

NIKKO CORDIAL SECURITIES INC.



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Non-Consolidated financial summary under Japanese GAAP for the year ended March 31, 2004

(1) Operating results (from April 1, 2003 to March 31, 2004)

(Millions of Yen)

	Operating revenue	Net operating revenue	Operating income
FY2003	179,182 [43.4%]	172,892 [45.1%]	49,222 [646.7%]
FY2002	124,988	119,189	6,592

	Ordinary income	Net income
FY2003	49,655 [635.4%]	30,430 [8,909.7%]
FY2002	6,751	337

Note: 1. Figures are rounded down to the nearest.

2. The percentage noted in the table above is the rate of the increase or decrease compared with 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, 2004	1,416,276	382,430	27.0 %	442.8 %
As of Mar.31, 2003	1,524,809	349,536	22.9 %	418.0 %

STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Mar.31, 2004 (A)	Mar.31, 2003 (B)	variance (A)-(B)
< ASSETS >			
Current assets	1,281,031	1,367,420	(86,388)
Cash on hand, Cash in banks	213,010	140,212	72,797
Cash segregated for customers and others	128,015	81,940	46,075
Trading assets	504,153	581,355	(77,202)
Trading securities	460,032	530,037	(70,004)
Derivatives	44,120	51,317	(7,197)
Trading receivables	-	32,127	(32,127)
Margin account receivables	142,922	59,822	83,099
Loans on margin transactions	132,326	50,446	81,879
Cash collateral pledged for securities borrowing on margin transactions	10,595	9,375	1,220
Loans secured by securities	234,161	411,097	(176,936)
Cash collateral pledged for securities borrowings	234,161	411,097	(176,936)
Advance payments	647	970	(322)
Cash paid for subscription	4,030	2,315	1,714
Short-term guaranty deposits	14,470	13,881	588
Short-term loans	1,151	1,246	(95)
Accrued income	14,720	19,845	(5,124)
Deferred tax assets	15,462	15,853	(391)
Other current assets	8,314	6,964	1,349
Allowance for bad debts	(28)	(213)	185
Fixed assets	135,244	157,389	(22,144)
Tangible fixed assets	7,211	7,816	(604)
Buildings	3,401	3,520	(119)
Furnitures and fixtures	3,792	4,278	(485)
Land	17	17	-
Intangible fixed assets	1,402	1,307	95
Software	823	724	98
Other intangible fixed assets	579	582	(3)
Investments and others	126,630	148,265	(21,635)
Investment securities	24,768	25,103	(334)
Investment in subsidiaries and affiliates	15,518	15,510	8
Long-term loans	66,873	66,908	(35)
Long-term guaranty deposits	22,182	26,110	(3,927)
Long-term pre-paid expenses	181	156	24
Deferred tax assets	42,718	61,189	(18,470)
Other investments	21,404	19,525	1,879
Allowance for bad debts	(67,017)	(66,238)	(778)
Total assets	1,416,276	1,524,809	(108,533)

STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Mar.31, 2004 (A)	Mar.31, 2003 (B)	variance (A)-(B)
< LIABILITIES >			
Current liabilities	1,016,885	974,332	42,552
Trading liabilities	117,092	218,977	(101,885)
Trading securities	70,532	168,495	(97,963)
Derivatives	46,559	50,481	(3,921)
Trading payables	3,999	-	3,999
Margin account payables	24,719	21,078	3,641
Borrowings on margin transactions	7,714	8,504	(789)
Cash received for securities lending on margin transactions	17,005	12,574	4,430
Borrowings pledged by securities	401,848	522,841	(120,993)
Cash collateral received for securities lendings	211,439	254,782	(43,343)
Borrowings on Gensaki transaction	190,409	268,059	(77,650)
Deposits received	99,005	71,343	27,661
Guaranty deposits received	29,568	18,681	10,886
Short-term borrowings	89,495	39,495	50,000
Commercial paper	125,000	65,000	60,000
Current portion of corporate debts	100,000	-	100,000
Income taxes payable	160	160	(0)
Accrued bonuses	16,300	6,500	9,800
Other current liabilities	9,696	10,254	(557)
Long-term liabilities	16,465	200,719	(184,253)
Corporate debts	-	100,000	(100,000)
Long-term borrowings	5,000	90,000	(85,000)
Accrued pension benefits	10,741	10,719	22
Other non-current liabilities	723	-	723
Statutory reserves	495	221	274
Reserve for securities transaction liabilities	495	221	274
Total liabilities	1,033,846	1,175,273	(141,427)
< 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	(11,063)	(41,494)	30,430
Retained earnings	(11,063)	(41,494)	30,430
Net unrealized gain on investment securities	2,613	150	2,462
Total shareholders' equity	382,430	349,536	32,893
Total liabilities and shareholders' equity	1,416,276	1,524,809	(108,533)

STATEMENT OF OPERATIONS

(Millions of Yen)

