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NIKKO CORDIAL SECURITIES INC.

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Non-Consolidated Financial Summary 3 Months Ended June 30, 2009 (JGAAP)

1. Overall business performance for the 3 months ended June 30, 2009

(1) Operating results (from April 1, 2009 to June 30, 2009)

(Millions of Yen except for percentages)

	Operating revenue	Net operating revenue	Operating income
FY2009 1Q (3 months)	42,496 -24.9%	41,859 -23.4%	10,295 -24.8%
FY2008 1Q (3 months)	56,561 -15.8%	54,675 -17.2%	13,682 -35.5%

	Ordinary income	Quarterly Net income
FY2009 1Q (3 months)	11,031 -21.9%	8,253 2.6%
FY2008 1Q (3 months)	14,120 -35.2%	8,045 -33.8%

Note: 1. The percentages noted in Operating revenue, Net operating revenue, Operating income, Ordinary income and Quarterly Net income represent the increase or decrease compared to the same period in the previous year.

2. Figures are rounded down to the nearest whole number except for percentages.

(2) Financial condition

(Millions of Yen except for percentages)

	Total assets	Net assets	Equity ratio	Capital adequacy ratio
FY2009 1Q	1,207,438	401,681	33.3 %	695.8 %
FY2008	1,466,956	393,392	26.8	607.6

Equity (Total of "Shareholders' equity" and "Valuation and translation adjustments")

FY 2009 1Q: 401,681 million yen FY 2008: 393,392 million yen

2. Others

- (1) Adoption of simplified accounting method or accounting method peculiar to quarterly: None financial statements
- (2) Change of the accounting principles, procedures and presentation in the preparation of quarterly financial statements
 - (i) Changes due to revised accounting standard : None
 - (ii) Other than the above : None

Operating Results and Financial Condition

1. Operating Results

Financial Overview

Operating revenue for this period (from April 1, 2009 to June 30, 2009) totaled 42.4 billion yen or a 25 % decrease over the same period in the previous year and net operating revenue, which subtracts interest expense from operating revenue, was 41.8 billion yen or a 23% decrease. Selling, general and administrative expense was 31.5 billion yen or a 23% decrease. Consequently, operating income was 10.2 billion yen, or a 25% decrease, and ordinary income after adjustment for non-operating income/expenses was 11.0 billion yen or a 22% decrease. As a result, Net income, after extraordinary gains (losses) and income taxes, was 8.2 billion yen or a 3% increase on a year-over-year basis.

Major revenues and expenses are as follows:

(1) Commissions

Commissions were 29.3 billion yen, down 20% from the same period of the previous fiscal year. Following are summaries by category:

Brokerage Commissions

Brokerage commissions were 5.2 billion yen, a 19% decrease. Average daily trading value on the Tokyo Stock Exchange (domestic common stocks total) during the quarter decreased by 32% from the year-earlier level to 1,720.6 billion yen. Given this situation of market conditions, brokerage commissions on equities came to 4.8 billion yen or a 23% decrease.

Subscription and Distribution Commissions

Subscription and distribution commissions were 14.5 billion yen, a 26% increase. Commission revenues on equities were 1.0 billion yen or a 143% increase, and those on bonds were 0.1 billion yen or an 87% decrease. Commission revenues on mutual funds were 13.2 billion yen or a 39% increase, due to brisk sales of mutual funds, especially international investment ones, reflecting global stock market rallies remarkable in emerging markets.

Other Commissions

Other commissions were 9.5 billion yen, down 49%, mainly due to a decrease in agency commission on accumulated balances in mutual funds.

(2) Net Gain on Trading

Net gain on trading was 12.1 billion yen, or a 30% decrease. Trading gain on equities and bonds/foreign exchanges were 0.7 billion yen and 11.4 billion yen, respectively.

(3) Net Financial Income

Net financial income, 0.9 billion yen of interest and dividend income less 0.6 billion yen of interest expense, was 0.2 billion yen.

(4) Selling, General and Administrative Expenses

Brokerage, communication and other transaction related costs were 2.5 billion yen or a decrease of 1.5 billion yen (down 38%), mainly due to a decrease in advertising expenses. Outsourcing and office supplies expenses were 6.5 billion yen or a decrease of 2.0 billion yen (down 24%), mainly due to a decrease in information systems related expenses. In addition, employee compensation and benefits were 15.6 billion yen or a decrease of 4.1 billion yen (down 21%), mainly due to a decrease in bonuses for employees and compensations and benefits for performance based FA/IFA. As a result, selling, general and administrative expenses were 31.5 billion yen, a decrease of 9.4 billion yen (down 23%).

