, 2001 to December 31,2001), since the company took over all of the securities business and other businesses of Nikko Cordial Corporation on October 1, 2001.

Notes to financial statements

The company's quarterly financial statements have been prepared in accordance with "Regulations Concerning the Terminology, Forms and Preparation Methods of Interim Financial Statements" (MOF Ordinance No.38, 1977) as well as with the "Cabinet Office Ordinance Concerning Securities Companies" (Prime Minister's Office Ordinance and MOF Ordinance No.32, 1998) and the "Uniform Accounting Standard for Broker Dealers" (approved by the board of directors of the Japan Securities Dealers Association, November 14, 1974), in accordance with the provisions of Article 38 and 57 of the same regulations.

Basis of financial statements

1. Valuation of financial instruments

(1) Trading purposes

Securities, derivative contracts and other financial instruments classified as trading assets and liabilities are accounted for based on the Mark-to-market method.

(2) Non-trading purposes

Securities held for non-trading purposes are accounted for as follows.

(i) Investment in subsidiaries and affiliates

Recorded at cost using the moving average method.

(ii) Other securities

Securities with market value:

Recorded at market value. The difference between the cost using the moving average method or amortized cost and market value less deferred taxes is recorded as Net unrealized gains (losses) on investments in Shareholders' equity on the balance sheet.

Securities without market value:

Recorded at cost using the moving average method.

2. Depreciation and amortization

(1) Tangible fixed assets

Tangible fixed assets are depreciated primarily on the declining-balance method by using the useful lives and remaining balances stipulated in the Corporate Tax Law. However, the straight-line method of depreciation has been adopted for buildings acquired after April 1, 1998 (excluding facilities attached to buildings) consistent with the amendments of the Corporate Tax Law in FY1998.

(2) Intangible fixed assets

Intangible fixed assets are amortized on the straight-line method. The useful life of software is the period during which it may be used within the company, and the useful lives of other intangible fixed assets are the periods stipulated in the Corporate Tax Law.

3. Accounting policies for various provisions

(1) Allowance for bad debts

To provide for possible losses from loans, the company accounted allowance for bad debts based on an estimate of the uncollectible amount calculated by using its historical default ratio or a reasonable estimate based on financial evaluation of individual borrowers.

(2) Accrued bonuses

To provide for employee bonus payments, estimated bonuses are provided based on prescribed calculation methods.

(3) Accrued pension benefits

To provide for the payment of employees' retirement benefits, the present value of estimated future obligations less the fair value of current pension assets are recorded as a reserve for employee retirement benefit.

4. Accounting for certain lease transactions

Financing leases other than those for which the ownership of the leased property is deemed as transfers to the

lessee are accounted for primarily as ordinary rental transactions.

5. Accounting for hedging activities

In principle mark-to-market profit and loss on hedging instrument are deferred as assets or liabilities until the gain or loss on hedged instruments are realized.

6. Accounting for consumption taxes

Consumption taxes are accounted for based on the tax exclusion method.

Notes to statement of financial condition

(Millions of Yen)

	Dec.31, 2002	Dec.31, 2001	Mar.31, 2002
1. Accumulated depreciation of Tangible fixed assets	14,382	15,033	14,373
2. Debt Guarantee	21,640	20,438	21,642
In accordance with Auditing Committee Report No.61 "Audit Treatment of Accounting and Reporting of Debt Guarantees and Similar Acts" issued by Japanese Institute of Certified Public Accountant, items that are recognized to constitute the equivalent of a debt guarantee are included in the notes as Debt Guarantees.			

3. Subordinated borrowings

Short-term and long-term borrowings include subordinated debts (subordinated borrowings) provided in Article 2 of the "Cabinet Office Ordinance on the Capital Adequacy Rule for Securities Companies" (the Prime Ministers Office Ordinance No.23, 2001).

(Millions of Yen)

	Dec.31, 2002	Dec.31, 2001	Mar.31, 2002
Short-term borrowings	-	55,000	-
Long-term borrowings	39,000	-	39,000

4. As a result of the amendment of "Regulations Concerning the Terminology, Forms and Preparation Methods of Interim Financial Statements" (MOF Ordinance No.38, 1977), "Additional paid-in capital" has begun to be used since this fiscal year, and "Legal capital reserve" has been used as a breakdown of "Additional paid-in capital". Also, "Other retained earnings" has been changed to "Retained earnings".

