

NIKKO CORDIAL SECURITIES INC.

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Non-consolidated financial summary under Japanese GAAP for the six months ended September 30, 2005

(1) Operating results (from April 1, 2005 to September 30, 2005)

(Millions of Yen except percentage)

	Operating revenue	Net operating revenue	Operating income
FY2005 2Q (6months)	109,506 [29.9%]	108,710 [33.1%]	36,015 [143.7%]
FY2004 2Q (6months)	84,331	81,698	14,775
FY2004	172,653	169,125	32,034

	Ordinary income	Net income
FY2005 2Q (6months)	36,758 [100.8%]	21,097 [99.7%]
FY2004 2Q (6months)	18,301	10,561
FY2004	35,826	20,001

Note:1.Change in accounting policy: No

2.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, 2005	1,419,493	420,702	29.6 %	359.4 %
As of Sep.30, 2004	1,420,647	390,954	27.5	407.6
As of Mar.31, 2005	1,387,220	400,840	28.9	343.3

STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Sep. 30, 2005 (A)	Sep. 30, 2004 (B)	variance (A) - (B)	Mar. 31, 2005
< ASSETS >				
Current assets	1,310,449	1,297,048	13,400	1,262,008
Cash on hand, Cash in banks	181,921	189,017	(7,096)	181,362
Cash segregated for customers and others	200,940	122,316	78,623	172,973
Trading assets	511,515	507,291	4,224	545,597
Trading securities	471,999	461,432	10,566	504,697
Derivatives	39,516	45,858	(6,342)	40,899
Trading receivables	1,348	6,869	(5,521)	-
Margin account receivables	114,981	113,202	1,779	114,971
Loans on margin transactions	95,976	105,339	(9,362)	98,620
Cash collateral pledged for securities borrowing on margin transactions	19,004	7,862	11,141	16,350
Loans secured by securities	226,911	294,616	(67,705)	172,647
Cash collateral pledged for securities borrowings	226,911	294,616	(67,705)	172,647
Advance payments	686	676	9	2,077
Cash paid for subscription	10,863	8,604	2,258	9,359
Short-term loans	723	778	(54)	950
Deferred tax assets	15,462	15,462	-	15,462
Others	45,115	38,234	6,880	46,629
Allowance for bad debts	(21)	(23)	2	(21)
Non-current assets	109,044	123,598	(14,554)	125,212
Tangible fixed assets	7,191	7,094	97	8,118
Intangible fixed assets	1,789	1,456	332	2,003
Investments and others	100,063	115,047	(14,984)	115,090
Investment securities	39,811	23,634	16,176	39,345
Investment in subsidiaries and affiliates	16,469	16,318	150	16,451
Long-term loans	11,011	50,912	(39,901)	50,997
Long-term guaranty deposits	17,673	20,417	(2,744)	18,018
Deferred tax assets	13,101	36,209	(23,107)	28,639
Others	13,127	18,721	(5,594)	12,819
Allowance for bad debts	(11,131)	(51,167)	40,036	(51,180)
Total assets	1,419,493	1,420,647	(1,153)	1,387,220

STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Sep. 30, 2005 (A)	Sep. 30, 2004 (B)	variance (A) - (B)	Mar. 31, 2005
< LIABILITIES >				
Current liabilities	984,091	1,014,633	(30,542)	972,838
Trading liabilities	174,402	148,575	25,827	178,464
Trading securities	135,029	101,593	33,436	139,836
Derivatives	39,372	46,981	(7,609)	38,628
Trading payables	-	-	-	24,686
Margin account payables	14,687	9,270	5,417	9,080
Borrowings on margin transactions	3,216	3,960	(744)	2,196
Cash received for securities lending on margin transactions	11,471	5,309	6,161	6,884
Borrowings pledged by securities	423,997	421,790	2,207	376,502
Cash collateral received for securities lendings	175,107	148,179	26,927	134,710
Borrowings on Gensaki transaction	248,890	273,610	(24,720)	241,791
Deposits received	190,414	117,353	73,060	133,225
Guaranty deposits received	37,727	29,648	8,078	27,601
Short-term borrowings	122,395	136,495	(14,100)	93,195
Commercial paper	-	133,000	(133,000)	105,000
Income taxes payable	724	615	109	949
Others	19,741	17,884	1,856	24,134
Non-current liabilities	14,071	14,480	(409)	13,001
Long-term borrowings	2,000	2,000	-	2,000
Accrued pension benefits	11,712	11,757	(44)	10,524
Others	358	723	(365)	476
Statutory reserves	629	577	51	540
Total liabilities	998,791	1,029,692	(30,900)	986,380
< 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	28,434	(501)	28,936	8,937
Unappropriated retained earnings	28,434	(501)	28,936	8,937
Net unrealized gain on investment securities	1,386	576	810	1,022
Total shareholders' equity	420,702	390,954	29,747	400,840
Total liabilities and shareholders' equity	1,419,493	1,420,647	(1,153)	1,387,220

