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NIKKO CORDIAL SECURITIES INC.

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Financial summary under Japanese GAAP as of and for the 9 months ended December 31, 2007

1. Overall business performance for the 9 months ended December 31, 2007

(1) Operating results (from April 1 to December 31, 2007)

(Millions of Yen except percentages)

	Operating revenue	Net operating revenue	Operating income
FY2007 3Q (9 months)	181,699 -3.3%	178,182 -4.3%	49,068 -14.7%
FY2006 3Q (9 months)	187,954	186,234	57,548
FY2006	249,677	246,972	75,058

	Ordinary income	Net income
FY2007 3Q (9 months)	49,708 -15.4%	27,807 -15.0%
FY2006 3Q (9 months)	58,783	32,716
FY2006	76,399	40,132

Note: 1. The percentages noted in Operating revenue, Net operating revenue, Operating income, Ordinary income and Net income represent the increase or decrease compared to the previous year.

2. Figures are rounded down to the nearest whole number.

(2) Financial condition

(Millions of Yen except percentages)

	Total assets	Net assets	Equity ratio	Capital adequacy ratio
FY2007 3Q (9 months)	1,533,669	424,813	27.7 %	565.9 %
FY2006 3Q (9 months)	1,394,049	430,026	30.8	570.9
FY2006	1,230,618	437,786	35.6	587.2

2. Others

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

(2) Changes in method for accounting treatment from late fiscal year : Yes

Note: See "Operating Results and Financial Condition" (p.3) for detail.

Operating Results and Financial Condition

1. Operating Results

Financial Overview

Operating revenue for this period (from April 1, 2007 to December 31, 2007) totaled ¥181.6 billion or 3% decrease of the same period in the previous year. Net operating revenue, which subtracts interest expense from operating revenue, was ¥178.1 billion or 4% decrease of the same period in the previous year. Selling, general and administrative expense recorded was ¥129.1 billion which was almost the same level as period in the previous year. Consequently, operating income was ¥49.0 billion or 15% decrease of the same period in the previous year, and ordinary income, which is adjusted by non-operating revenue (expense), was ¥49.7 billion or 15% decrease of the same period in the previous year. Net income, which incorporates factors such as extraordinary gains (losses) and corporate taxes, was ¥27.8 billion or 15% decrease of the same period in the previous year.

Major revenues and expenses are as follows;

(1) Commissions

Commissions recorded were ¥126.8 billion, which was 16% decrease of the same period in the previous year. The following is a summary by each category.

Brokerage Commissions

Brokerage commissions were ¥25.7 billion, 12% decrease of the same period in the previous year. Breakdown of brokerage commissions on equities, bonds and investment trust were ¥25.4 billion or 12% decrease of the same period in the previous year, ¥0.09 billion and ¥0.1 billion, respectively.

Subscription and Distribution Commissions

Subscription and distribution commissions were ¥42.1 billion, 38% decrease of the same period in the previous year. Commission revenues on equities and bonds were ¥1.5 billion or 85% decrease of, and ¥1.5 billion or 54% decrease of, the same period in the previous year, respectively. Mainly offering globally diversified investment trusts, and those with themes of environment or region, however, commission revenues on investment trust were ¥38.8 billion or 28% decrease of the same period in the previous year, because customers refrained from buying in fluctuating market.

Other Commissions

Other commissions were ¥59.0 billion, 10% increase of the same period in the previous year, mainly due to the increase in agency commission on investment trusts from the accumulated balances.

(2) Net Gain on Trading

Expansion of foreign exchange related transactions resulted net gain on trading to be ¥47.5 billion, 49% increase of the same period in the previous year. Breakdown of trading gain on equities and bonds/foreign exchanges were ¥1.7 billion and ¥45.8 billion, respectively.

(3) Net Financial Income

Net financial income, ¥7.2 billion of interest and dividend income less ¥3.5 billion of interest expense, was a gain of ¥3.7 billion.

(4) Selling, General and Administrative Expense

Selling, general and administrative expense was ¥129.1 billion, which was almost the same level as period in the previous year. Employee compensation and benefits were ¥63.0 billion or 3% decrease of the same period in the previous year. Outsourcing and office supplies increased to ¥25.1 billion or 7% increase of the same period in the previous year, due to the increase in information system related investing expense. Occupancy was ¥13.7 billion or 7% increase of the same period in the previous year, due to the maintenance of business locations

(5) Extraordinary gains and losses

Extraordinary income was ¥0.3 billion of gain on sales of investment securities.

