

NIKKO CORDIAL SECURITIES INC.

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Non-Consolidated financial summary under Japanese GAAP for the six months ended September 30, 2003

(1) Operating results (from April 1, 2003 to September 30, 2003) (Millions of Yen)

	Operating revenue	Net operating revenue	Operating income
FY2003 2Q (6months)	89,003 [41.5%]	85,352 [41.9%]	22,381 [658.1%]
FY2002 2Q (6months)	62,884	60,134	2,952
FY2002	124,988	119,189	6,592

	Ordinary income	Net income
FY2003 2Q (6months)	22,359 [607.2%]	15,831 [217.8%]
FY2002 2Q (6months)	3,161	4,981
FY2002	6,751	337

Note: The percentage noted in Operating revenue, Net operating revenue, Operating income, Ordinary income, and Net income indicates the rate of the change compared to the same period in the previous year.

(2) Financial condition (Millions of Yen except percentage)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Capital adequacy ratio
As of Sep.30, 2003	1,326,457	366,700	27.6 %	439.7 %
As of Sep.30, 2002	1,381,412	353,496	25.6	409.6
As of Mar.31, 2003	1,524,809	349,536	22.9	418.0

STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Sep.30, 2003 (A)	Sep.30, 2002 (B)	variance (A) - (B)	Mar.31, 2003
< ASSETS >				
Current assets	1,176,070	1,215,975	(39,904)	1,367,420
Cash on hand, Cash in banks	205,510	106,299	99,211	140,212
Cash segregated for customers and others	115,708	79,278	36,429	81,940
Trading assets	470,841	609,867	(139,026)	581,355
Trading securities	420,123	565,868	(145,744)	530,037
Derivatives	50,718	43,999	6,718	51,317
Trading receivables	-	3,688	(3,688)	32,127
Margin account receivables	111,941	93,028	18,913	59,822
Loans on margin transactions	104,615	84,366	20,249	50,446
Cash collateral pledged for securities borrowing on margin transactions	7,326	8,662	(1,336)	9,375
Loans secured by securities	215,465	263,811	(48,346)	411,097
Cash collateral pledged for securities borrowings	215,465	263,811	(48,346)	411,097
Advance payments	1,084	1,867	(783)	970
Cash paid for subscription	6,676	4,806	1,869	2,315
Short-term loans	1,170	1,078	91	1,246
Deferred tax assets	15,720	15,853	(133)	15,853
Other current assets	32,187	36,644	(4,457)	40,692
Allowance for bad debts	(235)	(251)	15	(213)
Non-current assets	150,386	165,437	(15,051)	157,389
Tangible fixed assets	7,361	8,768	(1,407)	7,816
Intangible fixed assets	1,358	1,531	(172)	1,307
Investments and others	141,666	155,137	(13,471)	148,265
Investment securities	24,517	27,240	(2,722)	25,103
Investment in subsidiaries and affiliates	15,461	14,803	658	15,510
Long-term loans	66,874	66,909	(34)	66,908
Long-term guaranty deposits	21,924	27,953	(6,029)	26,110
Deferred tax assets	58,194	62,975	(4,781)	61,189
Other investments	20,923	21,283	(359)	19,682
Allowance for bad debts	(66,229)	(66,028)	(201)	(66,238)
Total assets	1,326,457	1,381,412	(54,955)	1,524,809

STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Sep.30, 2003 (A)	Sep.30, 2002 (B)	variance (A) - (B)	Mar.31, 2003
< LIABILITIES >				
Current liabilities	896,593	825,184	71,409	974,332
Trading liabilities	129,675	294,623	(164,948)	218,977
Trading securities	81,516	217,621	(136,104)	168,495
Derivatives	48,158	77,002	(28,844)	50,481
Trading payables	5	-	5	-
Margin account payables	27,368	24,132	3,235	21,078
Borrowings on margin transactions	8,902	11,563	(2,661)	8,504
Cash received for securities lending on margin transactions	18,465	12,569	5,896	12,574
Borrowings pledged by securities	421,940	321,154	100,785	522,841
Cash collateral received for securities lendings	234,006	298,623	(64,617)	254,782
Borrowings on Gensaki transaction	187,934	22,531	165,403	268,059
Deposits received	84,021	70,125	13,895	71,343
Guaranty deposits received	34,633	19,559	15,073	18,681
Short-term borrowings	44,595	15,695	28,900	39,495
Commercial paper	30,000	62,000	(32,000)	65,000
Current portion of corporate debts	100,000	-	100,000	-
Income taxes payable	3,617	81	3,536	160
Other current liabilities	20,736	17,810	2,925	16,754
Non-current liabilities	62,818	202,629	(139,811)	200,719
Corporate debts	-	100,000	(100,000)	100,000
Long-term borrowings	50,000	90,000	(40,000)	90,000
Accrued pension benefits	11,999	12,629	(630)	10,719
Other non-current liabilities	819	-	819	-
Statutory reserves	344	101	242	221
Total liabilities	959,756	1,027,915	(68,158)	1,175,273
< SHAREHOLDERS' EQUITY >				
Common stock	100,000	100,000	-	100,000
Additional paid-in capital	290,880	290,880	-	290,880
Legal capital reserve	290,880	290,880	-	290,880
Retained earnings	(25,662)	(36,851)	11,188	(41,494)
Unappropriated retained earnings	(25,662)	(36,851)	11,188	(41,494)
Net unrealized gain (loss) on investment sec.	1,482	(532)	2,015	150
Total shareholders' equity	366,700	353,496	13,203	349,536
Total liabilities and shareholders' equity	1,326,457	1,381,412	(54,955)	1,524,809

STATEMENT OF OPERATIONS

(Millions of Yen)

	FY2003 <A> (4/1/03 ~ 9/30/03)	FY2002 (4/1/02 ~ 9/30/02)	Ratio <u><A></u> <u></u> %	FY2002 (4/1/02 ~ 3/31/03)
Operating revenue	89,003	62,884	141.5	124,988
Commissions	63,313	45,171	140.2	90,449
Net gain on trading	21,785	13,803	157.8	26,756
Net gain on other trading	1	1	123.0	3
Interest and dividend income	3,902	3,908	99.9	7,778
Interest expense	3,650	2,749	132.8	5,799
Net operating revenue	85,352	60,134	141.9	119,189
Selling, general and administrative expense	62,971	57,182	110.1	112,597
Floor brokerage, communication and other transaction related costs	7,374	7,414	99.5	14,133
Employee compensation and benefits	35,108	25,414	138.1	52,403
Occupancy and equipment	7,223	8,601	84.0	16,232
Data processing and other services	8,100	9,290	87.2	17,570
Depreciation and amortization	865	1,106	78.3	2,134
Taxes, other than income taxes	304	355	85.5	644
Other expenses	3,995	4,999	79.9	9,476
Operating income	22,381	2,952	758.1	6,592
Non-operating revenue	469	855	54.9	1,386
Non-operating expense	490	645	76.0	1,226
Ordinary income	22,359	3,161	707.2	6,751
Extraordinary gain	573	3,160	18.2	2,684
Extraordinary loss	1,187	443	267.5	6,824
Income before income taxes	21,745	5,878	369.9	2,611
Income taxes-current	3,700	72	5,138.9	152
Income taxes-deferred	2,213	824	268.4	2,121
Net income	15,831	4,981	317.8	337
Retained earnings at the beginning of period	(41,494)	(41,832)	-	(41,832)
Retained earnings at the end of period	(25,662)	(36,851)	-	(41,494)

Notes to interim financial statements

The company's interim 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) (the "regulations") 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 regulations.

Basis of financial statements

1. Valuation of financial instruments

(1) Financial instruments held for trading purpose

Securities, derivative contracts and other financial instruments classified as trading assets and liabilities are recorded at market value.

(2) Financial instruments held for non-trading purpose

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 and market value is recorded as Net unrealized gains on investment securities 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 on the declining-balance method by using the useful lives and remaining balances stipulated in the Corporate Tax Law. However, the buildings acquired after April 1, 1998 (excluding facilities attached to buildings) are depreciated on the straight-line method according to 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 internally, and the useful lives of other intangible fixed assets are the periods stipulated in the Corporate Tax Law.

3. Accounting policies for 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 company recorded accrued pension benefits in accordance with the present value of estimated future obligations and the fair value of plan assets.

4. Accounting for certain lease transactions

Financing leases other than those for which the ownership of the leased property transfers to the lessee are accounted for as ordinary rental transactions.