(5) Extraordinary gains and losses

The Company recorded extraordinary gains totaling 1.4 billion yen, including gain on sales of investment securities and reversal of financial instruments transactions reserve.

Extraordinary losses including write-off of investment securities and loss on disposal of fixed assets were 1.8 billion yen.

(6) Taxes

The income taxes-current was 2.6 billion yen and income taxes benefits-deferred was 0.2 billion yen.

2. Financial Condition

Current assets at the end of this quarter amounted to 1,145.7 billion yen, a decrease of 260.2 billion yen compared to the end of the previous fiscal year, mainly due to a decrease in trading assets. Fixed assets were 61.7 billion yen, an increase of 0.7 billion yen compared to the end of the previous fiscal year.

Current liabilities amounted to 799.1 billion yen, a decrease of 267.6 billion yen compared to the end of the previous fiscal year, mainly due to a decrease in borrowings on Gensaki transactions. Long-term liabilities were 6.2 billion yen.

3. Financial Statements

(1) Balance Sheet

(Millions of Yen except for percentages)

	Jun. 30, 2009	 Mar. 31, 2009	<A> Net Change	$\left[\frac{\langle A \rangle}{\langle B \rangle} \right]$
(ASSETS)				
Current assets	<u>1,145,712</u>	<u>1,405,961</u>	<u>(260,249)</u>	<u>(18.5) %</u>
Cash and cash deposits	33,747	95,650	(61,902)	(64.7)
Cash segregated and deposits	143,662	148,189	(4,526)	(3.1)
Trading assets:	497,528	700,958	(203,429)	(29.0)
<i>Trading securities</i>	350,950	539,964	(189,014)	(35.0)
<i>Derivatives</i>	146,578	160,993	(14,414)	(9.0)
Open trade receivables, net	14,188	-	14,188	-
Receivables related to margin transactions:	33,053	23,716	9,337	39.4
<i>Loans on margin transactions</i>	29,877	18,671	11,205	60.0
<i>Cash collateral pledged for securities borrowed on margin transactions</i>	3,176	5,044	(1,868)	(37.0)
Collateralized short-term financing agreements:	298,034	281,534	16,499	5.9
<i>Cash collateral pledged for securities borrowed</i>	297,734	281,534	16,199	5.8
<i>Loans on Gensaki transactions</i>	299	-	299	-
Advance payments	968	989	(21)	(2.2)
Cash paid for subscriptions	6,127	3,620	2,507	69.3
Short-term loans	158	133	24	18.6
Deferred tax assets	3,450	5,995	(2,544)	(42.4)
Other current assets	115,646	146,061	(30,414)	(20.8)
Allowance for bad debts	(854)	(887)	33	-
Fixed assets	<u>61,726</u>	<u>60,994</u>	<u>731</u>	<u>1.2</u>
Tangible fixed assets	6,278	6,570	(291)	(4.4)
Intangible fixed assets	2,865	3,079	(213)	(6.9)
Investments and others:	52,582	51,345	1,236	2.4
<i>Investment securities</i>	6,273	8,053	(1,780)	(22.1)
<i>Investment in subsidiaries and affiliates</i>	10,348	9,848	500	5.1
<i>Long-term loans</i>	5,085	5,085	(0)	(0.0)
<i>Long-term guarantee deposits</i>	14,000	14,196	(196)	(1.4)
<i>Deferred tax assets</i>	10,483	7,726	2,756	35.7
<i>Other investments</i>	12,405	12,450	(45)	(0.4)
<i>Allowance for bad debts</i>	(6,013)	(6,014)	1	-
Total assets	<u>1,207,438</u>	<u>1,466,956</u>	<u>(259,518)</u>	<u>(17.7)</u>

(Millions of Yen except for percentages)

