

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 six months ended September 30, 2004

(1) Operating results (from April 1, 2004 to September 30, 2004) (Millions of Yen)

	Operating revenue	Net operating revenue	Operating income
FY2004 2Q (6months)	84,331 [(5.2)%]	81,698 [(4.3)%]	14,775 [(34.0)%]
FY2003 2Q (6months)	89,003	85,352	22,381
FY2003	179,182	172,892	49,222

	Ordinary income	Net income
FY2004 2Q (6months)	18,301 [(18.1)%]	10,561 [(33.3)%]
FY2003 2Q (6months)	22,359	15,831
FY2003	49,655	30,430

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, 2004	1,420,647	390,954	27.5 %	407.6 %
As of Sep.30, 2003	1,326,457	366,700	27.6	439.7
As of Mar.31,2004	1,416,276	382,430	27.0	442.8

STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Sep.30, 2004 (A)	Sep.30, 2003 (B)	variance (A) - (B)	Mar.31, 2004
< ASSETS >				
Current assets	1,297,048	1,176,070	120,977	1,281,031
Cash on hand, Cash in banks	189,017	205,510	(16,492)	213,010
Cash segregated for customers and others	122,316	115,708	6,608	128,015
Trading assets	507,291	470,841	36,449	504,153
Trading securities	461,432	420,123	41,309	460,032
Derivatives	45,858	50,718	(4,859)	44,120
Trading receivables	6,869	-	6,869	-
Margin account receivables	113,202	111,941	1,260	142,922
Loans on margin transactions	105,339	104,615	723	132,326
Cash collateral pledged for securities borrowing on margin transactions	7,862	7,326	536	10,595
Loans secured by securities	294,616	215,465	79,151	234,161
Cash collateral pledged for securities borrowings	294,616	215,465	79,151	234,161
Advance payments	676	1,084	(407)	647
Cash paid for subscription	8,604	6,676	1,928	4,030
Short-term loans	778	1,170	(391)	1,151
Deferred tax assets	15,462	15,720	(258)	15,462
Others	38,234	32,187	6,047	37,505
Allowance for bad debts	(23)	(235)	212	(28)
Non-current assets	123,598	150,386	(26,787)	135,244
Tangible fixed assets	7,094	7,361	(266)	7,211
Intangible fixed assets	1,456	1,358	98	1,402
Investments and others	115,047	141,666	(26,619)	126,630
Investment securities	23,634	24,517	(882)	24,768
Investment in subsidiaries and affiliates	16,318	15,461	857	15,518
Long-term loans	50,912	66,874	(15,962)	66,873
Long-term guaranty deposits	20,417	21,924	(1,506)	22,182
Deferred tax assets	36,209	58,194	(21,985)	42,718
Others	18,721	20,923	(2,201)	21,585
Allowance for bad debts	(51,167)	(66,229)	15,062	(67,017)
Total assets	1,420,647	1,326,457	94,190	1,416,276

STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Sep.30, 2004 (A)	Sep.30, 2003 (B)	variance (A) - (B)	Mar.31, 2004
< LIABILITIES >				
Current liabilities	1,014,633	896,593	118,040	1,016,885
Trading liabilities	148,575	129,675	18,899	117,092
Trading securities	101,593	81,516	20,076	70,532
Derivatives	46,981	48,158	(1,176)	46,559
Trading payables	-	5	(5)	3,999
Margin account payables	9,270	27,368	(18,097)	24,719
Borrowings on margin transactions	3,960	8,902	(4,941)	7,714
Cash received for securities lending on margin transactions	5,309	18,465	(13,156)	17,005
Borrowings pledged by securities	421,790	421,940	(150)	401,848
Cash collateral received for securities lendings	148,179	234,006	(85,827)	211,439
Borrowings on Gensaki transaction	273,610	187,934	85,676	190,409
Deposits received	117,353	84,021	33,331	99,005
Guaranty deposits received	29,648	34,633	(4,984)	29,568
Short-term borrowings	136,495	44,595	91,900	89,495
Commercial paper	133,000	30,000	103,000	125,000
Current portion of corporate debts	-	100,000	(100,000)	100,000
Income taxes payable	615	3,617	(3,001)	160
Others	17,884	20,736	(2,851)	25,996
Non-current liabilities	14,480	62,818	(48,337)	16,465
Long-term borrowings	2,000	50,000	(48,000)	5,000
Accrued pension benefits	11,757	11,999	(242)	10,741
Others	723	819	(95)	723
Statutory reserves	577	344	233	495
Total liabilities	1,029,692	959,756	69,935	1,033,846
< 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	(501)	(25,662)	25,160	(11,063)
Unappropriated retained earnings	(501)	(25,662)	25,160	(11,063)
Net unrealized gain on investment securities	576	1,482	(906)	2,613
Total shareholders' equity	390,954	366,700	24,254	382,430
Total liabilities and shareholders' equity	1,420,647	1,326,457	94,190	1,416,276