The Company recorded extraordinary losses totaling ¥0.9 billion, which include ¥0.4 billion of expense of settlement for stock options granted in prior years, ¥0.2 billion of loss on disposal of fixed assets, and ¥0.1 billion of write-offs of investment securities.

2. Financial Condition

Current assets at the end of this third quarter amounted to ¥1,454.5 billion, which represents an increase of ¥306.4 billion compared with the end of the previous year due to an increase in trading assets, cash collateral pledged for securities borrowed. Fixed assets were ¥79.0 billion, a decrease of ¥3.4 billion from the previous fiscal year end due to be returned long term guarantee deposits, etc.

Current liabilities amounted to ¥1,105.3 billion, which represents an increase of ¥315.2 billion compared with the end of the previous year due to an increase in trading liabilities and short-term borrowings. Long-term liabilities were ¥2.6 billion, an increase of ¥0.7 billion from the previous fiscal year.

3. Others

(1) Adoption of simplified method for accounting treatment

No comments in particular.

(2) Changes in method for accounting treatment from late fiscal year

In accordance with revision of Corporation Tax Law ((Law Concerning the Partial Revision of Income Tax No.6, issued on March 30, 2007) and (Government Ordinance Concerning the Partial Revision of Corporation Tax Law Constructing Order No.83, issued on March 30, 2007)), the method of depreciation and amortization for tangible fixed assets acquired after April 1, 2007 changed to the method after amendments.

This accounting treatment does not have material impact on the financial statements.

4. Financial Statements

(1) Balance Sheet

(Millions of Yen except percentages)

	 Dec. 31, 2006	Dec. 31, 2007	<A> Net Change	<A> 	March 31, 2007
(ASSETS)					
Current assets	1,311,505	1,454,569	143,063	10.9 %	1,148,098
Cash and cash deposits	148,386	73,370	(75,015)	(50.6)	137,127
Cash segregated and deposits	156,205	148,081	(8,124)	(5.2)	216,924
Trading assets:	478,344	647,489	169,145	35.4	354,717
<i>Trading securities</i>	453,741	578,787	125,046	27.6	327,495
<i>Derivatives</i>	24,603	68,702	44,098	179.2	27,221
Open trade receivables, net	-	2,647	2,647	-	-
Receivables related to margin transactions:	126,968	92,491	(34,476)	(27.2)	158,408
<i>Loans on margin transactions</i>	124,680	91,120	(33,560)	(26.9)	149,854
<i>Cash collateral pledged for securities borrowed on margin transactions</i>	2,287	1,371	(916)	(40.0)	8,554
Collateralized short-term financing agreements	340,762	409,098	68,336	20.1	230,239
<i>Cash collateral pledged for securities borrowed</i>	340,762	409,098	68,336	20.1	230,239
Advance payments	4,576	8,825	4,249	92.8	1,074
Cash paid for subscription	10,839	7,094	(3,745)	(34.6)	4,390
Short-term loans	523	224	(299)	(57.1)	274
Deferred tax assets	10,182	7,068	(3,114)	(30.6)	12,652
Other current assets	34,857	58,253	23,395	67.1	32,419
Allowance for bad debts	(142)	(76)	65	-	(132)
Fixed assets	82,543	79,099	(3,443)	(4.2)	82,519
Tangible fixed assets	8,605	9,491	886	10.3	8,688
Intangible fixed assets	2,163	2,604	440	20.4	2,359
Investments and others:	71,775	67,003	(4,771)	(6.6)	71,471
<i>Investment securities</i>	19,782	13,216	(6,566)	(33.2)	15,877
<i>Investment in subsidiaries and affiliates</i>	13,475	14,740	1,265	9.4	13,475
<i>Long-term loans</i>	5,206	5,141	(65)	(1.3)	5,204
<i>Long-term guarantee deposits</i>	17,483	16,429	(1,053)	(6.0)	20,168
<i>Deferred tax assets</i>	8,226	10,052	1,825	22.2	9,202
<i>Other investments</i>	12,966	13,010	43	0.3	12,956
<i>Allowance for bad debts</i>	(5,365)	(5,586)	(220)	-	(5,412)
Total assets	1,394,049	1,533,669	139,619	10.0	1,230,618

