



July 31, 2006

NIKKO CORDIAL SECURITIES INC.

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Non-consolidated financial summary under Japanese GAAP for the three months ended June 30, 2006

1. Basis of the preparation of quarterly financial statements

(1) Adoption of simplified method for accounting treatment : None

(2) Change in accounting policy : None

2. Overall business performance for the three months ended June 30, 2006

(1) Operating results (from April 1, 2006 to June 30, 2006)

(Millions of Yen except percentage)

	Operating revenue	Net operating revenue	Operating income
FY2006 1Q (3 months)	63,255 [29.9%]	62,862 [30.1%]	19,953 [48.5%]
FY2005 1Q (3 months)	48,694	48,326	13,438
FY2005	247,748	246,359	91,299

	Ordinary income	Net income
FY2006 1Q (3 months)	20,592 [51.4%]	11,360 [45.5%]
FY2005 1Q (3 months)	13,604	7,807
FY2005	95,480	59,992

Note: The percentages noted in Operating revenue, Net operating revenue etc. are the increase or decrease compared to the same period in the previous year.

(2) Financial condition

(Millions of Yen except percentage)

	Total assets	Net assets	Equity ratio	Capital adequacy ratio
As of Jun. 30, 2006	1,505,579	438,747	29.1 %	611.2 %
As of Jun. 30, 2005	1,334,529	407,180	30.5	331.8
As of Mar. 31, 2006	1,319,130	457,885	34.7	557.6

Note: The figures for the first quarter of the year ended March 2006 and the year ended March 2006 that previously appeared under the headings Shareholders equity and Shareholders' equity ratio are shown in the Net assets column and Equity ratio column respectively.

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

STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Jun. 30, 2006 (A)	Jun. 30, 2005 (B)	variance (A) - (B)	Mar. 31, 2006
< ASSETS >				
Current assets	1,429,783	1,212,680	217,102	1,242,783
Cash on hand, Cash in banks	122,742	183,594	(60,852)	227,419
Cash segregated for customers and others	177,980	153,790	24,190	203,142
Trading assets	454,202	581,028	(126,826)	339,240
Trading securities	417,846	542,890	(125,043)	304,142
Derivatives	36,355	38,138	(1,783)	35,098
Margin account receivables	186,258	115,484	70,773	202,181
Loans on margin transactions	185,223	102,705	82,518	200,451
Cash collateral pledged for securities borrowing on margin transactions	1,034	12,778	(11,744)	1,730
Loans secured by securities	401,873	114,163	287,709	199,772
Cash collateral pledged for securities borrowings	401,873	114,163	287,709	199,772
Advance payments	424	741	(316)	259
Cash paid for subscription	23,163	7,399	15,763	7,913
Short-term loans	293	663	(370)	310
Deferred tax assets	8,623	15,462	(6,839)	15,657
Others	54,357	40,373	13,983	47,022
Allowance for bad debts	(136)	(21)	(114)	(138)
Non-current assets	75,796	121,849	(46,052)	76,346
Tangible fixed assets	8,001	8,383	(381)	7,976
Intangible fixed assets	1,956	1,912	43	1,897
Investments and others	65,838	111,552	(45,713)	66,472
Investment securities	20,369	41,942	(21,572)	21,057
Investment in subsidiaries and affiliates	8,817	16,451	(7,633)	8,817
Long-term loans	5,274	50,932	(45,658)	11,077
Long-term guaranty deposits	16,486	17,447	(961)	15,988
Deferred tax assets	7,247	23,053	(15,805)	7,712
Others	13,026	12,930	95	12,974
Allowance for bad debts	(5,384)	(51,205)	45,821	(11,154)
Total assets	1,505,579	1,334,529	171,050	1,319,130

STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Jun. 30, 2006 (A)	Jun. 30, 2005 (B)	variance (A) - (B)	Mar. 31, 2006
< LIABILITIES >				
Current liabilities	<u>1,064,021</u>	<u>913,194</u>	<u>150,826</u>	<u>858,471</u>
Trading liabilities	<u>170,310</u>	<u>172,985</u>	<u>(2,675)</u>	<u>128,162</u>
Trading securities	133,754	133,982	(227)	93,968
Derivatives	36,556	39,003	(2,447)	34,193
Trading payables	18,628	65,187	(46,558)	6,463
Margin account payables	<u>5,971</u>	<u>6,971</u>	<u>(999)</u>	<u>8,907</u>
Borrowings on margin transactions	4,055	2,182	1,872	5,137
Cash received for securities lending on margin transactions	1,916	4,788	(2,872)	3,770
Borrowings pledged by securities	<u>385,773</u>	<u>290,601</u>	<u>95,171</u>	<u>325,088</u>
Cash collateral received for securities lendings	156,926	133,908	23,018	235,458
Borrowings on Gensaki transaction	228,847	156,693	72,153	89,630
Deposits received	223,683	150,447	73,235	196,892
Guaranty deposits received	45,493	29,887	15,605	47,367
Short-term borrowings	165,095	107,395	57,700	76,395
Commercial paper	30,000	75,000	(45,000)	-
Income taxes payable	336	317	18	23,140
Others	18,729	14,400	4,328	46,054
Non-current liabilities	<u>2,039</u>	<u>13,583</u>	<u>(11,544)</u>	<u>2,028</u>
Long-term borrowings	-	2,000	(2,000)	-
Accrued pension benefits	1,685	11,225	(9,539)	1,675
Others	353	358	(4)	353
Statutory reserves	<u>771</u>	<u>571</u>	<u>200</u>	<u>744</u>
Total liabilities	<u>1,066,831</u>	<u>927,349</u>	<u>139,482</u>	<u>861,244</u>
< SHAREHOLDERS' EQUITY >				
Common stock	-	100,000	-	100,000
Additional paid-in capital	-	290,880	-	290,880
Legal capital reserve	-	290,880	-	290,880
Retained earnings	-	15,145	-	65,730
Unappropriated retained earnings	-	15,145	-	65,730
Net unrealized gain on investment securities	-	1,154	-	1,274
Total shareholders' equity	-	407,180	-	457,885
Total liabilities and shareholders' equity	-	1,334,529	-	1,319,130
< NET ASSETS >				
Shareholders' equity	<u>437,970</u>	-	-	-
Common stock	100,000	-	-	-
Additional paid-in capital	290,880	-	-	-
Legal capital reserve	290,880	-	-	-
Retained earnings	47,090	-	-	-
Other retained earnings	47,090	-	-	-
Unappropriated retained earnings	47,090	-	-	-
Net unrealized gain, foreign currency translation adjustments etc	777	-	-	-
Net unrealized gain on investment securities	777	-	-	-
Total Net Assets	<u>438,747</u>	-	-	-
Total Liabilities and Net Assets	<u>1,505,579</u>	-	-	-

STATEMENT OF OPERATIONS

(Millions of Yen except percentage)

	FY2006 1Q <A> (4/1/06 ~ 6/30/06)	FY2005 1Q (4/1/05 ~ 6/30/05)	Ratio <A> /	FY2005 (4/1/05~ 3/31/06)
Operating revenue	63,255	48,694	129.9 %	247,748
Commissions	52,950	35,013	151.2	192,965
Net gain on trading	8,594	11,814	72.7	47,651
Net gain on other trading	0	0	50.8	1
Interest and dividend income	1,709	1,866	91.6	7,129
Interest expense	392	367	106.7	1,388
Net operating revenue	62,862	48,326	130.1	246,359
Selling, general and administrative expense	42,909	34,888	123.0	155,060
Brokerage, communication and other transaction related costs	5,364	4,364	122.9	20,221
Employee compensation and benefits	22,321	17,359	128.6	79,179
Occupancy	4,102	3,294	124.5	14,596
Data processing and other services	7,554	6,526	115.8	27,239
Depreciation and amortization	455	486	93.6	1,690
Taxes, other than income taxes	423	426	99.4	1,948
Others	2,686	2,429	110.6	10,183
Operating income	19,953	13,438	148.5	91,299
Non-operating revenue	775	243	319.0	4,400
Non-operating expense	136	77	177.2	219
Ordinary income	20,592	13,604	151.4	95,480
Extraordinary gain	10	-	-	16,026
Extraordinary loss	901	264	340.6	8,758
Income before income taxes	19,700	13,340	147.7	102,748
Income taxes-current	500	37	1,343.4	22,197
Income taxes-deferred	7,839	5,494	142.7	20,558
Net income	11,360	7,807	145.5	59,992
Retained earnings at beginning of period	-	7,337	-	7,337
Interim dividend	-	-	-	1,600
Retained earnings at end of period	-	15,145	-	65,730

Notes to quarterly financial statements

The company's quarterly financial statements have been prepared in accordance with the "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) Investments 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 cost using the moving average method and market value is recorded as net unrealized gains on investment securities in Net assets in the statement of financial condition.

(b) Securities without market value:

Recorded at cost using the moving average method. Investment in partnership funds are consolidated in proportion to the company's interests, but certain investment in partnership which will not have material effect on financial statement are recorded as investment securities 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 using the declining-balance method by using the useful lives and remaining balances stipulated in the Corporate Tax Law. However, buildings acquired after April 1, 1998 (excluding facilities attached to buildings) are depreciated using 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 using 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 a provision for performing loans using a projected loss rate based on historical loss experiences, and estimated a provision for non-performing loans based on probable losses for each specific loan.

