

NIKKO CORDIAL SECURITIES INC.

6-5, Nihonbashi Kabuto-cho, Chuo-ku, Tokyo

Telephone: 81(3)5644-4543

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

Non-Consolidated financial summary under Japanese GAAP for the three months ended June 30, 2002

(1) Operating results (from April 1, 2002 to June 30, 2002)

(Millions of Yen)

	Operating revenue	Net operating revenue	Operating income (loss)
FY2002 1Q (3 months)	31,916	30,541	1,939
FY2001	58,339	55,399	(10,297)

	Ordinary income (loss)	Net income (loss)
FY2002 1Q (3 months)	2,307	4,980
FY2001	(9,685)	(41,829)

(2) Financial condition

(Millions of Yen except per share data and percentage)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Capital adequacy ratio
As of Jun.30, 2002	1,317,234	354,463	26.9 %	335.6 %
As of Mar.31,2002	1,281,191	351,376	27.4	276.9

(Note)

On October 1, 2001, the company launched its business operations following the transfer all of securities and other business from Nikko Cordial Corporation.

STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Jun.30, 2002	Mar.31, 2002
< ASSETS >		
Current assets	1,134,908	1,076,376
Cash on hand, Cash in banks	105,727	89,090
Cash segregated for customers and others	94,119	103,937
Trading assets	519,943	487,547
Trading securities	462,951	434,483
Derivatives	56,992	53,063
Trading receivable	11,521	-
Margin account receivables	89,008	59,286
Loans on margin transactions	83,792	50,723
Cash collateral pledged for securities borrowing on margin transaction	5,215	8,563
Loans secured by securities	184,646	198,682
Cash collateral pledged for securities borrowing	184,646	198,682
Advance payments	2,724	1,520
Cash paid for subscription	6,259	2,700
Short-term loans	71,437	71,699
Deferred tax assets	15,853	15,853
Other current assets	33,951	46,335
Allowance for bad debts	(286)	(276)
Fixed assets	182,326	204,814
Tangible fixed assets	8,723	8,878
Intangible fixed assets	1,639	1,771
Investments and others	171,963	194,164
Investment securities	33,089	52,168
Investment in subsidiaries and affiliates	14,754	14,754
Long-term loans	66,984	67,013
Long-term guaranty deposits	38,478	41,155
Deferred tax assets	63,414	63,414
Other investments	21,020	21,359
Allowance for bad debts	(65,777)	(65,700)
Total assets	1,317,234	1,281,191

STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Jun.30, 2002	Mar.31, 2002
< LIABILITIES >		
Current liabilities	760,068	726,379
Trading liabilities	187,605	220,437
Trading securities	107,978	136,825
Derivatives	79,626	83,612
Trading payable	-	1,128
Margin account payables	25,761	30,436
Borrowings on margin transactions	13,689	15,704
Cash received for securities lending on margin transactions	12,071	14,731
Borrowings pledged by securities	333,479	344,220
Cash collateral received for securities lending	307,740	317,062
Borrowings on Gensaki transaction	25,738	27,157
Deposits received	82,256	70,255
Guaranty deposits received	25,410	19,986
Short-term borrowings	8,695	17,495
Commercial paper	70,000	-
Income taxes payable	41	90
Other current liabilities	26,819	22,328
Long-term liabilities	202,564	203,343
Corporate debts	100,000	100,000
Long-term borrowings	90,000	90,000
Deferred tax liabilities	311	1,667
Accrued pension benefits	12,253	11,676
Statutory reserves	137	91
Total liabilities	962,771	929,814
< SHAREHOLDERS' EQUITY >		
Common stock	100,000	100,000
Additional paid-in capital	290,880	-
Legal capital reserve	290,880	-
Legal capital reserve	-	290,880
Retained earnings	(36,852)	-
Unappropriated retained earnings	(36,852)	-
[Net income]	[4,980]	[-]
Other retained earnings	-	(41,832)
Unappropriated retained earnings	-	(41,832)
[Net loss]	[-]	[(41,829)]
Net unrealized gain on investments	435	2,329
Total shareholders' equity	354,463	351,376
Total liabilities and shareholders' equity	1,317,234	1,281,191

STATEMENT OF OPERATIONS

(Millions of Yen)