STATEMENT OF OPERATIONS

(Millions of Yen)

	FY2004 2Q <A> (4/1/04 ~ 9/30/04)	FY2003 2Q (4/1/03 ~ 9/30/03)	Ratio — <A> — %	FY2003 (4/1/03 ~ 3/31/04)
Operating revenue	84,331	89,003	94.8	179,182
Commissions	66,232	63,313	104.6	133,978
Net gain on trading	14,371	21,785	66.0	37,378
Net gain on other trading	2	1	149.2	3
Interest and dividend income	3,724	3,902	95.4	7,822
Interest expense	2,633	3,650	72.1	6,290
Net operating revenue	81,698	85,352	95.7	172,892
Selling, general and administrative expense	66,922	62,971	106.3	123,669
Floor brokerage, communication and other transaction related costs	10,273	7,374	139.3	15,788
Employee compensation and benefits	29,941	35,108	85.3	63,802
Occupancy and equipment	7,106	7,223	98.4	14,371
Data processing and other services	13,246	8,100	163.5	19,457
Depreciation and amortization	803	865	92.8	1,726
Taxes, other than income taxes	935	304	307.6	513
Other expenses	4,615	3,995	115.5	8,011
Operating income	14,775	22,381	66.0	49,222
Non-operating revenue	3,711	469	790.4	1,219
Non-operating expense	185	490	37.7	786
Ordinary income	18,301	22,359	81.9	49,655
Extraordinary gain	690	573	120.3	1,025
Extraordinary loss	456	1,187	38.4	2,922
Income before income taxes	18,535	21,745	85.2	47,758
Income taxes-current	66	3,700	1.8	155
Income taxes-deferred	7,907	2,213	357.2	17,172
Net income	10,561	15,831	66.7	30,430
Retained earnings at the beginning of period	(11,063)	(41,494)	-	(41,494)
Retained earnings at the end of period	(501)	(25,662)	-	(11,063)

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 assessed provision for performing loans with a prospected loss rate based on historical loss experiences, 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 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

Unrealized gains and losses on hedging instrument are principally 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.

Significant change for the basis of financial statements

Accounting policy for impairment of fixed assets

The company applied policies for impairment of fixed assets into this interim financial statements in advance of compulsory implementation, subject to "Accounting Standard for Impairment of Fixed Assets" (Accounting Standards Board of Japan August 9, 2002) and "Guideline for the application of Accounting Standards for Impairment of Fixed Assets" (Guideline for the application of Accounting Standard No.6, October 13, 2003). There is no impact on income before income taxes by adapting this new accounting standards.