(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 annuity holder 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

Marked-to-market profits and losses on hedging instruments are principally deferred until the profits or losses on the hedged instruments are realized.

6. Accounting for consumption taxes

Consumption taxes are accounted for based on the tax exclusion method.

Changes in basis for the financial statements

Disclosure of Net Assets in the Balance Sheet

The Company adopted "Accounting Standards regarding Disclosure of Net Assets in the Balance Sheet" ("Accounting Standards Number 5" issued on December 9, 2005) and "Guidance on Application of Accounting Standards regarding Disclosure of Net Assets in the Balance Sheet" ("Application Guidance Number 8 on Accounting Standards" issued on December 9, 2005) from this fiscal year. Total Shareholders' equity under the old accounting standards at the end of this period was 438,747 million yen.

Notes to statement of financial condition

	(Millions of Yen)		
	<u>Jun. 30, 2006</u>	<u>Jun. 30, 2005</u>	<u>Mar. 31, 2006</u>
1. Accumulated depreciation of tangible fixed assets	12,508	12,906	12,378
2. Debt guarantees	23,322	22,658	22,715

In accordance with the Auditing Committee Report No.61 "Audit Treatment of Accounting and Reporting of Debt Guarantees and Similar Acts" issued by the 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.

Notes to statement of operations

Details of extraordinary gains and losses

	(Millions of Yen)		
	<u>FY2006 1Q</u> <u>(3 months)</u>	<u>FY2005 1Q</u> <u>(3 months)</u>	<u>FY2005</u>
Extraordinary gains			
Gain on sales of investment securities	-	-	1,743
Gain on sales of investments in subsidiaries and affiliates	-	-	14,282
Reversal of allowance for bad debts	10	-	-
Extraordinary losses			
Loss on sales of fixed assets	-	-	113
Loss on disposal of fixed assets	-	134	528
Write-off of investment securities	-	-	2,758
Contribution to the securities market improvement fund	-	-	86
Reorganizing cost for overseas subsidiaries and affiliates	800	-	-
Provision for directors' retirements	73	99	99
Loss on termination of retirement benefit system	-	-	4,967
Provision for securities transaction liabilities	27	30	204

Reference Data

1.Commissions

(1) Breakdown by Categories

(Millions of Yen except percentage)

	FY2006 1Q <A> (4/1/06 ~ 6/30/06)	FY2005 1Q <A> (4/1/05 ~ 6/30/05)	Ratio $\frac{\text{<A>}}{\text{}}$	FY2005 (4/1/05 ~ 3/31/06)
Brokerage commissions	11,188	9,270	120.7 %	65,195
< Equities >	< 11,063 >	< 9,204 >	< 120.2 >	< 64,700 >
< Bonds >	< 68 >	< 31 >	< 215.2 >	< 305 >
< Investment trusts >	< 56 >	< 33 >	< 167.6 >	< 189 >
Underwriting & selling commissions	-	1	-	5
< Bonds >	< - >	< 1 >	< - >	< 5 >
Subscription & distribution commissions	26,411	15,081	175.1	71,660
< Investment trusts >	< 23,218 >	< 11,580 >	< 200.5 >	< 54,688 >
Other commissions	15,351	10,659	144.0	56,103
< Investment trusts >	< 7,703 >	< 4,910 >	< 156.9 >	< 25,557 >
Total	52,950	35,013	151.2	192,965

(2) Breakdown by Products

(Millions of Yen except percentage)

	FY2006 1Q <A> (4/1/06 ~ 6/30/06)	FY2005 1Q <A> (4/1/05 ~ 6/30/05)	Ratio $\frac{\text{<A>}}{\text{}}$	FY2005 (4/1/05 ~ 3/31/06)
Equities	12,835	11,766	109.1 %	79,054
Bonds	1,822	1,365	133.5	5,836
Investment trusts	30,977	16,524	187.5	80,435
Others	7,315	5,356	136.6	27,637
Total	52,950	35,013	151.2	192,965

2.Net gain on Trading

(Millions of Yen except percentage)

	FY2006 1Q <A> (4/1/06 ~ 6/30/06)	FY2005 1Q <A> (4/1/05 ~ 6/30/05)	Ratio $\frac{\text{<A>}}{\text{}}$	FY2005 (4/1/05 ~ 3/31/06)
Equities, etc.	774	3,031	25.6 %	10,802
Bonds, forex, etc.	7,819	8,782	89.0	36,848
< Bonds, etc. >	< 3,549 >	< 6,738 >	< 52.7 >	< 23,199 >
< Forex, etc. >	< 4,269 >	< 2,044 >	< 208.9 >	< 13,649 >
Total	8,594	11,814	72.7	47,651

3. Equity Trading Activity (Excluding futures)

(Millions of Shares, Millions of Yen except percentage)

