

NIKKO CORDIAL SECURITIES INC.

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Non-Consolidated financial summary under Japanese GAAP for the year ended March 31, 2003

(1) Operating results (from April 1, 2002 to March 31, 2003)

Note: 1. Figures are rounded down to the nearest

2. The business results for the fiscal year 2001 substantially present the results for 6 months (From October 1, 2001 to March 31, 2002), 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 : 12 months of securities company (1Q, 2Q, 3Q,4Q)

*2 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 *1	124,988	119,189	6,592
FY2001 *2	58,339	55,399	(10,297)

	Ordinary income (loss)	Net income (loss)
FY2002 *1	6,751	337
FY2001 *2	(9,685)	(41,829)

(2) Financial condition

(Millions of Yen except percentage)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Capital adequacy ratio
As of Mar.31, 2003	1,524,809	349,536	22.9 %	418.0 %
As of Mar.31,2002	1,281,191	351,376	27.4	276.9

STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Mar.31, 2003	Mar.31, 2002
< ASSETS >		
Current assets	1,367,420	1,076,376
Cash on hand, Cash in banks	140,212	89,090
Cash segregated for customers and others	81,940	103,937
Trading assets	581,355	487,547
Trading securities	530,037	434,483
Derivatives	51,317	53,063
Trading receivable	32,127	-
Margin account receivables	59,822	59,286
Loans on margin transactions	50,446	50,723
Cash collateral pledged for securities borrowing on margin transaction	9,375	8,563
Loans secured by securities	411,097	198,682
Cash collateral pledged for securities borrowing	411,097	198,682
Advance payments	970	1,520
Cash paid for subscription	2,315	2,700
Short-term guaranty deposits	13,881	394
Short-term loans	1,246	71,699
Accrued income	19,845	9,356
Deferred tax assets	15,853	15,853
Other current assets	6,964	36,584
Allowance for bad debts	(213)	(276)
Fixed assets	157,389	204,814
Tangible fixed assets	7,816	8,878
Buildings	3,520	3,874
Furnitures and fixtures	4,278	4,986
Land	17	17
Intangible fixed assets	1,307	1,771
Software	724	1,182
Other intangible fixed assets	582	588
Investments and others	148,265	194,164
Investment securities	25,103	52,168
Investment in subsidiaries and affiliates	15,510	14,754
Long-term loans	66,908	67,013
Long-term guaranty deposits	26,110	41,155
Long-term pre-paid expenses	156	195
Deferred tax assets	61,189	63,414
Other investments	19,525	21,164
Allowance for bad debts	(66,238)	(65,700)
Total assets	1,524,809	1,281,191

STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Mar.31, 2003	Mar.31, 2002
< LIABILITIES >		
Current liabilities	974,332	726,379
Trading liabilities	218,977	220,437
Trading securities	168,495	136,825
Derivatives	50,481	83,612
Trading payables	-	1,128
Margin account payables	21,078	30,436
Borrowings on margin transactions	8,504	15,704
Cash received for securities lending on margin transactions	12,574	14,731
Borrowings pledged by securities	522,841	344,220
Cash collateral received for securities lending	254,782	317,062
Borrowings on Gensaki transaction	268,059	27,157
Deposits received	71,343	70,255
Guaranty deposits received	18,681	19,986
Short-term borrowings	39,495	17,495
Commercial paper	65,000	-
Income taxes payable	160	90
Accrued bonuses	6,500	5,900
Other current liabilities	10,254	16,428
Long-term liabilities	200,719	203,343
Corporate debts	100,000	100,000
Long-term borrowings	90,000	90,000
Deferred tax liabilities	-	1,667
Accrued pension benefits	10,719	11,676
Statutory reserves	221	91
Reserve for securities transaction liabilities	221	91
Total liabilities	1,175,273	929,814
< SHAREHOLDERS' EQUITY >		
Common stock	100,000	-
Additional paid-in capital	290,880	-
Legal capital reserve	290,880	-
Retained earnings	(41,494)	-
Unappropriated retained earnings	(41,494)	-
[Net income (loss)]	[337]	[-]
Net unrealized gain on investments	150	-
Common stock	-	100,000
Legal capital reserve	-	290,880
Other retained earnings	-	(41,832)
Unappropriated retained earnings	-	(41,832)
[Net income (loss)]	[-]	[(41,829)]
Net unrealized gain on investments	-	2,329
Total shareholders' equity	349,536	351,376
Total liabilities and shareholders' equity	1,524,809	1,281,191

STATEMENT OF OPERATIONS

(Millions of Yen)