	Jun. 30, 2009	 Mar. 31, 2009	<A> Net Change	$\left[\frac{\langle A \rangle}{\langle B \rangle} \right]$
(LIABILITIES)				
Current liabilities	799,118	1,066,754	(267,635)	(25.1) %
Trading liabilities:	242,442	225,464	16,978	7.5
<i>Trading securities</i>	95,648	63,938	31,709	49.6
<i>Derivatives</i>	146,794	161,525	(14,731)	(9.1)
Open trade payables, net	-	3,687	(3,687)	-
Payables related to margin transactions:	23,440	17,668	5,771	32.7
<i>Borrowings on margin transactions</i>	16,274	10,209	6,064	59.4
<i>Cash collateral received for securities loaned on margin transactions</i>	7,166	7,459	(293)	(3.9)
Collateralized short-term financing agreemer	153,527	371,859	(218,331)	(58.7)
<i>Cash collateral received for securities loaned</i>	95,253	85,910	9,343	10.9
<i>Borrowings on Gensaki transactions</i>	58,274	285,948	(227,674)	(79.6)
Deposits received	119,578	117,848	1,730	1.5
Guarantee deposits received	17,701	15,912	1,789	11.2
Short-term borrowings	215,400	301,300	(85,900)	(28.5)
Commercial paper	15,000	-	15,000	-
Income taxes payable	719	736	(17)	(2.4)
Other current liabilities	11,308	12,277	(968)	(7.9)
Long-term liabilities	6,202	6,216	(14)	(0.2)
Accrued pension benefits	5,275	5,257	17	0.3
Other long-term liabilities	927	959	(32)	(3.4)
Statutory reserves	436	593	(156)	(26.5)
Total liabilities	805,757	1,073,564	(267,807)	(24.9)
(NET ASSETS)				
Shareholders' equity	401,664	393,411	8,253	2.1
Common stock	100,000	100,000	-	-
Capital surplus:	293,606	293,606	-	-
<i>Legal capital reserve</i>	25,000	25,000	-	-
<i>Other capital reserve</i>	268,606	268,606	-	-
Retained earnings:	8,057	(195)	8,253	-
<i>Other retained earnings</i>	8,057	(195)	8,253	-
<i>Unappropriated retained earnings</i>	8,057	(195)	8,253	-
Valuation and translation adjustments	17	(18)	35	-
Net unrealized gain on investment securities	17	(18)	35	-
Total net assets	401,681	393,392	8,289	2.1
Total liabilities and net assets	1,207,438	1,466,956	(259,518)	(17.7)

(2) Income Statement

(Millions of Yen except for percentages)

	 For the 3 months ended Jun. 30, 2008	For the 3 months ended Jun. 30, 2009	<A> Net Change	$\left[\frac{\text{<A>}}{\text{}} \right]$
Operating revenue	56,561	42,496	(14,065)	(24.9) %
Commissions	36,733	29,392	(7,341)	(20.0)
Net gain on trading	17,290	12,170	(5,119)	(29.6)
Net gain on other trading	0	0	(0)	(50.5)
Interest and dividend income	2,537	933	(1,604)	(63.2)
Interest expense	1,886	637	(1,249)	(66.2)
Net operating revenue	54,675	41,859	(12,816)	(23.4)
Selling, general and administrative expenses	40,993	31,563	(9,429)	(23.0)
<i>Brokerage, communication and other transaction related costs</i>	4,115	2,540	(1,575)	(38.3)
<i>Employee compensation and benefits</i>	19,865	15,685	(4,180)	(21.0)
<i>Occupancy</i>	4,636	3,935	(700)	(15.1)
<i>Outsourcing and office supplies</i>	8,592	6,540	(2,051)	(23.9)
<i>Depreciation and amortization</i>	641	527	(114)	(17.8)
<i>Taxes, other than income taxes</i>	685	496	(188)	(27.5)
<i>Others</i>	2,456	1,837	(619)	(25.2)
Operating income	13,682	10,295	(3,386)	(24.8)
Non-operating income	539	838	299	55.5
Non-operating expenses	101	103	1	1.6
Ordinary income	14,120	11,031	(3,089)	(21.9)
Extraordinary gains	12	1,483	1,471	—
Extraordinary losses	49	1,829	1,779	—
Quarterly Net income before provision for income taxes	14,082	10,684	(3,397)	(24.1)
Income taxes-current	1,345	2,668	1,322	98.2
Income taxes/(benefits)-deferred	4,691	(236)	(4,927)	—
Quarterly Net income	8,045	8,253	207	2.6

Notes to the financial statements

The financial statements of Nikko Cordial Securities Inc. have been prepared in accordance with the "Regulations of Interim Financial Statements" (MOF Ordinance No.38, 1977), as well as with the "Cabinet Office Ordinance Concerning Financial Instruments Dealers" (Cabinet Office Ordinance No.52, 2007) and the "Rule concerning Uniform Accounting Standards for Securities Dealers" (Self-regulatory Rule of Japan Securities Dealers Association, November 14, 1974) in accordance with the provisions of Article 38 and Article 57 of the same regulations.

Basis of the financial statements

1. Valuation of financial instruments

(1) Trading securities and derivatives

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

(2) Non-trading securities and derivatives

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

(A) Investments in subsidiaries and affiliates

Recorded at cost method using the moving average method.