	For the three months ended Jun.30, 2002	For the year ended Mar.31, 2002
Operating revenue	31,916	58,339
Commissions	23,422	46,431
Net gain on trading	6,522	8,613
Net gain on other trading	0	2
Interest and dividend income	1,970	3,291
Interest expense	1,375	2,939
Net operating revenue	30,541	55,399
Selling, general and administrative expense	28,601	65,697
Floor brokerage, communication and other transaction related costs	3,743	7,887
Employee compensation and benefits	12,941	29,078
Occupancy and equipment	4,261	10,070
Data processing and other services	4,610	11,563
Depreciation and amortization	552	1,262
Taxes, other than income taxes	204	440
Other expenses	2,288	5,394
Operating income (loss)	1,939	(10,297)
Non-operating income	528	775
Non-operating expense	160	163
Ordinary income (loss)	2,307	(9,685)
Extraordinary gain	2,980	601
Extraordinary loss	275	32,654
Income (Loss) before income taxes	5,012	(41,739)
Income taxes-current	32	90
Income taxes-deferred	-	-
Net income (loss)	4,980	(41,829)
Term unappropriated retained earnings carry forward	(41,832)	(3)
Term unappropriated retained earnings	(36,852)	(41,832)

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.

(a) Investment in subsidiaries and affiliates

Recorded at cost using the moving average method.

(b) 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 gain (loss) 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. 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

Mark-to-market profits and losses on hedging instrument are principally 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

1. Accumulated depreciation of Tangible fixed assets

As of June 30, 2002	As of March 31, 2002
14,345 million yen	14,373 million yen

2. Debt Guarantee

22,887 million yen	21,642 million yen
--------------------	--------------------

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).

As of June 30, 2002	As of March 31, 2002
39,000 million yen	39,000 million yen

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 "Capital legal reserve" has been used as a breakdown of "Additional paid-in capital". Also, "Other retained earnings" has been change to "Retained earnings".

Notes to statement of operations

Details of extraordinary gain or loss

	(Millions of Yen)	
	FY2002 1Q	FY2002
	(3months)	
Extraordinary gain		
Gain on sales of investment securities	2,980	-
Gain on sales of investment in subsidiaries and affiliates	-	600
Reversal of allowance for bad debts	-	1
Extraordinary loss		
Loss on sales of fixed assets	-	915
Loss on disposal of fixed assets	-	271
Loss on sales of investment securities	-	14,834
Write-off of investment securities	62	1,266
Write-off of long-term guaranty deposits	-	417
Provision for bad debts	-	700
Restructuring cost on branches and offices	-	4,938
Additional payment for employees' retirement	166	-
Provision for securities transaction liabilities	-	9,217
Provision for securities transaction liabilities	46	91

Reference Data < Non-consolidated >

The results of the FY2001 1Q in the settlement report material below record the individual results of Nikko Cordial Corporation. Also, the business results for the previous year 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.

1. Commissions

(1) Breakdown by Category

	(Millions of Yen)		
	FY2002 1Q (4/1/02 ~ 6/30/02)	FY2001 1Q (4/1/01 ~ 6/30/01)	FY2001 (4/1/01 ~ 3/31/02)
Brokerage commissions	8,223	13,349	13,660
< Equities >	< 7,876 >	< 13,060 >	< 12,965 >
< Bonds >	< 253 >	< 288 >	< 588 >
Underwriting & selling commissions	2	4	15
< Bonds >	< 2 >	< 4 >	< 15 >
Subscription & distribution commissions	3,429	5,672	7,751
< Investment trusts >	< 2,471 >	< 4,293 >	< 5,125 >
Other commissions	11,767	13,055	25,003
< Investment trusts >	< 4,359 >	< 7,057 >	< 10,540 >
Total	23,422	32,082	46,431

(2) Breakdown by Product

	(Millions of Yen)		
	FY2002 1Q (4/1/02 ~ 6/30/02)	FY2001 1Q (4/1/01 ~ 6/30/01)	FY2001 (4/1/01 ~ 3/31/02)
Equities	9,321	14,308	15,568
Bonds	782	1,605	3,003
Investment trusts	6,924	11,351	15,773
Others	6,393	4,817	12,086
Total	23,422	32,082	46,431

2. Net gain (loss) on trading

	(Millions of Yen)		
	FY2002 1Q (4/1/02 ~ 6/30/02)	FY2001 1Q (4/1/01 ~ 6/30/01)	FY2001 (4/1/01 ~ 3/31/02)
Equities, etc.	1,067	889	2,308
Bonds, forex, etc.	5,455	3,086	6,304
< Bonds, etc. >	< 137 >	< 2,845 >	< 11,129 >
< Forex, etc. >	< 5,317 >	< 241 >	< (4,824) >
Total	6,522	3,976	8,613

3. Equity Trading Activity (Excluding futures)

(Millions of Shares, Millions of Yen)