5. Accounting for hedging activities

In principle unrealized gains and losses on hedging instrument are deferred as assets or liabilities until the gains 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)

	Sep.30, 2003	Sep.30, 2002	Mar.31, 2003
1. Accumulated depreciation of Tangible fixed assets	13,661	14,432	13,264

2. Debt Guarantees	25,267	22,100	23,081
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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

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)

	Sep.30, 2003	Sep.30, 2002	Mar.31, 2003
Subordinated borrowings	39,000	39,000	39,000

Notes to statement of operations

(Millions of Yen)

Details of extraordinary gain or loss	FY2003 2Q (6months)	FY2002 2Q (6months)	FY2002
Extraordinary gain			
Gain on sales of investment securities	524	3,160	2,646
Gain on sales of investment in affiliates	30	-	-
Gain on liquidation of affiliates	-	-	37
Reversal of allowance for bad debts	18	-	-
Extraordinary loss			
Loss on sales of fixed assets	57	-	-
Loss on disposal of fixed assets 1*	16	80	155
Write-off of investment securities 2*	27	86	2,518
Provision for bad debts 3*	100	100	200
Restructuring cost on branches and offices 4*	-	-	1,070
Provision for directors' retirements	862	166	304
Additional payment for employees' retirements 5*	-	-	2,446
Provision for securities transaction liabilities	123	10	129

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

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

*3 Provision for bad debts is provided for the loan to "The Nikko System Center, Ltd."

*4 Restructuring cost on branches and offices is the one-time cost and expense from disposal of tangible fixed assets, as a result of reallocation of branches, return of excess space and restructuring in order to restructure the size of business.

*5 Additional payment for employees' retirement is the result of additional amounts of retirement benefits and costs for assistance in 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 Accounts

(Millions of Yen except percentage)

	FY2003 2Q	FY2002 2Q	Ratio		FY2002
	<A> (4/1/03 ~ 9/30/03)	 (4/1/02 ~ 9/30/02)	$\frac{\text{<A>}}{\text{}}$	%	(4/1/02 ~ 3/31/03)
Brokerage commissions	22,346	14,449	154.7		27,516
< Equities >	< 21,281 >	< 13,197 >	< 161.3 >		< 25,329 >
< Bonds >	< 256 >	< 412 >	< 62.2 >		< 706 >
< Investment trusts >	< 809 >	< 839 >	< 96.4 >		< 1,480 >
Underwriting & selling commissions	0	4	21.4		7
< Bonds >	< 0 >	< 4 >	< 21.4 >		< 7 >
Subscription & distribution commissions	20,354	7,517	270.8		18,624
< Investment trusts >	< 17,222 >	< 5,171 >	< 333.0 >		< 12,613 >
Other commissions	20,611	23,200	88.8		44,300
< Investment trusts >	< 6,727 >	< 8,452 >	< 79.6 >		< 15,071 >
Total	63,313	45,171	140.2		90,449

(2) Breakdown by Products

(Millions of Yen except percentage)

	FY2003 2Q	FY2002 2Q	Ratio		FY2002
	<A> (4/1/03 ~ 9/30/03)	 (4/1/02 ~ 9/30/02)	$\frac{\text{<A>}}{\text{}}$	%	(4/1/02 ~ 3/31/03)
Equities	25,037	16,290	153.7		32,465
Bonds	1,993	1,672	119.1		4,076
Investment trusts	24,758	14,463	171.2		29,165
Others	11,524	12,744	90.4		24,740
Total	63,313	45,171	140.2		90,449

2. Net gain on trading

(Millions of Yen except percentage)

	FY2003 2Q	FY2002 2Q	Ratio		FY2002
	<A> (4/1/03 ~ 9/30/03)	 (4/1/02 ~ 9/30/02)	$\frac{\text{<A>}}{\text{}}$	%	(4/1/02 ~ 3/31/03)
Equities, etc.	4,148	5,637	73.6		6,343
Bonds, forex, etc.	17,636	8,165	216.0		20,412
< Bonds, etc. >	< 11,695 >	< 2,678 >	< 436.7 >		< 12,430 >
< Forex, etc. >	< 5,940 >	< 5,487 >	< 108.3 >		< 7,981 >
Total	21,785	13,803	157.8		26,756

3. Equity Trading Activity (Excluding futures)

(Millions of Shares, Millions of Yen except percentage)

