

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 three months ended June 30, 2005

- 1.(1) Adoption of simplified method for accounting treatment : None
 (2) Change in accounting policy : None

2.(1) Operating results (from April 1, 2005 to June 30, 2005)

(Millions of Yen except percentage)

	Operating revenue	Net operating revenue	Operating income
FY2005 1Q (3months)	48,694 [8.5%]	48,326 [11.3%]	13,438 [28.1%]
FY2004 1Q (3months)	44,884	43,428	10,494
FY2004	172,653	169,125	32,034

	Ordinary income	Net income
FY2005 1Q (3months)	13,604 [0.3%]	7,807 [0.1%]
FY2004 1Q (3months)	13,565	7,796
FY2004	35,826	20,001

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

2. The percentage noted in Operating revenue, Net operating revenue etc. is the rate of the increase or decrease 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 Jun.30, 2005	1,334,529	407,180	30.5 %	331.8 %
As of Jun.30, 2004	1,390,626	388,235	27.9	423.6
As of Mar.31, 2005	1,387,220	400,840	28.9	343.3

STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Jun. 30, 2005 (A)	Jun. 30, 2004 (B)	variance (A) - (B)	Mar. 31, 2005
< ASSETS >				
Current assets	1,212,680	1,259,971	(47,290)	1,262,008
Cash on hand, Cash in banks	183,594	155,338	28,256	181,362
Cash segregated for customers and others	153,790	132,242	21,548	172,973
Trading assets	581,028	533,914	47,114	545,597
Trading securities	542,890	490,367	52,522	504,697
Derivatives	38,138	43,547	(5,408)	40,899
Margin account receivables	115,484	125,406	(9,922)	114,971
Loans on margin transactions	102,705	115,812	(13,106)	98,620
Cash collateral pledged for securities borrowing on margin transactions	12,778	9,594	3,184	16,350
Loans secured by securities	114,163	252,132	(137,968)	172,647
Cash collateral pledged for securities borrowings	114,163	252,132	(137,968)	172,647
Advance payments	741	966	(225)	2,077
Cash paid for subscription	7,399	4,351	3,048	9,359
Short-term loans	663	1,209	(546)	950
Deferred tax assets	15,462	15,462	-	15,462
Others	40,373	38,971	1,401	46,629
Allowance for bad debts	(21)	(25)	3	(21)
Non-current assets	121,849	130,655	(8,806)	125,212
Tangible fixed assets	8,383	7,083	1,300	8,118
Intangible fixed assets	1,912	1,465	447	2,003
Investments and others	111,552	122,106	(10,554)	115,090
Investment securities	41,942	23,612	18,330	39,345
Investment in subsidiaries and affiliates	16,451	15,518	932	16,451
Long-term loans	50,932	66,870	(15,937)	50,997
Long-term guaranty deposits	17,447	24,330	(6,883)	18,018
Deferred tax assets	23,053	38,005	(14,951)	28,639
Others	12,930	20,906	(7,975)	12,819
Allowance for bad debts	(51,205)	(67,137)	15,931	(51,180)
Total assets	1,334,529	1,390,626	(56,097)	1,387,220

STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Jun. 30, 2005 (A)	Jun. 30, 2004 (B)	variance (A) - (B)	Mar. 31, 2005
< LIABILITIES >				
Current liabilities	<u>913,194</u>	<u>984,967</u>	<u>(71,772)</u>	<u>972,838</u>
Trading liabilities	<u>172,985</u>	<u>151,782</u>	<u>21,203</u>	<u>178,464</u>
Trading securities	133,982	104,163	29,818	139,836
Derivatives	39,003	47,618	(8,615)	38,628
Trading payables	65,187	5,749	59,437	24,686
Margin account payables	<u>6,971</u>	<u>8,978</u>	<u>(2,006)</u>	<u>9,080</u>
Borrowings on margin transactions	2,182	1,007	1,175	2,196
Cash received for securities lending on margin transactions	4,788	7,970	(3,182)	6,884
Borrowings pledged by securities	<u>290,601</u>	<u>313,226</u>	<u>(22,625)</u>	<u>376,502</u>
Cash collateral received for securities lendings	133,908	212,070	(78,162)	134,710
Borrowings on Gensaki transaction	156,693	101,156	55,537	241,791
Deposits received	150,447	118,949	31,498	133,225
Guaranty deposits received	29,887	33,079	(3,191)	27,601
Short-term borrowings	107,395	103,495	3,900	93,195
Commercial paper	75,000	135,000	(60,000)	105,000
Current portion of corporate debts	-	100,000	(100,000)	-
Income taxes payable	317	316	0	949
Others	14,400	14,390	10	24,134
Non-current liabilities	<u>13,583</u>	<u>16,856</u>	<u>(3,272)</u>	<u>13,001</u>
Long-term borrowings	2,000	5,000	(3,000)	2,000
Accrued pension benefits	11,225	11,132	93	10,524
Others	358	723	(365)	476
Statutory reserves	<u>571</u>	<u>567</u>	<u>3</u>	<u>540</u>
Total liabilities	927,349	1,002,391	(75,041)	986,380
< SHAREHOLDERS' EQUITY >				
Common stock	100,000	100,000	-	100,000
Additional paid-in capital	<u>290,880</u>	<u>290,880</u>	<u>-</u>	<u>290,880</u>
Legal capital reserve	290,880	290,880	-	290,880
Retained earnings	<u>15,145</u>	<u>(3,267)</u>	<u>18,413</u>	<u>8,937</u>
Unappropriated retained earnings	15,145	(3,267)	18,413	8,937
Net unrealized gain on investment securities	1,154	622	531	1,022
Total shareholders' equity	407,180	388,235	18,944	400,840
Total liabilities and shareholders' equity	1,334,529	1,390,626	(56,097)	1,387,220

STATEMENT OF OPERATIONS

(Millions of Yen except percentage)

	FY2005 1Q <A> (4/1/05 ~ 6/30/05)	FY2004 1Q (4/1/04 ~ 6/30/04)	Ratio <u><A></u> <u></u>	FY2004 (4/1/04~ 3/31/05)
Operating revenue	48,694	44,884	108.5 %	172,653
Commissions	35,013	34,697	100.9	134,218
Net gain on trading	11,814	8,057	146.6	31,209
Net gain on other trading	0	0	100.2	6
Interest and dividend income	1,866	2,128	87.7	7,219
Interest expense	367	1,455	25.3	3,528
Net operating revenue	48,326	43,428	111.3	169,125
Selling, general and administrative expense	34,888	32,934	105.9	137,090
Brokerage, communication and other transaction related costs	4,364	4,791	91.1	21,307
Employee compensation and benefits	17,359	14,882	116.6	62,200
Occupancy	3,294	3,552	92.7	13,738
Data processing and other services	6,526	6,412	101.8	27,423
Depreciation and amortization	486	395	123.0	1,663
Taxes, other than income taxes	426	543	78.5	1,309
Others	2,429	2,355	103.1	9,448
Operating income	13,438	10,494	128.1	32,034
Non-operating revenue	243	3,123	7.8	4,132
Non-operating expense	77	52	147.1	340
Ordinary income	13,604	13,565	100.3	35,826
Extraordinary gain	-	657	-	813
Extraordinary loss	264	313	84.5	1,336
Income before income taxes	13,340	13,909	95.9	35,304
Income taxes-current	37	33	112.9	131
Income taxes-deferred	5,494	6,079	90.4	15,171
Net income	7,807	7,796	100.1	20,001
Retained earnings at beginning of period	7,337	(11,063)	-	(11,063)
Retained earnings at end of period	15,145	(3,267)	-	8,937

Notes to quarterly 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) (the "regulations") 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), subject to the provisions of Article 38 and 57 of the 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

(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. Investments in partnership funds are recorded 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 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 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 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

	(Millions of Yen)		
	<u>Jun.30, 2005</u>	<u>Jun.30, 2004</u>	<u>Mar.31, 2005</u>
1. Accumulated depreciation of Tangible fixed assets	12,906	13,840	13,151
2. Debt guarantees	22,658	22,400	22,056

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.

3. Subordinated borrowings

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) were included in Short-term borrowings as set forth in the following.

