



April 27, 2006

NIKKO CORDIAL SECURITIES INC.

Telephone: 81(3)5644-4547

URL: http://www.nikko.co.jp/SEC/e_home.html

Non-consolidated financial summary under Japanese GAAP for the year ended March 31, 2006

(1) Operating results (from April 1, 2005 to March 31, 2006)

(Millions of Yen)

	Operating revenue	Net operating revenue	Operating income
FY2005	247,748 [43.5 %]	246,359 [45.7 %]	91,299 [185.0 %]
FY2004	172,653	169,125	32,034

	Ordinary income	Net income
FY2005	95,480 [166.5 %]	59,992 [199.9 %]
FY2004	35,826	20,001

Note:1.Change in accounting policy: No

2.The percentage noted in Operating revenue, Net operating revenue, Operating income, Ordinary income, and Net income is the rate of the increase or decrease compared to the previous year.

(2) Financial condition

(Millions of Yen except percentage)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Capital adequacy ratio
As of Mar.31, 2006	1,319,130	457,885	34.7 %	557.6 %
As of Mar.31, 2005	1,387,220	400,840	28.9 %	343.3 %

STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Mar. 31, 2006 (A)	Mar. 31, 2005 (B)	variance (A)-(B)
< ASSETS >			
Current assets	1,242,783	1,262,008	(19,224)
Cash on hand, Cash in banks	227,419	181,362	46,057
Cash segregated for customers and others	203,142	172,973	30,169
Trading assets	339,240	545,597	(206,356)
Trading securities	304,142	504,697	(200,555)
Derivatives	35,098	40,899	(5,800)
Margin account receivables	202,181	114,971	87,210
Loans on margin transactions	200,451	98,620	101,831
Cash collateral pledged for securities borrowing on margin transactions	1,730	16,350	(14,620)
Loans secured by securities	199,772	172,647	27,125
Cash collateral pledged for securities borrowings	199,772	172,647	27,125
Advance payments	259	2,077	(1,817)
Cash paid for subscription	7,913	9,359	(1,445)
Short-term guaranty deposits	17,184	23,783	(6,598)
Short-term loans	310	950	(640)
Accrued income	21,857	16,089	5,767
Deferred tax assets	15,657	15,462	195
Others	7,980	6,756	1,224
Allowance for bad debts	(138)	(21)	(116)
Non-current assets	76,346	125,212	(48,866)
Tangible fixed assets	7,976	8,118	(142)
Buildings	4,438	3,654	783
Furnitures and fixtures	3,520	4,446	(925)
Land	17	17	-
Intangible fixed assets	1,897	2,003	(105)
Software	1,299	1,407	(107)
Others	597	595	1
Investments and others	66,472	115,090	(48,618)
Investment securities	21,057	39,345	(18,288)
Investments in subsidiaries and affiliates	8,817	16,451	(7,633)
Long-term loans	11,077	50,997	(39,920)
Long-term guaranty deposits	15,988	18,018	(2,030)
Long-term prepaid expenses	535	186	348
Deferred tax assets	7,712	28,639	(20,927)
Others	12,438	12,632	(193)
Allowance for bad debts	(11,154)	(51,180)	40,026
Total assets	1,319,130	1,387,220	(68,090)

STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Mar. 31, 2006 (A)	Mar. 31, 2005 (B)	variance (A)-(B)
< LIABILITIES >			
Current liabilities	858,471	972,838	(114,366)
Trading liabilities	128,162	178,464	(50,302)
Trading securities	93,968	139,836	(45,867)
Derivatives	34,193	38,628	(4,434)
Trade account payables	6,463	24,686	(18,222)
Margin account payables	8,907	9,080	(172)
Borrowings on margin transactions	5,137	2,196	2,941
Cash received for securities lending on margin transactions	3,770	6,884	(3,113)
Borrowings pledged by securities	325,088	376,502	(51,413)
Cash collateral received for securities lendings	235,458	134,710	100,748
Borrowings on Gensaki transaction	89,630	241,791	(152,161)
Deposits received	196,892	133,225	63,667
Guaranty deposits received	47,367	27,601	19,766
Short-term borrowings	76,395	93,195	(16,800)
Commercial paper	-	105,000	(105,000)
Account payables	19,129	6,392	12,737
Income taxes payable	23,140	949	22,191
Accrued bonuses	22,500	14,200	8,300
Others	4,424	3,542	881
Non-current liabilities	2,028	13,001	(10,972)
Long-term borrowings	-	2,000	(2,000)
Accrued pension benefits	1,675	10,524	(8,849)
Others	353	476	(123)
Statutory reserves	744	540	204
Reserve for securities transaction liabilities	744	540	204
Total liabilities	861,244	986,380	(125,135)
< SHAREHOLDERS' EQUITY >			
Common stock	100,000	100,000	-
Additional paid-in capital	290,880	290,880	-
Legal capital reserve	290,880	290,880	-
Earned Surplus	65,730	8,937	56,792
Retained earnings	65,730	8,937	56,792
Net unrealized gain on investment securities	1,274	1,022	252
Total shareholders' equity	457,885	400,840	57,044
Total liabilities and shareholders' equity	1,319,130	1,387,220	(68,090)

STATEMENT OF OPERATIONS

(Millions of Yen)

	FY2005 (A) (4/1/05 ~ 3/31/06)	FY2004 (B) (4/1/04 ~ 3/31/05)	variance (A) - (B)	Ratio $\frac{\langle A \rangle}{\langle B \rangle}$ %
Operating revenue	247,748	172,653	75,094	143.5
Commissions	192,965	134,218	58,747	143.8
Net gain on trading	47,651	31,209	16,441	152.7
Net gain on other trading	1	6	(4)	23.9
Interest and dividend income	7,129	7,219	(89)	98.8
Interest expense	1,388	3,528	(2,139)	39.4
Net operating revenue	246,359	169,125	77,233	145.7
Selling, general and administrative expense	155,060	137,090	17,969	113.1
Brokerage, communication and other transaction related costs	20,221	21,307	(1,085)	94.9
Employee compensation and benefits	79,179	62,200	16,978	127.3
Occupancy	14,596	13,738	857	106.2
Data processing and other services	27,239	27,423	(184)	99.3
Depreciation and amortization	1,690	1,663	27	101.6
Taxes, other than income taxes	1,948	1,309	639	148.8
Other expenses	10,183	9,448	735	107.8
Operating income	91,299	32,034	59,264	285.0
Non-operating revenue	4,400	4,132	268	106.5
Non-operating expense	219	340	(121)	64.4
Ordinary income	95,480	35,826	59,653	266.5
Extraordinary gain	16,026	813	15,212	1,969.1
Extraordinary loss	8,758	1,336	7,422	655.4
Income before income taxes	102,748	35,304	67,444	291.0
Income taxes-current	22,197	131	22,066	16,944.4
Income taxes-deferred	20,558	15,171	5,387	135.5
Net income	59,992	20,001	39,991	299.9
Retained earnings at beginning of year	7,337	(11,063)	18,401	-
Interim dividend	1,600	-	1,600	-
Retained earnings at end of year	65,730	8,937	56,792	735.4

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.

Accounting policies

1. Valuation of financial instruments

(1) Trading purposes

Securities and derivative contracts classified as trading assets and liabilities are recorded at market value.

(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

(a) 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 statement of financial condition.

(b) Securities without market value:

Recorded at cost using the moving average method. Investment in partnership funds are consolidated in proportion to the company's interests, but certain investment in partnership which will not have material effect on financial statement are recorded as investment securities at net asset values based on its financial statements in proportion to the company's interests.

2. Depreciation and amortization

(1) Tangible fixed assets

Tangible fixed assets are depreciated on the declining-balance method by using the useful lives and salvage value 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 in accordance 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 estimated period for internal use, 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 estimated provision for performing loans with a prospected loss rate based on historical loss experiences, and estimated provision for non-performing loans from probable losses respectively.

(2) Accrued bonuses

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

(3) Accrued pension benefits

To provide for the payment of retirement benefits for the person who is receiving annuities, the company recorded accrued pension benefits in accordance with the present value of estimated future obligations and the fair value of plan assets.