	FY2002 1Q (4/1/02~ 6/30/02)		FY2001 1Q (4/1/01~ 6/30/01)		FY2001 (4/1/01 ~ 3/31/02)	
	Number of shares	Amounts	Number of shares	Amounts	Number of shares	Amounts
Total	2,545	1,905,920	2,512	2,168,236	4,568	4,553,892
< Proprietary >	< 185 >	< 248,388 >	< 130 >	< 169,744 >	< 415 >	< 1,116,648 >
< Agency >	< 2,360 >	< 1,657,532 >	< 2,382 >	< 1,998,492 >	< 4,152 >	< 3,437,244 >
Agent ratio	92.7 %	87.0 %	94.8 %	92.2 %	90.9 %	75.5 %
TSE share	2.1 %	1.5 %	2.0 %	1.7 %	1.9 %	1.6 %

4. Underwriting / Subscription / Selling

(Millions of Shares, Millions of Yen)

		FY2002 1Q	FY2001 1Q	FY2001
Underwriting	Bonds < Face value >	12,546	8,139	32,003
* Subscription and distribution	Equities < Number of shares >	3	4	13
	Equities < Amount >	48,577	21,310	42,984
	Bonds < Face value >	245,378	199,367	498,790
	Investment trusts < Amounts >	803,743	3,236,269	3,306,027

* Including selling and distribution of private placement

5. Capital Adequacy Ratio

(Millions of Yen)

		Jun.30, 2002	Jun.30, 2001	Mar.31, 2002
Basic items	Capital (A)	354,028	753,953	349,047
Supplementary items	Unrealized gain on investment securities	435	-	2,329
	Statutory Reserves	137	597	91
	Allowance for bad debts	94	164	80
	Short-term subordinated borrowings	39,000	55,000	39,000
	Sub - total (B)	39,667	55,761	41,501
	Deductible assets (C)	171,287	428,653	168,880
	Net capital (A) + (B) - (C) (D)	222,407	381,062	221,668
Total risk	Market Risk	13,763	19,040	16,777
	Credit Risk	16,687	18,970	24,045
	Basic Risk	35,806	39,906	39,211
	(E)	66,257	77,916	80,032
	Capital adequacy ratio (D) / (E) × 100	335.6 %	489.0 %	276.9 %

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" stated 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 1Q 04/01/01 06/30/01	FY2001 2Q 07/01/01 09/30/01	FY2001 3Q 10/01/01 12/31/01	FY2001 4Q 01/01/02 03/31/02	FY2002 1Q 04/01/02 06/30/02
Operating revenue	77,519	30,188	29,980	28,358	31,916
Commissions	32,082	26,060	23,561	22,870	23,422
Brokerage commission	13,349	7,815	7,083	6,576	8,223
Underwriting & selling commissions	4	5	8	7	2
Subscription & distribution commissions	5,672	4,592	4,012	3,739	3,429
Other commissions	13,055	13,647	12,456	12,547	11,767
Net gain on trading	3,976	2,635	4,857	3,756	6,522
Net gain on other trading	0	1	1	1	0
Interest and dividend income	41,458	1,491	1,560	1,730	1,970
Interest expense	2,067	1,951	1,470	1,468	1,375
Net operating revenue	75,452	28,236	28,510	26,889	30,541
Selling, general and administrative expense	38,550	38,068	32,897	32,771	28,601
Floor brokerage, communication and other transaction related costs	4,739	5,919	3,858	4,028	3,743
Employee compensation and benefits	18,190	14,741	14,526	14,552	12,941
Occupancy and equipment	5,621	6,596	4,979	5,090	4,261
Data processing and other services	5,959	6,172	5,939	5,623	4,610
Depreciation and amortization	710	418	544	717	552
Taxes, other than income taxes	451	178	310	104	204
Other expenses	2,878	4,042	2,737	2,653	2,288
Operating income(loss)	36,901	(9,831)	(4,387)	(5,881)	1,939
Non-operating income	941	494	828	(52)	528
Non-operating expense	120	2,030	118	44	160
Ordinary income(loss)	37,722	(11,367)	(3,677)	(5,979)	2,307
Extraordinary gain	41	9,211	679	(78)	2,980
Extraordinary loss	111	28,906	9,325	23,328	275
Income(Loss) before income taxes	37,651	(31,062)	(12,323)	(29,386)	5,012
Income taxes-current	351	412	44	45	32
Income taxes-deferred	-	-	-	-	-
Net income(loss) for the current period	37,300	(31,474)	(12,368)	(29,431)	4,980

(Note) The results of the FY2001 1Q and the FY2001 2Q in the settlement report record the individual results of the former Nikko Securities Co., Ltd. (the current Nikko Cordial Corporation).