Notes to statement of financial condition

	Sep.30, 2004	Sep.30, 2003	(Millions of Yen) Mar.31, 2004
1. Accumulated depreciation of Tangible fixed assets	13,983	13,661	13,636
2. Debt Guarantees	21,515	25,267	23,462
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).			
	Sep.30, 2004	Sep.30, 2003	(Millions of Yen) Mar.31, 2004
Short-term borrowings	39,000	-	39,000
Long-term borrowings	-	39,000	-

Notes to statement of operations

	(Millions of Yen)		
Details of extraordinary gain or loss	FY2004 2Q	FY2003 2Q	FY2003
	(6months)	(6months)	
Extraordinary gain			
Gain on sales of investment securities	690	524	750
Gain on sales of investment in affiliates	-	30	30
Reversal of allowance for bad debts	-	18	244
Extraordinary loss			
Loss on sales of fixed assets	-	57	91
Loss on disposal of fixed assets 1*	-	16	202
Write-off of investment securities 2*	344	27	220
Reorganizing cost for overseas subsidiaries and affiliates	-	-	187
Provision for bad debts 3*	-	100	910
Restructuring cost on branches and offices 4*	-	-	174
Provision for directors' retirements	30	862	862
Provision for securities transaction liabilities	82	123	274

*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 one-time cost and expense incurred due to disposal of fixed assets as a result of relocation of branches, return of excess space in order to restructure the size of business.

Reference Data < Non-consolidated >

1. Commissions

(1) Breakdown by Accounts

(Millions of Yen except percentage)

	FY2004 2Q	FY2003 2Q	Ratio		FY2003
	<A> (4/1/04 ~ 9/30/04)	 (4/1/03 ~ 9/30/03)	$\frac{\text{<A>}}{\text{}}$	%	(4/1/03 ~ 3/31/04)
Brokerage commissions	23,107	22,346	103.4		47,487
< Equities >	< 22,839 >	< 21,281 >	< 107.3 >		< 46,008 >
< Bonds >	< 146 >	< 256 >	< 57.2 >		< 444 >
< Investment trusts >	< 121 >	< 809 >	< 15.0 >		< 1,034 >
Underwriting & selling commissions	0	0	27.5		1
< Bonds >	< 0 >	< 0 >	< 27.5 >		< 1 >
Subscription & distribution commissions	20,877	20,354	102.6		43,956
< Investment trusts >	< 11,897 >	< 17,222 >	< 69.1 >		< 30,266 >
Other commissions	22,247	20,611	107.9		42,533
< Investment trusts >	< 8,674 >	< 6,727 >	< 128.9 >		< 14,326 >
Total	66,232	63,313	104.6		133,978

(2) Breakdown by Products

(Millions of Yen except percentage)

	FY2004 2Q	FY2003 2Q	Ratio		FY2003
	<A> (4/1/04 ~ 9/30/04)	 (4/1/03 ~ 9/30/03)	$\frac{\text{<A>}}{\text{}}$	%	(4/1/03 ~ 3/31/04)
Equities	30,237	25,037	120.8		59,190
Bonds	3,644	1,993	182.9		5,554
Investment trusts	20,693	24,758	83.6		45,628
Others	11,656	11,524	101.1		23,605
Total	66,232	63,313	104.6		133,978

2. Net gain on trading

(Millions of Yen except percentage)

	FY2004 2Q	FY2003 2Q	Ratio		FY2003
	<A> (4/1/04 ~ 9/30/04)	 (4/1/03 ~ 9/30/03)	$\frac{\text{<A>}}{\text{}}$	%	(4/1/03 ~ 3/31/04)
Equities, etc.	3,878	4,148	93.5		9,379
Bonds, forex, etc.	10,492	17,636	59.5		27,999
< Bonds, etc. >	< 6,308 >	< 11,695 >	< 53.9 >		< 20,343 >
< Forex, etc. >	< 4,184 >	< 5,940 >	< 70.4 >		< 7,655 >
Total	14,371	21,785	66.0		37,378

3. Equity Trading Activity (Excluding futures)

(Millions of Shares, Millions of Yen except percentage)