	FY2003 2Q <A> (4/1/03~ 9/30/03)		FY2002 2Q (4/1/02~ 9/30/02)		Ratio — <A> %		FY2002 (4/1/02 ~ 3/31/03)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	9,622	5,722,716	5,073	4,042,423	189.7	141.6	11,051	8,465,809
< Proprietary >	< 632 >	< 689,209 >	< 759 >	< 936,846 >	< 83.2 >	< 73.6 >	< 1,611 >	< 2,073,743 >
< Agency >	< 8,990 >	< 50,335,070 >	< 4,313 >	< 3,105,576 >	< 208.4 >	< 162.1 >	< 9,439 >	< 6,392,066 >
Agent ratio	93.4 %	88.0 %	85.0 %	76.8 %	/		85.4 %	75.5 %
TSE share	2.4 %	2.0 %	2.0 %	1.6 %			2.1 %	1.7 %
Commission per share	¥2.35		¥3.03		/		¥2.66	

4. Underwriting / Subscription / Selling

(Millions of Shares, Millions of Yen except percentage)

		FY2003 2Q <A> (4/1/03~ 9/30/03)	FY2002 2Q (4/1/02~ 9/30/02)	Ratio — <A> %	FY2002 (4/1/02 ~ 3/31/03)
Underwriting	Bonds < Face value >	25,049	19,716	127.0	33,330
* Subscription and distribution	Equities < Number of shares >	62	55	113.3	170
	Equities < Amounts >	91,230	99,852	91.4	204,333
	Bonds < Face value >	570,723	430,121	132.7	960,570
	Invest. trusts < Amounts >	2,381,900	1,494,244	159.4	3,202,348

* Including selling and distribution of private placement

5. Capital Adequacy Ratio

(Millions of Yen except percentage)

		Sep.30, 2003	Sep.30, 2002	Mar.31, 2003
Basic items	Capital (A)	365,217	353,496	349,385
Supplementary items	Unrealized gain on investment securities	1,482	-	150
	Statutory reserves	344	101	221
	Allowance for bad debts	68	61	41
	Short-term subordinated borrowings	39,000	39,000	39,000
	Sub - total (B)	40,895	39,162	39,413
Deductible assets	(C)	146,375	159,004	154,960
Net capital (A)+(B)-(C)	(D)	259,737	233,655	233,838
Total risk	Market Risk	17,460	13,287	13,858
	Credit Risk	13,036	12,258	13,494
	Basic Risk	28,563	31,492	28,588
	Sub - total (E)	59,060	57,039	55,941
Capital adequacy ratio	(D) / (E)*100	439.7 %	409.6 %	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" described 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)

	FY2003 1Q 04/01/03 06/30/03	FY2003 2Q 07/01/03 09/30/03	FY2002 2Q 07/01/02 09/30/02	1/4 of FY2002 04/01/02 03/31/03
Operating revenue	42,481	46,521	30,967	31,247
Commissions	28,189	35,123	21,748	22,612
Brokerage commissions	8,539	13,807	6,225	6,879
Underwriting & selling commissions	0	0	2	1
Subscription & distribution commissions	9,314	11,039	4,088	4,656
Other commissions	10,335	10,276	11,432	11,075
Net gain on trading	12,171	9,613	7,280	6,689
Net gain on other trading	1	0	0	0
Interest and dividend income	2,119	1,783	1,937	1,944
Interest expense	2,185	1,464	1,374	1,449
Net operating revenue	40,296	45,056	29,593	29,797
Selling, general and administrative expense	30,387	32,084	28,580	28,149
Floor brokerage, communication and other transaction related costs	3,484	3,890	3,671	3,533
Employee compensation and benefits	17,066	18,042	12,473	13,100
Occupancy and equipment	3,728	3,494	4,339	4,058
Data processing and other services	3,952	4,147	4,679	4,392
Depreciation and amortization	430	435	553	533
Taxes, other than income taxes	205	98	151	161
Other expenses	2,019	1,975	2,711	2,369
Operating income	9,408	12,972	1,012	1,648
Non-operating revenue	347	121	327	346
Non-operating expense	319	171	485	306
Ordinary income	9,437	12,922	854	1,687
Extraordinary gain	140	433	180	671
Extraordinary loss	942	245	168	1,706
Income before income taxes	8,635	13,110	865	652
Income taxes-current	36	3,664	40	38
Income taxes-deferred	79	2,134	824	530
Net income	8,519	7,312	1	84