STATEMENT OF OPERATIONS

(Millions of Yen except percentage)

	FY2005 2Q <A> (4/1/05 ~ 9/30/05)	FY2004 2Q (4/1/04 ~ 9/30/04)	Ratio <u><A></u> <u></u>	FY2004 (4/1/04~ 3/31/05)
Operating revenue	109,506	84,331	129.9 %	172,653
Commissions	82,116	66,232	124.0	134,218
Net gain on trading	23,733	14,371	165.1	31,209
Net gain on other trading	0	2	32.3	6
Interest and dividend income	3,654	3,724	98.1	7,219
Interest expense	795	2,633	30.2	3,528
Net operating revenue	108,710	81,698	133.1	169,125
Selling, general and administrative expense	72,695	66,922	108.6	137,090
Brokerage, communication and other transaction related costs	8,926	10,273	86.9	21,307
Employee compensation and benefits	37,138	29,941	124.0	62,200
Occupancy	6,751	7,106	95.0	13,738
Data processing and other services	13,379	13,246	101.0	27,423
Depreciation and amortization	824	803	102.6	1,663
Taxes, other than income taxes	933	935	99.8	1,309
Others	4,741	4,615	102.7	9,448
Operating income	36,015	14,775	243.7	32,034
Non-operating revenue	845	3,711	22.8	4,132
Non-operating expense	101	185	55.0	340
Ordinary income	36,758	18,301	200.8	35,826
Extraordinary gain	179	690	26.0	813
Extraordinary loss	479	456	105.1	1,336
Income before income taxes	36,458	18,535	196.7	35,304
Income taxes-current	73	66	111.1	131
Income taxes-deferred	15,287	7,907	193.3	15,171
Net income	21,097	10,561	199.7	20,001
Retained earnings at beginning of period	7,337	(11,063)	-	(11,063)
Retained earnings at end of period	28,434	(501)	-	8,937

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) (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>Sep.30, 2005</u>	<u>Sep.30, 2004</u>	<u>Mar.31, 2005</u>
1. Accumulated depreciation of Tangible fixed assets	12,797	13,983	13,151
2. Debt guarantees	22,575	21,515	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>Sep.30, 2005</u>	<u>Sep.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 ¥3,536 million of net unrealized gain.

	(Millions of Yen)		
	<u>FY2005 2Q</u> <u>(6months)</u>	<u>FY2004 2Q</u> <u>(6months)</u>	<u>FY2004</u>
2.Details of extraordinary gain and loss			
Extraordinary gain			
Gain on sales of investment securities	130	690	813
Reversal of allowance for bad debts	48	-	-
Extraordinary loss			
Loss on sales of fixed assets	114	-	-
Loss on disposal of fixed assets	176	-	460
Write-off of investment securities	-	344	353
Repairment and anti-earthquake reinforcement cost on branch	-	-	448
Provision for directors' retirements	99	30	30
Provision for securities transaction liabilities	89	82	44

Reference Data

1.Commissions

(1) Breakdown by Account

(Millions of Yen except percentage)

	FY2005 2Q <A> (4/1/05 ~ 9/30/05)	FY2004 2Q <A> (4/1/04 ~ 9/30/04)	Ratio $\frac{\text{<A>}}{\text{}}$	FY2004 (4/1/04 ~ 3/31/05)
Brokerage commissions	24,396	23,107	105.6 %	43,436
< Equities >	< 24,189 >	< 22,839 >	< 105.9 >	< 42,930 >
< Bonds >	< 105 >	< 146 >	< 71.8 >	< 311 >
< Investment trusts >	< 101 >	< 121 >	< 83.2 >	< 194 >
Underwriting & selling commissions	3	0	1,206.1	3
< Bonds >	< 3 >	< 0 >	< 1,206.1 >	< 3 >
Subscription & distribution commissions	32,879	20,877	157.5	45,843
< Investment trusts >	< 25,957 >	< 11,897 >	< 218.2 >	< 28,515 >
Other commissions	24,837	22,247	111.6	44,934
< Investment trusts >	< 11,007 >	< 8,674 >	< 126.9 >	< 17,744 >
Total	82,116	66,232	124.0	134,218

(2) Breakdown by Products

(Millions of Yen except percentage)

	FY2005 2Q <A> (4/1/05 ~ 9/30/05)	FY2004 2Q <A> (4/1/04 ~ 9/30/04)	Ratio $\frac{\text{<A>}}{\text{}}$	FY2004 (4/1/04 ~ 3/31/05)
Equities	29,612	30,237	97.9 %	57,370
Bonds	2,788	3,644	76.5	6,713
Investment trusts	37,066	20,693	179.1	46,454
Others	12,649	11,656	108.5	23,679
Total	82,116	66,232	124.0	134,218

2.Net gain on Trading

(Millions of Yen except percentage)