(Millions of Yen except percentages)

	 Dec. 31, 2006	Dec. 31, 2007	<A> Net Change	$\frac{\text{<A>}}{\text{}}$	March 31, 2007
(LIABILITIES)					
Current liabilities	961,203	1,105,331	144,127	15.0 %	790,048
Trading liabilities:	146,739	196,299	49,560	33.8	127,809
<i>Trading securities</i>	120,139	128,785	8,646	7.2	100,438
<i>Derivatives</i>	26,599	67,513	40,914	153.8	27,371
Open trade payables, net	6,556	-	(6,556)	-	7,643
Payables related to margin transactions:	5,637	3,877	(1,759)	(31.2)	117,061
<i>Borrowings on margin transactions</i>	1,166	686	(479)	(41.2)	105,931
<i>Cash collateral received for securities loaned on margin transactions</i>	4,471	3,191	(1,279)	(28.6)	11,130
Collateralized short-term financing agreements:	308,113	316,762	8,648	2.8	155,488
<i>Cash collateral received for securities loaned</i>	165,419	207,595	42,175	25.5	115,307
<i>Borrowings on Gensaki transaction</i>	142,694	109,167	(33,526)	(23.5)	40,180
Deposits received	183,887	150,530	(33,356)	(18.1)	121,919
Guarantee deposits received	32,492	26,128	(6,364)	(19.6)	31,932
Securities failed to deliver	-	0	0	-	199
Short-term borrowings	190,475	292,500	102,025	53.6	154,675
Commercial paper	50,000	91,000	41,000	82.0	20,000
Income taxes payable	7,502	829	(6,673)	(88.9)	17,287
Other current liabilities	29,798	27,402	(2,396)	(8.0)	36,031
Long-term liabilities	2,015	2,638	622	30.9	1,938
Accrued pension benefits	1,706	1,124	(582)	(34.1)	1,103
Other long-term liabilities	309	1,514	1,205	389.9	834
Statutory reserves	803	885	81	10.2	844
Total liabilities	964,022	1,108,855	144,832	15.0	792,831
(NET ASSETS)					
Shareholders' equity	429,327	424,550	(4,776)	(1.1)	436,743
Common stock	100,000	100,000	-	-	100,000
Capital surplus	290,880	290,880	-	-	290,880
Legal capital reserve	25,000	25,000	-	-	25,000
Other capital reserve	265,880	265,880	-	-	265,880
Retained earnings	38,446	33,670	(4,776)	(12.4)	45,862
Other retained earnings	38,446	33,670	(4,776)	(12.4)	45,862
Unappropriated retained earnings	38,446	33,670	(4,776)	(12.4)	45,862
Valuation and translation adjustments	699	262	(436)	(62.4)	1,043
Net unrealized gain on investment securities	699	262	(436)	(62.4)	1,043
Total net assets	430,026	424,813	(5,212)	(1.2)	437,786
Total liabilities and net assets	1,394,049	1,533,669	139,619	10.0	1,230,618

(2) Income Statement

(Millions of Yen except percentages)

	 For 9 months ended Dec. 31, 2006	For 9 months ended Dec. 31, 2007	<A> Net Change	$\frac{\text{<A>}}{\text{}}$	For the year ended March 31, 2007
Operating revenue	187,954	181,699	(6,254)	(3.3) %	249,677
Commissions	150,628	126,893	(23,734)	(15.8)	195,745
Net gain on trading	31,830	47,564	15,733	49.4	46,187
Net gain on other trading	0	0	0	31.8	0
Interest and dividend income	5,494	7,241	1,746	31.8	7,744
Interest expense	1,719	3,517	1,798	104.6	2,705
Net operating revenue	186,234	178,182	(8,052)	(4.3)	246,972
Selling, general and administrative expense	128,686	129,113	427	0.3	171,913
<i>Brokerage, communication and other transaction related costs</i>	16,112	15,116	(996)	(6.2)	21,221
<i>Employee compensation and benefits</i>	65,092	63,051	(2,041)	(3.1)	86,350
<i>Occupancy</i>	12,883	13,796	912	7.1	17,476
<i>Outsourcing and office supplies</i>	23,573	25,158	1,584	6.7	31,694
<i>Depreciation and amortization</i>	1,423	1,726	302	21.2	1,932
<i>Taxes, other than income taxes</i>	1,356	1,321	(34)	(2.6)	1,794
<i>Other</i>	8,243	8,943	699	8.5	11,443
Operating income	57,548	49,068	(8,479)	(14.7)	75,058
Non-operating revenue	1,357	784	(573)	(42.3)	1,726
Non-operating expense	122	144	21	17.5	385
Ordinary income	58,783	49,708	(9,075)	(15.4)	76,399
Extraordinary gain	142	304	161	113.2	153
Extraordinary loss	1,857	955	(902)	(48.6)	6,373
Net income before provision for income taxes	57,068	49,058	(8,010)	(14.0)	70,179
Income taxes-current	18,997	15,980	(3,016)	(15.9)	28,374
Income taxes-deferred	5,354	5,269	(84)	(1.6)	1,672
Net income	32,716	27,807	(4,908)	(15.0)	40,132