	FY2002 (4/1/02 ~ 3/31/03)	FY2001 (4/1/01 ~ 3/31/02)
Operating revenue	124,988	58,339
Commissions	90,449	46,431
Net gain on trading	26,756	8,613
Net gain on other trading	3	2
Interest and dividend income	7,778	3,291
Interest expense	5,799	2,939
Net operating revenue	119,189	55,399
Selling, general and administrative expense	112,597	65,697
Floor brokerage, communication and other transaction related costs	14,133	7,887
Employee compensation and benefits	52,403	29,078
Occupancy and equipment	16,232	10,070
Data processing and other services	17,570	11,563
Depreciation and amortization	2,134	1,262
Taxes, other than income taxes	644	440
Other expenses	9,476	5,394
Operating income (loss)	6,592	(10,297)
Non-operating income	1,386	775
Non-operating expense	1,226	163
Ordinary income (loss)	6,751	(9,685)
Extraordinary gain	2,684	601
Extraordinary loss	6,824	32,654
Income (Loss) before income taxes	2,611	(41,739)
Income taxes-current	152	90
Income taxes-deferred	2,121	-
Net income (loss)	337	(41,829)
Retained earnings at the beginning of period	(41,832)	(3)
Retained earnings at the end of period	(41,494)	(41,832)

Note: The business results for the previous year substantially present the results for 6 months (From October 1, 2001 to March 31, 2002), 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 financial statements have been prepared in accordance with "Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements" (MOF Ordinance No.59, 1963) 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 2 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 Accrued pension benefits.

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 profits and losses on hedging instrument are deferred as assets or liabilities until the profits or losses 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)

	Mar.31, 2003	Mar.31, 2002
1. Accumulated depreciation of Tangible fixed assets	13,264	14,373
2. Debt Guarantee	23,081	21,642
<p>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.</p>		
3. Subordinated borrowings		
<p>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).</p>		

(Millions of Yen)

	Mar.31, 2003	Mar.31, 2002
4. As a result of the amendment of "Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements" (MOF Ordinance No.59, 1963), "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".	39,000	39,000

Notes to statement of operations

		(Millions of Yen)	
Details of extraordinary gain or loss		FY2002	FY2001
Extraordinary gain			
Gain on sales of investment securities		2,646	-
Gain on sales of investment in subsidiaries and affiliates		-	600
Liquidation gain of affiliates		37	-
Reversal of allowance for bad debts		-	1
Extraordinary loss			
Loss on sales of fixed assets		-	915
Loss on disposal of fixed assets	*1	155	271
Loss on sales of investment securities		-	14,834
Write-off of investment securities	*2	2,518	1,266
Write-off of long-term guaranty deposits	*3	-	417
Provision for bad debts	*4	200	700
Restructuring cost on branches and offices	*5	1,070	4,938
Payment for directors' retirements		304	-
Additional payment for employees' retirements	*6	2,446	9,217
Provision for securities transaction liabilities		129	91

*1 Loss on disposal of fixed assets included loss on disposal of software.

*2 Write-off of investment securities included write-off of golf club memberships.

*3 Write-off of long-term guaranty deposits resulted from those guarantees issued in connection with rental of storefront space that were not recoverable due to a deterioration of the financial condition of lessor .

*4 Provision for bad debts was the provision for loan to “The Nikko System Center, Ltd.” in this period and was the provision for loan to “The Nikko Building Co., Ltd.” and “The Nikko System Center, Ltd.” in prior fiscal year.

*5 Restructuring cost on branches and offices were posted as temporary costs and losses incurred with the disposition of fixed assets following the transfer of storefronts, surrender of excess space and combination of stores compatible with the scale of operations.

*6 Additional payment for employees' retirement posted additional amounts of retirement benefits and costs for assistance in locating new employment for employees retiring under the voluntary retirement system implemented in conjunction with the revised human resources and compensation system.

Reference Data < Non-consolidated >

1. Commissions

(1) Breakdown by Categories

(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)	FY2002 4Q (1/1/03 ~ 3/31/03)
Brokerage commissions	8,223	6,225	8,102	4,964
< Equities >	< 7,876 >	< 5,321 >	< 7,538 >	< 4,593 >
< Bonds >	< 253 >	< 159 >	< 185 >	< 108 >
< Investment trusts >	< 93 >	< 745 >	< 379 >	< 262 >
Underwriting & selling commissions	2	2	2	-
< Bonds >	< 2 >	< 2 >	< 2 >	< - >
Subscription & distribution commissions	3,429	4,088	5,205	5,901
< Investment trusts >	< 2,471 >	< 2,700 >	< 3,647 >	< 3,794 >
Other commissions	11,767	11,432	11,190	9,910
< Investment trusts >	< 4,359 >	< 4,093 >	< 3,404 >	< 3,214 >
Total	23,422	21,748	24,501	20,776

(2) Breakdown by Products

(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)	FY2002 4Q (1/1/03 ~ 3/31/03)
Equities	9,321	6,969	9,430	6,745
Bonds	782	890	1,006	1,397
Investment trusts	6,924	7,538	7,431	7,271
Others	6,393	6,350	6,633	5,363
Total	23,422	21,748	24,501	20,776