	FY2005 2Q <A> (4/1/05 ~ 9/30/05)	FY2004 2Q <A> (4/1/04 ~ 9/30/04)	Ratio $\frac{\text{<A>}}{\text{}}$	FY2004 (4/1/04 ~ 3/31/05)
Equities, etc.	5,300	3,878	136.6 %	7,632
Bonds, forex, etc.	18,433	10,492	175.7	23,577
< Bonds, etc. >	< 13,401 >	< 6,308 >	< 212.4 >	< 16,204 >
< Forex, etc. >	< 5,031 >	< 4,184 >	< 120.3 >	< 7,372 >
Total	23,733	14,371	165.1	31,209

3. Equity Trading Activity (Excluding futures)

(Millions of Shares, Millions of Yen except percentage)

	FY2005 2Q <A> (4/1/05~ 9/30/05)		FY2004 2Q (4/1/04~ 9/30/04)		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	5,746	4,304,530	5,857	5,097,756	98.1 %	84.4 %	10,382	8,725,766
< Proprietary >	< 623 >	< 713,632 >	< 386 >	< 520,068 >	< 161.5 >	< 137.2 >	< 864 >	< 1,128,283 >
< Agency >	< 5,122 >	< 3,590,897 >	< 5,471 >	< 4,577,687 >	< 93.6 >	< 78.4 >	< 9,517 >	< 7,597,482 >
Agent ratio	89.1 %	83.4 %	93.4 %	89.8 %			91.7 %	87.1 %
TSE share	0.9 %	0.8 %	1.3 %	1.2 %			1.1 %	1.1 %

4. Underwriting / Subscription / Selling

(Millions of Shares, Millions of Yen except percentage)

			FY2005 2Q <A> (4/1/05~ 9/30/05)	FY2004 2Q (4/1/04~ 9/30/04)	Ratio — <A> 	FY2004 (4/1/04 ~ 3/31/05)
Underwriting	Bonds	< Face value >	35,266	24,241	145.5 %	30,572
* Subscription and distribution	Equities	< Number of shares >	20	192	10.7	342
	Equities	< Amounts >	207,963	249,955	83.2	516,785
	Bonds	< Face value >	866,357	812,047	106.7	1,566,312
	Invest. trusts	< Amounts >	3,216,979	2,722,586	118.2	5,174,829
	Others	< Amounts >	18,931	-	-	15,300

* Including selling and distribution of private placement

5. Capital Adequacy Ratio

(Millions of Yen except percentage)

		Sep. 30, 2005	Sep. 30, 2004	Mar. 31, 2005
Basic items	Capital (A)	417,715	390,378	398,218
Supplementary items	Unrealized gain on investment securities	1,386	576	1,022
	Statutory reserves	629	577	540
	Allowance for bad debts	21	23	21
	Short-term subordinated borrowings	-	39,000	-
	Sub - total (B)	2,037	40,176	1,583
	Deductible assets (C)	103,217	119,931	119,340
	Net capital (A) + (B) - (C) (D)	316,535	310,623	280,461
Total risk	Market Risk	40,523	31,012	34,613
	Credit Risk	12,753	12,477	12,548
	Basic Risk	34,778	32,715	34,511
	Sub - total (E)	88,055	76,206	81,673
	Capital adequacy ratio (D) / (E)*100	359.4 %	407.6 %	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)

	FY2005 1Q 04/01/05 06/30/05	FY2005 2Q 07/01/05 09/30/05	FY2004 2Q 07/01/04 09/30/04	1/4 of FY2004 04/01/04 03/31/05
Operating revenue	48,694	60,811	39,447	43,163
Commissions	35,013	47,103	31,535	33,554
Brokerage commissions	9,270	15,125	8,252	10,859
Underwriting & selling commissions	1	1	0	0
Subscription & distribution commissions	15,081	17,798	11,095	11,460
Other commissions	10,659	14,177	12,187	11,233
Net gain on trading	11,814	11,919	6,314	7,802
Net gain on other trading	0	0	2	1
Interest and dividend income	1,866	1,788	1,595	1,804
Interest expense	367	427	1,177	882
Net operating revenue	48,326	60,383	38,269	42,281
Selling, general and administrative expense	34,888	37,807	33,988	34,272
Brokerage, communication and other transaction related costs	4,364	4,561	5,481	5,326
Employee compensation and benefits	17,359	19,778	15,058	15,550
Occupancy	3,294	3,457	3,553	3,434
Data processing and other services	6,526	6,853	6,834	6,855
Depreciation and amortization	486	337	407	415
Taxes, other than income taxes	426	507	391	327
Others	2,429	2,311	2,260	2,362
Operating income	13,438	22,576	4,281	8,008
Non-operating revenue	243	601	588	1,033
Non-operating expense	77	24	132	85
Ordinary income	13,604	23,153	4,736	8,956
Extraordinary gain	-	179	33	203
Extraordinary loss	264	214	143	334
Income before income taxes	13,340	23,118	4,626	8,826
Income taxes-current	37	36	33	32
Income taxes-deferred	5,494	9,792	1,827	3,792
Net income	7,807	13,289	2,765	5,000