At the end of this year, the company terminated its qualified pension plan and lump sum retirement plan to reform compensation system aiming at competitiveness enhancements, and the qualified pension plan for those who are receiving annuities now is transformed to closed-end type pension plan.

4. Accounting for 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 general, 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)	
	<u>Mar.31, 2006</u>	<u>Mar.31, 2005</u>
1. Accumulated depreciation of Tangible fixed assets	12,378	13,151
2. Debt guarantees	22,715	22,056
<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 note as debt guarantees.</p>		

Notes to statement of operations

1. ¥47,651 million net gain on trading includes ¥525 million of net unrealized loss.

	(Millions of Yen)	
	<u>FY2005</u>	<u>FY2004</u>
2.Details of extraordinary gain and loss		
Extraordinary gain		
Gain on sales of investment securities	1,743	813
Gain on sales of investments in subsidiaries and affiliates	14,282	-
Extraordinary loss		
Loss on sales of fixed assets	113	-
Loss on disposal of fixed assets	528	460
Write-off of investment securities	2,758	353
Contributin to the Securities Market Infrastructure Improvemant Fund	86	-
Repairment and anti-eqrthquake reinforcement cost on branches	-	448
Provision for directors' retirements	99	30
Loss on termination of retirement benefit system	4,967	-
Provision for securities transaction liabilities	204	44

Reference Data < Non-consolidated >

1. Commissions

(1) Breakdown by Account

(Millions of Yen expect percentage)

	FY2005	FY2004	Ratio
	(A) (4/1/05 ~ 3/31/06)	(B) (4/1/04 ~ 3/31/05)	$\frac{\langle A \rangle}{\langle B \rangle}$ %
Brokerage commissions	65,195	43,436	150.1
< Equities >	< 64,700 >	< 42,930 >	< 150.7 >
< Bonds >	< 305 >	< 311 >	< 98.0 >
< Investment trusts >	< 189 >	< 194 >	< 97.5 >
Underwriting and selling commissions	5	3	166.9
< Bonds >	< 5 >	< 3 >	< 166.9 >
Subscription and distribution commissions	71,660	45,843	156.3
< Investment trusts >	< 54,688 >	< 28,515 >	< 191.8 >
Other commissions	56,103	44,934	124.9
< Investment trusts >	< 25,557 >	< 17,744 >	< 144.0 >
Total	192,965	134,218	143.8

(2) Breakdown by Products

(Millions of Yen expect percentage)

	FY2005	FY2004	Ratio
	(A) (4/1/05 ~ 3/31/06)	(B) (4/1/04 ~ 3/31/05)	$\frac{\langle A \rangle}{\langle B \rangle}$ %
Equities	79,054	57,370	137.8
Bonds	5,836	6,713	86.9
Investment trusts	80,435	46,454	173.1
Others	27,637	23,679	116.7
Total	192,965	134,218	143.8

2. Net gain on trading

(Millions of Yen expect percentage)

	FY2005	FY2004	Ratio
	(A) (4/1/05 ~ 3/31/06)	(B) (4/1/04 ~ 3/31/05)	$\frac{\langle A \rangle}{\langle B \rangle}$ %
Equities	10,802	7,632	141.5
Fixed income and foreign exchange	36,848	23,577	156.3
< Fixed income >	< 23,199 >	< 16,204 >	< 143.2 >
< Foreign exchange >	< 13,649 >	< 7,372 >	< 185.1 >
Total	47,651	31,209	152.7

3. Equity Trading Activity (Excluding futures)

(Millions of Shares, Millions of Yen)

	FY2005 (A) (4/1/05 ~ 3/31/06)		FY2004 (B) (4/1/04 ~ 3/31/05)		Ratio $\frac{\langle A \rangle}{\langle B \rangle}$	
	Number of shares	Amounts	Number of shares	Amounts	Number of shares	Amounts
Total	12,499	11,165,497	10,382	8,725,766	120.4 %	128.0 %
< Proprietary >	< 1,250 >	< 1,624,475 >	< 864 >	< 1,128,283 >	< 144.5 >	< 144.0 >
< Agency >	< 11,249 >	< 9,541,022 >	< 9,517 >	< 7,597,482 >	< 118.2 >	< 125.6 >
Agent ratio	90.0 %	85.5 %	91.7 %	87.1 %	/	
TSE share	0.9 %	0.8 %	1.1 %	1.1 %		