Notes to statement of operations

(Millions of Yen)

Details of extraordinary gain or loss	FY2002 3Q (9months)	FY2001 3Q (9months)	FY2001
Extraordinary gain			
Gain on sales of investment securities	3,114	61	-
Gain on sales of investment in subsidiaries and affiliates	-	600	600
Reversal of allowance for bad debts	-	18	1
Extraordinary loss			
Loss on sales of fixed assets	-	86	915
Loss on disposal of fixed assets	185	239	271
Loss on sales of investment securities	-	-	14,834
Write-off of investment securities	626	7,791	1,266
Write-off of long-term guaranty deposits	-	461	417
Provision for bad debts	100	700	700
Restructuring cost on branches and offices	-	-	4,938
Payment for directors' retirements	166	-	-
Additional payment for employees' retirements	-	-	9,217
Provision for securities transaction liabilities	80	47	91

Reference Data < Non-consolidated >

1. Commissions

(1) Breakdown by Categories

(Millions of Yen)

	FY2002 1Q 04/01/02 06/30/02	FY2002 2Q 07/01/02 09/30/02	FY2002 3Q 10/01/02 12/31/02	FY2001 3Q 10/01/01 12/31/01
Brokerage commissions	8,223	6,225	8,102	7,083
< Equities >	< 7,876 >	< 5,321 >	< 7,538 >	< 6,737 >
< Bonds >	< 253 >	< 159 >	< 185 >	< 302 >
< Investment trusts >	< 93 >	< 745 >	< 379 >	< 43 >
Underwriting & selling commissions	2	2	2	8
< Bonds >	< 2 >	< 2 >	< 2 >	< 8 >
Subscription & distribution commissions	3,429	4,088	5,205	4,012
< Investment trusts >	< 2,471 >	< 2,700 >	< 3,647 >	< 2,795 >
Other commissions	11,767	11,432	11,190	12,456
< Investment trusts >	< 4,359 >	< 4,093 >	< 3,404 >	< 5,554 >
Total	23,422	21,748	24,501	23,561

(2) Breakdown by Products

(Millions of Yen)

	FY2002 1Q 04/01/02 06/30/02	FY2002 2Q 07/01/02 09/30/02	FY2002 3Q 10/01/02 12/31/02	FY2001 3Q 10/01/01 12/31/01
Equities	9,321	6,969	9,430	8,029
Bonds	782	890	1,006	1,217
Investment trusts	6,924	7,538	7,431	8,392
Others	6,393	6,350	6,633	5,921
Total	23,422	21,748	24,501	23,561

2. Net gain (loss) on trading

(Millions of Yen)

	FY2002 1Q 04/01/02 06/30/02	FY2002 2Q 07/01/02 09/30/02	FY2002 3Q 10/01/02 12/31/02	FY2001 3Q 10/01/01 12/31/01
Equities, etc.	1,067	4,570	(476)	2,695
Bonds, forex, etc.	5,455	2,710	4,919	2,162
< Bonds, etc. >	< 137 >	< 2,540 >	< 3,068 >	< 6,448 >
< Forex, etc. >	< 5,317 >	< 169 >	< 1,851 >	< (4,286) >
Total	6,522	7,280	4,443	4,857

3. Equity Trading Activity (Excluding futures)

(Millions of Shares, Millions of Yen)

	FY2002 1Q (4/1/02~ 6/30/02)		FY2002 2Q (7/1/02~ 9/30/02)		FY2002 3Q (10/1/02~ 12/31/02)		FY2001 3Q (10/1/01 ~ 12/31/01)	
	Number of shares	Amounts	Number of shares	Amounts	Number of shares	Amounts	Number of shares	Amounts
Total	2,545	1,905,920	2,527	2,136,503	3,523	3,199,453	2,362	2,480,110
< Proprietary >	< 185 >	< 248,388 >	< 574 >	< 688,458 >	< 668 >	< 965,651 >	< 218 >	< 681,726 >
< Agency >	< 2,360 >	< 1,657,532 >	< 1,953 >	< 1,448,044 >	< 2,854 >	< 2,233,801 >	< 2,144 >	< 1,798,385 >
Agent ratio	92.7 %	87.0 %	77.3 %	67.8 %	81.0 %	69.8 %	90.7 %	72.5 %
TSE share	2.1 %	1.5 %	2.0 %	1.7 %	2.5 %	2.3 %	1.9 %	1.6 %