(B) Other securities

a. Securities with market value:

Recorded at market value at the end of this period. The difference between the cost using the moving average method and market value is recorded as Net unrealized gain on investment securities in Net assets on the statement of financial condition.

b. Securities without market value:

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

2. Depreciation method for fixed assets

(1) Tangible fixed assets (not including Leased Assets)

The declining-balance method is mainly applied.

(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) Leased Assets

The straight-line method is applied for leased assets of financing leases without transfer of ownership. The useful life of that method is leasing period and the residual value is zero.

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, director and executive officer bonus payments, accrued bonuses are estimated based on prescribed calculation methods.

(3) Accrued pension benefits

To provide for the payment of annuity holder retirement benefits, the company recorded accrued pension benefits in accordance with the estimated value of future obligations and plan assets at the end of this period.

4. Accounting Procedure for Lease transaction

The company applies accounting principles of general lease transactions for finance lease transactions without ownership transfer if the transaction commenced prior to the adaptation of the new standards.

5. Other basis of presentation

(1) Accounting for consumption taxes

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

(2) Consolidated tax system

The company applies the consolidated tax return system with Nikko Citi Holdings Inc. as the consolidated parent corporation.

Notes to the balance sheet

(Millions of Yen)

	<u>Jun. 30, 2009</u>	<u>Mar. 31, 2009</u>
1. Accumulated depreciation of tangible fixed assets	12,127	11,860
2. Debt guarantees	16,112	16,899

In accordance with the Auditing Committee Report No.61 "Audit Treatment of Accounting and Reporting of Debt Guarantees and Similar Acts" issued by the 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.

Notes to quarterly income statement

(Millions of Yen)

	For the 3 months ended <u>Jun. 30, 2008</u>	For the 3 months ended <u>Jun. 30, 2009</u>
Details of extraordinary gains and losses		
Extraordinary gains		
Gain on sales of investment securities	-	1,291
Reversal of allowance for bad debts	6	34
Reversal of financial instruments transactions reserve	5	156
Extraordinary losses		
Loss on disposal of fixed assets	29	1
Loss from sales of investment securities	3	-
Write-off of investment securities	16	1,828

4. Reference data**(1) Commissions****(A) Breakdown by Categories**

(Millions of Yen except for percentages)

	 For the 3 months ended Jun. 30, 2008	For the 3 months ended Jun. 30, 2009	<A> Net Change	$\left[\frac{\langle A \rangle}{\langle B \rangle} \right]$
Brokerage commissions	6,414	5,224	-1,190	-18.6 %
< Equities >	< 6,328 >	< 4,869 >	< -1,459 >	< -23.1 >
< Bonds >	< 7 >	< 26 >	< 19 >	< 262.8 >
< Investment trusts >	< 78 >	< 328 >	< 249 >	< 319.3 >
Subscription & distribution commissions	11,522	14,572	3,050	26.5
< Investment trusts >	< 9,581 >	< 13,294 >	< 3,713 >	< 38.8 >
Other commissions	18,797	9,596	-9,200	-48.9
< Investment trusts >	< 9,075 >	< 5,267 >	< -3,808 >	< -42.0 >
Total	36,733	29,392	-7,341	-20.0

(B) Breakdown by Products

(Millions of Yen except for percentages)

	 For the 3 months ended Jun. 30, 2008	For the 3 months ended Jun. 30, 2009	<A> Net Change	$\left[\frac{\langle A \rangle}{\langle B \rangle} \right]$
Equities	7,328	6,389	-939	-12.8 %
Bonds	1,730	310	-1,420	-82.1
Investment trusts	18,734	18,889	154	0.8
Others	8,939	3,803	-5,135	-57.5
Total	36,733	29,392	-7,341	-20.0

(2) Gain / Loss on Trading

(Millions of Yen except for percentages)

	 For the 3 months ended Jun. 30, 2008	For the 3 months ended Jun. 30, 2009	<A> Net Change	$\left[\frac{\langle A \rangle}{\langle B \rangle} \right]$
Equities, etc.	230	728	497	215.7 %
Bonds, forex, etc.	17,059	11,442	-5,617	-32.9
< Bonds, etc. >	< 15,919 >	< 11,004 >	< -4,914 >	< -30.9 >
< Forex, etc. >	< 1,140 >	< 438 >	< -702 >	< -61.6 >
Total	17,290	12,170	-5,119	-29.6

(3) Equity Trading Activity (excluding futures transactions)

(Millions of Yen and shares except for percentages)