	FY2004 2Q <A> (4/1/04~ 9/30/04)		FY2003 2Q (4/1/03~ 9/30/03)		Ratio <A> %		FY2003 (4/1/03 ~ 3/31/04)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	5,857	5,097,756	9,622	5,722,716	60.9	89.1	19,291	12,967,277
< Proprietary >	< 386 >	< 520,068 >	< 632 >	< 689,209 >	< 61.1 >	< 75.5 >	< 1,062 >	< 1,271,572 >
< Agency >	< 5,471 >	< 4,577,687 >	< 8,990 >	< 5,033,507 >	< 60.9 >	< 90.9 >	< 18,229 >	< 11,695,705 >
Agent ratio	93.4 %	89.8 %	93.4 %	88.0 %			94.5 %	90.2 %
TSE share	1.3 %	1.2 %	2.4 %	2.0 %			2.4 %	2.0 %

4. Underwriting / Subscription / Selling

(Millions of Shares, Millions of Yen except percentage)

		FY2004 2Q <A> (4/1/04~ 9/30/04)		FY2003 2Q (4/1/03~ 9/30/03)		Ratio <A> %		FY2003 (4/1/03 ~ 3/31/04)	
Underwriting	Bonds < Face value >		24,241		25,049		96.8		45,033
* Subscription and distribution	Equities < Number of shares >		192		62		307.8		246
	Equities < Amounts >		249,955		91,230		274.0		479,569
	Bonds < Face value >		812,047		570,723		142.3		1,291,869
	Invest. trusts < Amounts >		2,722,586		2,381,900		114.3		5,138,749

* Including selling and distribution of private placement

5. Capital Adequacy Ratio

(Millions of Yen except percentage)

		Sep.30, 2004	Sep.30, 2003	Mar.31, 2004
Basic items	Capital (A)	390,378	365,217	379,816
Supplementary items	Unrealized gain on investment securities	576	1,482	2,613
	Statutory reserves	577	344	495
	Allowance for bad debts	23	68	28
	Short-term subordinated borrowings	39,000	39,000	39,000
	Sub - total (B)	40,176	40,895	42,137
	Deductible assets (C)	119,931	146,375	130,538
	Net capital (A)+(B)-(C) (D)	310,623	259,737	291,414
Total risk	Market Risk	31,012	17,460	23,192
	Credit Risk	12,477	13,036	14,120
	Basic Risk	32,715	28,563	28,485
	Sub - total (E)	76,206	59,060	65,799
	Capital adequacy ratio (D) / (E)*100	407.6 %	439.7 %	442.8 %

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)

	FY2004 1Q 04/01/04 06/30/04	FY2004 2Q 07/01/04 09/30/04	FY2003 2Q 07/01/03 09/30/03	1/4 of FY2003 04/01/03 03/31/04
Operating revenue	44,884	39,447	46,521	44,795
Commissions	34,697	31,535	35,123	33,494
Brokerage commissions	14,855	8,252	13,807	11,871
Underwriting & selling commissions	0	0	0	0
Subscription & distribution commissions	9,781	11,095	11,039	10,989
Other commissions	10,060	12,187	10,276	10,633
Net gain on trading	8,057	6,314	9,613	9,344
Net gain on other trading	0	2	0	0
Interest and dividend income	2,128	1,595	1,783	1,955
Interest expense	1,455	1,177	1,464	1,572
Net operating revenue	43,428	38,269	45,056	43,223
Selling, general and administrative expense	32,934	33,988	32,084	30,917
Floor brokerage, communication and other transaction related costs	4,791	5,481	3,890	3,947
Employee compensation and benefits	14,882	15,058	18,042	15,950
Occupancy and equipment	3,552	3,553	3,494	3,592
Data processing and other services	6,412	6,834	4,147	4,864
Depreciation and amortization	395	407	435	431
Taxes, other than income taxes	543	391	98	128
Other expenses	2,355	2,260	1,975	2,002
Operating income	10,494	4,281	12,972	12,305
Non-operating revenue	3,123	588	121	304
Non-operating expense	52	132	171	196
Ordinary income	13,565	4,736	12,922	12,413
Extraordinary gain	657	33	433	256
Extraordinary loss	313	143	245	730
Income before income taxes	13,909	4,626	13,110	11,939
Income taxes-current	33	33	3,664	38
Income taxes-deferred	6,079	1,827	2,134	4,293
Net income	7,796	2,765	7,312	7,607