4. Underwriting / Subscription / Selling

(Millions of Shares, Millions of Yen)

			FY2002 1Q 04/01/02 06/30/02	FY2002 2Q 07/01/02 09/30/02	FY2002 3Q 10/01/02 12/31/02	FY2001 3Q 10/01/01 12/31/01
Underwriting	Bonds	< Face value >	12,546	7,170	6,105	15,683
* Subscription and distribution	Equities	< Number of shares >	3	52	111	7
	Equities	< Amounts >	48,577	51,275	43,177	21,111
	Bonds	< Face value >	245,378	184,743	239,492	236,749
	Investment trusts	< Amounts >	803,743	690,501	947,724	2,231,980

* Including selling and distribution of private placement

5. Capital Adequacy Ratio

(Millions of Yen)

		Jun.30, 2002	Sep.30, 2002	Dec.31, 2002	Dec.31, 2001
Basic items	Capital (A)	354,028	353,496	354,170	374,827
Supplementary items	Unrealized gain on investment securities	435	-	-	-
	Statutory Reserves	137	101	172	47
	Allowance for bad debts	94	61	47	80
	Short-term subordinated borrowings	39,000	39,000	39,000	55,000
	Sub - total (B)	39,667	39,162	39,219	55,127
Deductible assets (C)	171,287	159,004	157,806	174,602	
Net capital (A) + (B) - (C) (D)	222,407	233,655	235,583	255,353	
Total risk	Market Risk	13,763	13,287	12,156	21,530
	Credit Risk	16,687	12,258	12,248	17,715
	Basic Risk	35,806	31,492	29,458	41,243
	Sub - total (E)	66,257	57,039	53,864	80,487
Capital adequacy ratio (D) / (E)	335.6 %	409.6 %	437.3 %	317.2 %	

Note.1 The table above shows calculation of capital adequacy ratio based on financial result in accordance with provision in Securities and Exchange Law.

Note.2 "Short-term subordinated borrowings" seated above is borrowings under a subordinated contract.

Amount : 39,000 million yen

Effective date : March.27, 2002

Maturity date : March.28, 2005

QUARTERLY STATEMENT OF OPERATIONS

(Millions of Yen)

	FY2001 3Q 10/01/01 12/31/01	FY2001 4Q 01/01/02 03/31/02	FY2002 1Q 04/01/02 06/30/02	FY2002 2Q 07/01/02 09/30/02	FY2002 3Q 10/01/02 12/31/02
Operating revenue	29,980	28,358	31,916	30,967	30,816
Commissions	23,561	22,870	23,422	21,748	24,501
Brokerage commissions	7,083	6,576	8,223	6,225	8,102
Underwriting & selling commissions	8	7	2	2	2
Subscription & distribution commissions	4,012	3,739	3,429	4,088	5,205
Other commissions	12,456	12,547	11,767	11,432	11,190
Net gain on trading	4,857	3,756	6,522	7,280	4,443
Net gain on other trading	1	1	0	0	1
Interest and dividend income	1,560	1,730	1,970	1,937	1,870
Interest expense	1,470	1,468	1,375	1,374	1,499
Net operating revenue	28,510	26,889	30,541	29,593	29,316
Selling, general and administrative expense	32,897	32,771	28,601	28,580	27,021
Floor brokerage, communication and other transaction related costs	3,858	4,028	3,743	3,671	3,246
Employee compensation and benefits	14,526	14,552	12,941	12,473	12,987
Occupancy and equipment	4,979	5,090	4,261	4,339	3,821
Data processing and other services	5,939	5,623	4,610	4,679	4,117
Depreciation and amortization	544	717	552	553	539
Taxes, other than income taxes	310	104	204	151	148
Other expenses	2,737	2,653	2,288	2,711	2,160
Operating income (loss)	(4,387)	(5,881)	1,939	1,012	2,294
Non-operating income	828	(52)	528	327	80
Non-operating expense	118	44	160	485	320
Ordinary income (loss)	(3,677)	(5,979)	2,307	854	2,054
Extraordinary gain	679	(78)	2,980	180	(46)
Extraordinary loss	9,325	23,328	275	168	715
Income (Loss) before income taxes	(12,323)	(29,386)	5,012	865	1,292
Income taxes-current	44	45	32	40	41
Income taxes-deferred	-	-	-	824	674
Net income (loss) for the current period	(12,368)	(29,431)	4,980	1	577