	(Millions of Yen)		
	<u>Jun.30, 2005</u>	<u>Jun.30, 2004</u>	<u>Mar.31, 2005</u>
Short-term borrowings	-	39,000	-

Notes to statement of operations

1. Net gain on trading for the current year includes ¥ 9 million of net unrealized gain.

	(Millions of Yen)		
	<u>FY2005 1Q</u> <u>(3months)</u>	<u>FY2004 1Q</u> <u>(3months)</u>	<u>FY2004</u>
2. Details of extraordinary gain and loss			
Extraordinary gain			
Gain on sales of investment securities	-	657	813
Extraordinary loss			
Loss on disposal of fixed assets	134	-	460
Write-off of investment securities	-	211	353
Repairment and anti-earthquake reinforcement cost on branches	-	-	448
Provision for directors' retirements	99	30	30
Provision for securities transaction liabilities	30	72	44

Reference Data

1.Commissions

(1) Breakdown by Categories

(Millions of Yen except percentage)

	FY2005 1Q <A> (4/1/05 ~ 6/30/05)	FY2004 1Q <A> (4/1/04 ~ 6/30/04)	Ratio $\frac{\text{<A>}}{\text{}}$	FY2004 (4/1/04 ~ 3/31/05)
Brokerage commissions	9,270	14,855	62.4 %	43,436
< Equities >	< 9,204 >	< 14,685 >	< 62.7 >	< 42,930 >
< Bonds >	< 31 >	< 85 >	< 37.4 >	< 311 >
< Investment trusts >	< 33 >	< 84 >	< 39.7 >	< 194 >
Underwriting & selling commissions	1	0	1,281.1	3
< Bonds >	< 1 >	< 0 >	< 1,281.1 >	< 3 >
Subscription & distribution commissions	15,081	9,781	154.2	45,843
< Investment trusts >	< 11,580 >	< 6,781 >	< 170.8 >	< 28,515 >
Other commissions	10,659	10,060	106.0	44,934
< Investment trusts >	< 4,910 >	< 4,197 >	< 117.0 >	< 17,744 >
Total	35,013	34,697	100.9	134,218

(2) Breakdown by Products

(Millions of Yen except percentage)

	FY2005 1Q <A> (4/1/05 ~ 6/30/05)	FY2004 1Q <A> (4/1/04 ~ 6/30/04)	Ratio $\frac{\text{<A>}}{\text{}}$	FY2004 (4/1/04 ~ 3/31/05)
Equities	11,766	16,938	69.5 %	57,370
Bonds	1,365	1,743	78.3	6,713
Investment trusts	16,524	11,063	149.4	46,454
Others	5,356	4,951	108.2	23,679
Total	35,013	34,697	100.9	134,218

2.Net gain on Trading

(Millions of Yen except percentage)

	FY2005 1Q <A> (4/1/05 ~ 6/30/05)	FY2004 1Q <A> (4/1/04 ~ 6/30/04)	Ratio $\frac{\text{<A>}}{\text{}}$	FY2004 (4/1/04 ~ 3/31/05)
Equities, etc.	3,031	2,413	125.6 %	7,632
Bonds, forex, etc.	8,782	5,644	155.6	23,577
< Bonds, etc. >	< 6,738 >	< 3,101 >	< 217.2 >	< 16,204 >
< Forex, etc. >	< 2,044 >	< 2,542 >	< 80.4 >	< 7,372 >
Total	11,814	8,057	146.6	31,209

3. Equity Trading Activity (Excluding futures)

(Millions of Shares, Millions of Yen except percentage)

	FY2005 1Q <A> (4/1/05~ 6/30/05)		FY2004 1Q (4/1/04~ 6/30/04)		Ratio <A> ----- 		FY2004 (4/1/04 ~ 3/31/05)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	2,206	1,670,579	4,076	3,568,543	54.1 %	46.8 %	10,382	8,725,766
< Proprietary >	< 295 >	< 299,483 >	< 242 >	< 309,403 >	< 121.6 >	< 96.8 >	< 864 >	< 1,128,283 >
< Agency >	< 1,911 >	< 1,371,095 >	< 3,833 >	< 3,259,140 >	< 49.8 >	< 42.1 >	< 9,517 >	< 7,597,482 >
Agent ratio	86.6 %	82.1 %	94.0 %	91.3 %			91.7 %	87.1 %
TSE share	0.9 %	0.7 %	1.7 %	1.5 %			1.1 %	1.1 %