4. Underwriting / Subscription / Selling

(Millions of Shares, Millions of Yen or percentage)

			FY2005 04/01/05 03/31/06	FY2004 04/01/04 03/31/05	Ratio $\frac{A}{B}$ %
Underwriting	Bonds	< Face value >	72,901	30,572	238.5
* Subscription and distribution	Equities	< Number of shares >	111	342	32.5
	Equities	< Amounts >	553,493	516,785	107.1
	Bonds	< Face value >	1,641,283	1,566,312	104.8
	Invest. trusts	< Amounts >	7,533,532	5,174,829	145.6
	Others	< Amounts >	37,284	15,300	243.7

* Including selling and distribution of private placement

5. Capital Adequacy Ratio

(Millions of Yen except percentage)

		Mar.31, 2006	Mar.31, 2005
Basic items	Total shareholders' equity (A)	426,610	398,218
Supplementary items	Unrealized gain on investment securities	1,274	1,022
	Statutory reserves	744	540
	Allowance for bad debts	138	21
	Sub - total (B)	2,156	1,583
Deductible assets (C)		72,725	119,340
Net capital (A) + (B) - (C) (D)		356,041	280,461
Total risk	Market Risk	13,304	34,613
	Credit Risk	14,556	12,548
	Basic Risk	35,987	34,511
	Sub - total (E)	63,848	81,673
Capital adequacy ratio (D) / (E)* 100		557.6 %	343.3 %

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

QUARTERLY STATEMENT OF OPERATIONS

(Millions of Yen)

	FY2005 1Q 04/01/05 06/30/05	FY2005 2Q 07/01/05 09/30/05	FY2005 3Q 10/01/05 12/31/05	FY2005 4Q 01/01/06 03/31/06	FY2004 1/4 04/01/04 03/31/05
Operating revenue	48,694	60,811	74,186	64,055	43,163
Commissions	35,013	47,103	57,610	53,238	33,554
Brokerage commissions	9,270	15,125	22,698	18,100	10,859
Underwriting and selling commissions	1	1	1	1	0
Subscription and distribution commissions	15,081	17,798	21,043	17,737	11,460
Other commissions	10,659	14,177	13,866	17,399	11,233
Net gain on trading	11,814	11,919	14,876	9,041	7,802
Net gain on other trading	0	0	0	0	1
Interest and dividend income	1,866	1,788	1,699	1,775	1,804
Interest expense	367	427	313	279	882
Net operating revenue	48,326	60,383	73,873	63,775	42,281
Selling, general and administrative expense	34,888	37,807	40,901	41,463	34,272
Brokerage, communication and other transaction related costs	4,364	4,561	5,410	5,885	5,326
Employee compensation and benefits	17,359	19,778	21,496	20,544	15,550
Occupancy	3,294	3,457	3,590	4,254	3,434
Data processing and other services	6,526	6,853	7,024	6,834	6,855
Depreciation and amortization	486	337	419	446	415
Taxes, other than income taxes	426	507	572	442	327
Other expenses	2,429	2,311	2,387	3,055	2,362
Operating income	13,438	22,576	32,971	22,312	8,008
Non-operating income	243	601	2,260	1,295	1,033
Non-operating expense	77	24	(26)	144	85
Ordinary income	13,604	23,153	35,258	23,464	8,956
Extraordinary gain	-	179	15,990	(144)	203
Extraordinary loss	264	214	8,025	253	334
Income before income taxes	13,340	23,118	43,223	23,066	8,826
Income taxes-current	37	36	11,437	10,685	32
Income taxes-deferred	5,494	9,792	6,432	(1,162)	3,792
Net income	7,807	13,289	25,352	13,542	5,000