	FY2006 1Q <A> (4/1/06~ 6/30/06)		FY2005 1Q (4/1/05~ 6/30/05)		Ratio <A> ----- 		FY2005 (4/1/05 ~ 3/31/06)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	1,775	1,979,487	2,206	1,670,579	80.5 %	118.5 %	12,499	11,165,497
< Proprietary >	< 205 >	< 265,510 >	< 295 >	< 299,483 >	< 69.8 >	< 88.7 >	< 1,250 >	< 1,624,475 >
< Agency >	< 1,569 >	< 1,713,977 >	< 1,911 >	< 1,371,095 >	< 82.1 >	< 125.0 >	< 11,249 >	< 9,541,022 >
Agent ratio	88.4 %	86.6 %	86.6 %	82.1 %			90.0 %	85.5 %
TSE share	0.6 %	0.5 %	0.9 %	0.7 %			0.9 %	0.8 %

4. Underwriting / Subscription / Selling

(Millions of Shares, Millions of Yen except percentage)

			FY2006 1Q <A> (4/1/06~ 6/30/06)	FY2005 1Q (4/1/05~ 6/30/05)	Ratio <A> ----- 	FY2005 (4/1/05 ~ 3/31/06)
Underwriting	Bonds	< Face value >	-	2,118	- %	72,901
* Subscription and distribution	Equities	< Number of shares >	20	3	626.7	111
	Equities	< Amounts >	132,641	84,800	156.4	553,493
	Bonds	< Face value >	363,176	449,697	80.8	1,641,283
	Invest. trusts	< Amounts >	2,012,215	1,464,376	137.4	7,533,532
	Others	< Amounts >	13,086	303	4,305.2	37,284

* Including selling and distribution of private placement

5. Capital Adequacy Ratio

(Millions of Yen except percentage)

		Jun. 30, 2006	Jun. 30, 2005	Mar. 31, 2006
Basic items	Capital (A)	437,970	406,025	426,610
Supplementary items	Unrealized gain on investment securities	777	1,154	1,274
	Statutory reserves	771	571	744
	Allowance for bad debts	136	21	138
	Sub - total (B)	1,685	1,746	2,156
Deductible assets (C)	72,971	115,844	72,725	
Net capital (A) + (B) - (C) (D)	366,684	291,927	356,041	
Total risk	Market Risk	7,291	41,092	13,304
	Credit Risk	13,547	12,128	14,556
	Basic Risk	39,154	34,737	35,987
	Sub - total (E)	59,994	87,958	63,848
Capital adequacy ratio (D) / (E)*100	611.2 %	331.8 %	557.6 %	

Note: The table above shows calculation of the capital adequacy ratio based on financial results in accordance with the provision set out in the 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	FY2005 3Q 10/01/05 12/31/05	FY2005 4Q 01/01/06 03/31/06	FY2006 1Q 04/01/06 06/30/06
Operating revenue	48,694	60,811	74,186	64,055	63,255
Commissions	35,013	47,103	57,610	53,238	52,950
Brokerage commissions	9,270	15,125	22,698	18,100	11,188
Underwriting & selling commissions	1	1	1	1	-
Subscription & distribution commissions	15,081	17,798	21,043	17,737	26,411
Other commissions	10,659	14,177	13,866	17,399	15,351
Net gain on trading	11,814	11,919	14,876	9,041	8,594
Net gain on other trading	0	0	0	0	0
Interest and dividend income	1,866	1,788	1,699	1,775	1,709
Interest expense	367	427	313	279	392
Net operating revenue	48,326	60,383	73,873	63,775	62,862
Selling, general and administrative expense	34,888	37,807	40,901	41,463	42,909
Brokerage, communication and other transaction related costs	4,364	4,561	5,410	5,885	5,364
Employee compensation and benefits	17,359	19,778	21,496	20,544	22,321
Occupancy	3,294	3,457	3,590	4,254	4,102
Data processing and other services	6,526	6,853	7,024	6,834	7,554
Depreciation and amortization	486	337	419	446	455
Taxes, other than income taxes	426	507	572	442	423
Others	2,429	2,311	2,387	3,055	2,686
Operating income	13,438	22,576	32,971	22,312	19,953
Non-operating revenue	243	601	2,260	1,295	775
Non-operating expense	77	24	(26)	144	136
Ordinary income	13,604	23,153	35,258	23,464	20,592
Extraordinary gain	-	179	15,990	(144)	10
Extraordinary loss	264	214	8,025	253	901
Income before income taxes	13,340	23,118	43,223	23,066	19,700
Income taxes-current	37	36	11,437	10,685	500
Income taxes-deferred	5,494	9,792	6,432	(1,162)	7,839
Net income	7,807	13,289	25,352	13,542	11,360