4. Underwriting / Subscription / Selling

(Millions of Shares, Millions of Yen except percentage)

		FY2005 1Q <A> (4/1/05~ 6/30/05)	FY2004 1Q (4/1/04~ 6/30/04)	Ratio <A> ----- 	FY2004 (4/1/04 ~ 3/31/05)
Underwriting	Bonds < Face value >	2,118	19,706	10.7 %	30,572
* Subscription and distribution	Equities < Number of shares >	3	10	31.7	342
	Equities < Amounts >	84,800	68,286	124.2	516,785
	Bonds < Face value >	449,697	397,441	113.1	1,566,312
	Invest. trusts < Amounts >	1,464,376	1,539,415	95.1	5,174,829
	Others < Amounts >	303	-	-	15,300

* Including selling and distribution of private placement

5. Capital Adequacy Ratio

(Millions of Yen except percentage)

		Jun. 30, 2005	Jun. 30, 2004	Mar. 31, 2005
Basic items	Capital (A)	406,025	387,612	398,218
Supplementary items	Unrealized gain on investment securities	1,154	622	1,022
	Statutory reserves	571	567	540
	Allowance for bad debts	21	25	21
	Short-term subordinated borrowings	-	39,000	-
	Sub - total (B)	1,746	40,215	1,583
	Deductible assets (C)	115,844	127,082	119,340
	Net capital (A) + (B) - (C) (D)	291,927	300,745	280,461
Total risk	Market Risk	41,092	25,399	34,613
	Credit Risk	12,128	13,323	12,548
	Basic Risk	34,737	32,259	34,511
	Sub - total (E)	87,958	70,982	81,673
Capital adequacy ratio	(D) / (E)*100	331.8 %	423.6 %	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)

	FY2004 1Q 04/01/04 06/30/04	FY2004 2Q 07/01/04 09/30/04	FY2004 3Q 10/01/04 12/31/04	FY2004 4Q 01/01/05 03/31/05	FY2005 1Q 04/01/05 06/30/05
Operating revenue	44,884	39,447	40,266	48,055	48,694
Commissions	34,697	31,535	29,084	38,900	35,013
Brokerage commissions	14,855	8,252	8,859	11,469	9,270
Underwriting & selling commissions	0	0	1	2	1
Subscription & distribution commissions	9,781	11,095	10,318	14,648	15,081
Other commissions	10,060	12,187	9,905	12,781	10,659
Net gain on trading	8,057	6,314	9,684	7,153	11,814
Net gain on other trading	0	2	1	1	0
Interest and dividend income	2,128	1,595	1,496	1,998	1,866
Interest expense	1,455	1,177	504	390	367
Net operating revenue	43,428	38,269	39,762	47,664	48,326
Selling, general and administrative expense	32,934	33,988	33,510	36,657	34,888
Brokerage, communication and other transaction related costs	4,791	5,481	5,162	5,871	4,364
Employee compensation and benefits	14,882	15,058	15,243	17,016	17,359
Occupancy	3,552	3,553	3,267	3,365	3,294
Data processing and other services	6,412	6,834	6,974	7,202	6,526
Depreciation and amortization	395	407	420	438	486
Taxes, other than income taxes	543	391	263	111	426
Others	2,355	2,260	2,179	2,652	2,429
Operating income	10,494	4,281	6,251	11,007	13,438
Non-operating revenue	3,123	588	56	364	243
Non-operating expense	52	132	77	78	77
Ordinary income	13,565	4,736	6,231	11,293	13,604
Extraordinary gain	657	33	6	116	-
Extraordinary loss	313	143	129	750	264
Income before income taxes	13,909	4,626	6,109	10,659	13,340
Income taxes-current	33	33	32	33	37
Income taxes-deferred	6,079	1,827	2,761	4,501	5,494
Net income	7,796	2,765	3,315	6,124	7,807