	FY2003 (A) (4/1/03 ~ 3/31/04)	FY2002 (B) (4/1/02 ~ 3/31/03)	variance (A) - (B)	Ratio $\frac{\langle A \rangle}{\langle B \rangle}$ %
Operating revenue	179,182	124,988	54,194	143.4
Commissions	133,978	90,449	43,529	148.1
Net gain on trading	37,378	26,756	10,622	139.7
Net gain on other trading	3	3	(0)	80.6
Interest and dividend income	7,822	7,778	44	100.6
Interest expense	6,290	5,799	491	108.5
Net operating revenue	172,892	119,189	53,703	145.1
Selling, general and administrative expense	123,669	112,597	11,072	109.8
Floor brokerage, communication and other transaction related costs	15,788	14,133	1,654	111.7
Employee compensation and benefits	63,802	52,403	11,399	121.8
Occupancy and equipment	14,371	16,232	(1,861)	88.5
Data processing and other services	19,457	17,570	1,886	110.7
Depreciation and amortization	1,726	2,134	(408)	80.9
Taxes, other than income taxes	513	644	(131)	79.6
Other expenses	8,011	9,476	(1,465)	84.5
Operating income	49,222	6,592	42,630	746.7
Non-operating revenue	1,219	1,386	(167)	87.9
Non-operating expense	786	1,226	(440)	64.1
Ordinary income	49,655	6,751	42,903	735.4
Extraordinary gain	1,025	2,684	(1,658)	38.2
Extraordinary loss	2,922	6,824	(3,901)	42.8
Income before income taxes	47,758	2,611	45,146	1,828.9
Income taxes-current	155	152	3	102.0
Income taxes-deferred	17,172	2,121	15,050	809.4
Net income	30,430	337	30,093	9,009.7
Retained earnings at the beginning of period	(41,494)	(41,832)	337	-
Retained earnings at the end of period	(11,063)	(41,494)	30,430	-

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.

Significant accounting policies

1. Valuation of financial instruments

(1) Trading purposes

Securities, derivative contracts and other financial instruments 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

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 of fixed assets

(1) Tangible fixed assets

Useful lives and salvage value for amortization are based on the Corporate Tax Law and the declining method is applied as amortization method. However, the straight-line method of depreciation has been applied for buildings acquired after April 1, 1998 (excluding facilities attached to buildings) 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 assessed provision based on products loss rate from historical loss experience for performing loans, and estimated provision for identified loans from probable losses respectively.

(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 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

	Mar.31, 2004	Mar.31, 2003
1. Accumulated depreciation of Tangible fixed assets	13,636	13,264

2. Debt Guarantee

Mar.31, 2004	Mar.31, 2003
23,462	23,081

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

The table below shows subordinated debts (subordinated borrowings) provided in Article 2 of the "Cabinet Office Ordinance on the Capital Adequacy Rule for Securities Companies" (the Prime Minister's Office Ordinance No.23, 2001), which were included in Short-term borrowings or Long-term borrowings.

	Mar.31, 2004	Mar.31, 2003
Short-term borrowings	39,000	-
Long-term borrowings	-	39,000

Notes to statement of operations

Details of extraordinary gain or loss	FY2004	FY2003
Extraordinary gain		
Gain on sales of investment securities	750	2,646
Gain on sales of investment in subsidiaries and affiliates	30	-
Liquidation gain of subsidiaries and affiliates	-	37
Reversal of allowance for bad debts	244	-
Extraordinary loss		
Loss on sales of fixed assets	91	-
Loss on disposal of fixed assets	*1 202	155
Write-off of investment securities	*2 220	2,518
Restructuring overseas subsidiaries and affiliates	187	-
Provision for bad debts	*3 910	200
Restructuring cost on branches and offices	*4 174	1,070
Payment for directors' retirements	862	304
Additional payment for employees' retirements	*5 -	2,446
Provision for securities transaction liabilities	274	129

*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 Provision for bad debts was the provision for a loan to “The Nikko System Center, Ltd.”

*4 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.

*5 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 Account

(Millions of Yen)

	FY2003 (A) (4/1/03 ~ 3/31/04)	FY2002 (B) (4/1/02 ~ 3/31/03)	Ratio $\frac{\langle A \rangle}{\langle B \rangle}$ %
Brokerage commissions	47,487	27,516	172.6
< Equities >	< 46,008 >	< 25,329 >	< 181.6 >
< Bonds >	< 444 >	< 706 >	< 62.9 >
< Investment trusts >	< 1,034 >	< 1,480 >	< 69.9 >
Underwriting & selling commissions	1	7	15.9
< Bonds >	< 1 >	< 7 >	< 15.9 >
Subscription & distribution commissions	43,956	18,624	236.0
< Investment trusts >	< 30,266 >	< 12,613 >	< 240.0 >
Other commissions	42,533	44,300	96.0
< Investment trusts >	< 14,326 >	< 15,071 >	< 95.1 >
Total	133,978	90,449	148.1

(2) Breakdown by Products

(Millions of Yen)

	FY2003 (A) (4/1/03 ~ 3/31/04)	FY2002 (B) (4/1/02 ~ 3/31/03)	Ratio $\frac{\langle A \rangle}{\langle B \rangle}$ %
Equities	59,190	32,465	182.3
Bonds	5,554	4,076	136.3
Investment trusts	45,628	29,165	156.4
Others	23,605	24,740	95.4
Total	133,978	90,449	148.1