2. Net gain (loss) on trading

(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)	FY2002 4Q (1/1/03 ~ 3/31/03)
Equities, etc.	1,067	4,570	(476)	1,182
Bonds, forex, etc.	5,455	2,710	4,919	7,326
< Bonds, etc. >	< 137 >	< 2,540 >	< 3,068 >	< 6,683 >
< Forex, etc. >	< 5,317 >	< 169 >	< 1,851 >	< 643 >
Total	6,522	7,280	4,443	8,509

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)		FY2002 4Q (1/1/03 ~ 3/31/03)	
	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	2,454	1,223,933
< Proprietary >	< 185 >	< 248,388 >	< 574 >	< 688,458 >	< 668 >	< 965,651 >	< 183 >	< 171,246 >
< Agency >	< 2,360 >	< 1,657,532 >	< 1,953 >	< 1,448,044 >	< 2,854 >	< 2,233,801 >	< 2,270 >	< 1,052,689 >
Agent ratio	92.7 %	87.0 %	77.3 %	67.8 %	81.0 %	69.8 %	92.5 %	86.0 %
TSE share	2.1 %	1.5 %	2.0 %	1.7 %	2.5 %	2.3 %	1.9 %	1.4 %

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	FY2002 4Q 01/01/03 03/31/03
Underwriting	Bonds	< Face value >	12,546	7,170	6,105	7,509
* Subscription and distribution	Equities	< Number of shares >	3	52	111	4
	Equities	< Amounts >	48,577	51,275	43,177	61,304
	Bonds	< Face value >	245,378	184,743	239,492	290,957
	Investment trusts	< Amounts >	803,743	690,501	947,724	760,380

* Including selling and distribution of private placement

5. Capital Adequacy Ratio

(Millions of Yen)

		Jun.30, 2002	Sep.30, 2002	Dec.31, 2002	Mar.31, 2003
Basic items	Capital (A)	354,028	353,496	354,170	349,385
Supplementary items	Unrealized gain on investment securities	435	-	-	150
	Statutory Reserves	137	101	172	221
	Allowance for bad debts	94	61	47	41
	Short-term subordinated borrowings	39,000	39,000	39,000	39,000
	Sub - total (B)	39,667	39,162	39,219	39,413
	Deductible assets (C)	171,287	159,004	157,806	154,960
	Net capital (A) + (B) - (C) (D)	222,407	233,655	235,583	233,838
Total risk	Market Risk	13,763	13,287	12,156	13,858
	Credit Risk	16,687	12,258	12,248	13,494
	Basic Risk	35,806	31,492	29,458	28,588
	Sub - total (E)	66,257	57,039	53,864	55,941
	Capital adequacy ratio (D) / (E)*100 (%)	335.6 %	409.6 %	437.3 %	418.0 %

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 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	FY2002 4Q 01/01/03 03/31/03
Operating revenue	28,358	31,916	30,967	30,816	31,287
Commissions	22,870	23,422	21,748	24,501	20,776
Brokerage commissions	6,576	8,223	6,225	8,102	4,964
Underwriting & selling commissions	7	2	2	2	0
Subscription & distribution commissions	3,739	3,429	4,088	5,205	5,901
Other commissions	12,547	11,767	11,432	11,190	9,910
Net gain on trading	3,756	6,522	7,280	4,443	8,509
Net gain on other trading	1	0	0	1	1
Interest and dividend income	1,730	1,970	1,937	1,870	2,000
Interest expense	1,468	1,375	1,374	1,499	1,549
Net operating revenue	26,889	30,541	29,593	29,316	29,738
Selling, general and administrative expense	32,771	28,601	28,580	27,021	28,392
Floor brokerage, communication and other transaction related costs	4,028	3,743	3,671	3,246	3,472
Employee compensation and benefits	14,552	12,941	12,473	12,987	14,001
Occupancy and equipment	5,090	4,261	4,339	3,821	3,810
Data processing and other services	5,623	4,610	4,679	4,117	4,162
Depreciation and amortization	717	552	553	539	489
Taxes, other than income taxes	104	204	151	148	140
Other expenses	2,653	2,288	2,711	2,160	2,316
Operating income (loss)	(5,881)	1,939	1,012	2,294	1,345
Non-operating income	(52)	528	327	80	450
Non-operating expense	44	160	485	320	260
Ordinary income (loss)	(5,979)	2,307	854	2,054	1,535
Extraordinary gain	(78)	2,980	180	(46)	(430)
Extraordinary loss	23,328	275	168	715	5,665
Income (Loss) before income taxes	(29,386)	5,012	865	1,292	(4,559)
Income taxes-current	45	32	40	41	39
Income taxes-deferred	-	-	824	674	622
Net income (loss) for the current period	(29,431)	4,980	1	577	(5,221)