	For the 3 months ended Jun. 30, 2008		For the 3 months ended Jun. 30, 2009		Comparison ratio	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	1,222	1,224,419	1,700	829,099	39.1 %	-32.3 %
< Proprietary >	< 146 >	< 200,622 >	< 80 >	< 64,507 >	< -45.2 >	< -67.8 >
< Agency >	< 1,076 >	< 1,023,796 >	< 1,620 >	< 764,591 >	< 50.5 >	< -25.3 >
Brokerage ratio	88.0 %	83.6 %	95.3 %	92.2 %		
TSE share	0.4 %	0.3 %	0.5 %	0.3 %		

(4) Subscription / Distribution

(Millions of Yen and shares except for percentages)

		For the 3 months ended Jun. 30, 2008	For the 3 months ended Jun. 30, 2009	Comparison ratio
*Subscription and distribution	Equities (Number of shares)	0	11	- %
	Equities (Amounts)	17,096	45,810	168.0
	Bonds (Face value)	461,166	241,212	-47.7
	Invest. trusts (Amounts)	1,368,906	1,238,394	-9.5
	Others (Amounts)	4,138	161	-96.1

* Include distributions and private offerings

(5) Regulatory Capital Adequacy Ratio

(Millions of Yen except for percentages)

		Jun. 30, 2009	Mar. 31, 2009
Basic items	Total capital (A)	401,664	393,392
Supplementary items	Unrealized gain on investment securities	17	-
	Statutory reserve	436	593
	Allowance for bad debts	42	38
	Sub-total (B)	495	631
Deductible assets (C)	68,342	67,989	
Net capital (A) + (B) - (C) (D)	333,817	326,034	
Risk total	Market Risk	3,235	3,498
	Counterparty Risk	10,505	11,080
	Basic Risk	34,234	39,075
	Sub-total (E)	47,975	53,654
Net capital ratio (D) / (E)*100 (%)	695.8 %	607.6 %	

Note: The table above shows calculation of the capital adequacy ratio based on financial results in accordance with the provision set out in the Financial Instruments and Exchange Law.

(6) Quarterly Statements of Operations

(Millions of Yen)

	FY2008 1Q 04/01/08 06/30/08	FY2008 2Q 07/01/08 09/30/08	FY2008 3Q 10/01/08 12/31/08	FY2008 4Q 01/01/09 03/31/09	FY2009 1Q 04/01/09 06/30/09
Operating revenue	56,561	41,871	35,177	30,524	42,496
Commissions	36,733	29,416	22,049	19,554	29,392
<i>Brokerage commissions</i>	6,414	4,653	6,282	3,683	5,224
<i>Subscription & distribution commissions</i>	11,522	7,828	3,402	6,509	14,572
<i>Other commissions</i>	18,797	16,934	12,365	9,361	9,596
Net gain on trading	17,290	10,449	11,562	10,074	12,170
Net gain on other trading	0	0	0	0	0
Interest and dividend income	2,537	2,005	1,565	895	933
Interest expense	1,886	1,438	1,186	681	637
Net operating revenue	54,675	40,433	33,990	29,842	41,859
Selling, general and administrative expense	40,993	35,621	31,673	30,968	31,563
<i>Brokerage, communication and other transaction related costs</i>	4,115	4,077	3,274	2,868	2,540
<i>Employee compensation and benefits</i>	19,865	15,939	13,703	14,029	15,685
<i>Occupancy</i>	4,636	4,314	4,127	3,875	3,935
<i>Outsourcing and office supplies</i>	8,592	8,013	7,427	6,940	6,540
<i>Depreciation and amortization</i>	641	587	549	597	527
<i>Taxes, other than income taxes</i>	685	386	287	291	496
<i>Others</i>	2,456	2,301	2,303	2,366	1,837
Operating income / (loss)	13,682	4,811	2,317	(1,126)	10,295
Non-operating revenue	539	2,138	93	61	838
Non-operating expense	101	54	233	(29)	103
Ordinary income / (loss)	14,120	6,895	2,177	(1,034)	11,031
Extraordinary gain	12	629	17	2,248	1,483
Extraordinary loss	49	103	21,552	4,098	1,829
Net income / (loss) before provision for income taxes	14,082	7,421	(19,356)	(2,885)	10,684
Income taxes/(benefits)-current	1,345	2,519	(4,790)	341	2,668
Income taxes/(benefits)-deferred	4,691	816	(1,584)	(450)	(236)
Net income / (loss)	8,045	4,086	(12,981)	(2,776)	8,253