2. Net gain on trading

	FY2003 (A) (4/1/03 ~ 3/31/04)	FY2002 (B) (4/1/02 ~ 3/31/03)	Ratio $\frac{\langle A \rangle}{\langle B \rangle}$ %
Equities, etc.	9,379	6,343	147.8
Bonds, forex, etc.	27,999	20,412	137.2
< Bonds, etc. >	< 20,343 >	< 12,430 >	< 163.7 >
< Forex, etc. >	< 7,655 >	< 7,981 >	< 95.9 >
Total	37,378	26,756	139.7

3. Equity Trading Activity (Excluding futures)

(Millions of Shares, Millions of Yen)

	FY2003 (A) (4/1/03 ~ 3/31/04)		FY2002 (B) (4/1/02 ~ 3/31/03)		Ratio $\frac{<A>}{}$	
	Number of shares	Amounts	Number of shares	Amounts	Number of shares	Amounts
Total	19,291	12,967,277	11,051	8,465,809	174.6 %	153.2 %
< Proprietary >	< 1,062 >	< 1,271,572 >	< 1,611 >	< 2,073,743 >	< 65.9 >	< 61.3 >
< Agency >	< 18,229 >	< 11,695,705 >	< 9,439 >	< 6,392,066 >	< 193.1 >	< 183.0 >
Agent ratio	94.5 %	90.2 %	85.4 %	75.5 %		
TSE share	2.4 %	2.0 %	2.1 %	1.7 %		

4. Underwriting / Subscription / Selling

(Millions of Shares, Millions of Yen)

			FY2003	FY2002	Ratio
			04/01/03 03/31/04	04/01/02 03/31/03	$\frac{A}{B}$ %
Underwriting	Bonds	< Face value >	45,033	33,330	135.1
* Subscription and distribution	Equities	< Number of shares >	246	170	144.0
	Equities	< Amounts >	479,569	204,333	234.7
	Bonds	< Face value >	1,291,869	960,570	134.5
	Invest. trusts	< Amounts >	5,138,749	3,202,348	160.5

* Including selling and distribution of private placement

5. Capital Adequacy Ratio

(Millions of Yen except percentage)

		Mar.31, 2004	Mar.31, 2003
Basic items	Capital (A)	379,816	349,385
Supplementary items	Unrealized gain on investment securities	2,613	150
	Statutory reserves	495	221
	Allowance for bad debts	28	41
	Short-term subordinated borrowings	39,000	39,000
	Sub - total (B)	42,137	39,413
Deductible assets (C)		130,538	154,960
Net capital (A) + (B) - (C) (D)		291,414	233,838
Total risk	Market Risk	23,192	13,858
	Credit Risk	14,120	13,494
	Basic Risk	28,485	28,588
	Sub - total (E)	65,799	55,941
Capital adequacy ratio (D) / (E)*100		442.8 %	418.0 %

Note.1 The table above shows calculation of capital adequacy ratio based on financial result in accordance with the 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	FY2003 3Q 10/01/03 12/31/03	FY2003 4Q 01/01/04 03/31/04	FY2002 1/4 04/01/02 03/31/03
Operating revenue	42,481	46,521	44,112	46,067	31,247
Commissions	28,189	35,123	35,193	35,471	22,612
Brokerage commissions	8,539	13,807	12,631	12,508	6,879
Underwriting & selling commissions	0	0	0	0	1
Subscription & distribution commissions	9,314	11,039	11,863	11,738	4,656
Other commissions	10,335	10,276	10,697	11,224	11,075
Net gain on trading	12,171	9,613	7,050	8,543	6,689
Net gain on other trading	1	0	0	0	0
Interest and dividend income	2,119	1,783	1,868	2,052	1,944
Interest expense	2,185	1,464	1,355	1,284	1,449
Net operating revenue	40,296	45,056	42,756	44,782	29,797
Selling, general and administrative expense	30,887	32,084	30,053	30,644	28,149
Brokerage, communication and other transaction related costs	3,484	3,890	3,945	4,467	3,533
Employee compensation and benefits	17,066	18,042	14,640	14,053	13,100
Occupancy and equipment	3,728	3,494	3,479	3,668	4,058
Data processing and other services	3,952	4,147	5,603	5,753	4,392
Depreciation and amortization	430	435	435	425	533
Taxes, other than income taxes	205	98	115	94	161
Other expenses	2,019	1,975	1,834	2,181	2,369
Operating income	9,408	12,972	12,703	14,138	1,648
Non-operating income	347	121	333	416	346
Non-operating expense	319	171	16	279	306
Ordinary income	9,437	12,922	13,020	14,275	1,687
Extraordinary gain	140	433	35	416	671
Extraordinary loss	942	245	127	1,608	1,706
Income before income taxes	8,635	13,110	12,928	13,083	652
Income taxes-current	36	3,664	7,800	(11,345)	38
Income taxes-deferred	79	2,134	(1,727)	16,685	530
Net income for the current period	8,519	7,312	6,856	7,742	84