(3) Statement of Changes in Net Assets

FY 2006 3Q (from April 1, 2006 to December 31,2006)

(Millions of Yen)

	Shareholders' Equity					Valuation and translation adjustments	Total net assets
	Common stock	Capital surplus		Retained earnings	Total	Net unrealized gain on investment securities	
		Legal capital reserve	Other capital reserve	Other retained earnings Unappropriated retained earnings			
Balance at the beginning of period	100,000	290,880	-	65,730	456,610	1,274	457,885
Changes in this period							
Addition to Other capital reserve from Legal capital reserve		(265,880)	265,880		-		-
Dividends paid				(60,000)	(60,000)		(60,000)
Net income				32,716	32,716		32,716
Net changes in Net Assets other than Shareholders' equity						(575)	(575)
Total changes	-	(265,880)	265,880	(27,283)	(27,283)	(575)	(27,858)
Closing balance	100,000	25,000	265,880	38,446	429,327	699	430,026

FY2007 3Q (from April 1, 2007 to December 31,2007)

(Millions of Yen)

	Shareholders' Equity					Valuation and translation adjustments	Total net assets
	Common stock	Capital surplus		Retained earnings	Total	Net unrealized gain on investment securities	
		Legal capital reserve	Other capital reserve	Other retained earnings Unappropriated retained earnings			
Balance at the beginning of period	100,000	25,000	265,880	45,862	436,743	1,043	437,786
Changes in this period							
Dividends paid				(40,000)	(40,000)		(40,000)
Net income				27,807	27,807		27,807
Net changes in Net Assets other than Shareholders' equity						(780)	(780)
Total changes	-	-	-	(12,192)	(12,192)	(780)	(12,973)
Closing balance	100,000	25,000	265,880	33,670	424,550	262	424,813

FY 2006 (from April 1, 2006 to March 31, 2007)

(Millions of Yen)

	Shareholders' Equity					Valuation and translation adjustments	Total net assets
	Common stock	Capital surplus		Retained earnings	Total	Net unrealized gain on investment securities	
		Legal capital reserve	Other capital reserve	Other retained earnings Unappropriated retained earnings			
Balance at the beginning of year	100,000	290,880	-	65,730	456,610	1,274	457,885
Changes in this year							
Addition to Other capital reserve from Legal capital reserve		(265,880)	265,880		-		-
Dividends paid				(60,000)	(60,000)		(60,000)
Net income				40,132	40,132		40,132
Net changes in Net Assets other than Shareholders' equity						(230)	(230)
Total changes	-	(265,880)	265,880	(19,867)	(19,867)	(230)	(20,098)
Closing balance	100,000	25,000	265,880	45,862	436,743	1,043	437,786

Notes to the financial statements

The quarterly financial statements of Nikko Cordial Securities Inc. 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 Financial Instruments Dealers" (Cabinet Office Ordinance No.52, 2007) and the "Rule concerning Uniform Accounting Standards for Securities Dealers" (Self-regulatory Rule of Japan Securities Dealers Association, November 14, 1974), in accordance with the provisions of Article 38 and 57 of the regulations.

Basis of the financial statements

1. Valuation of financial instruments

(1) Trading securities and derivatives

Securities, derivative contracts and other financial instruments classified as trading assets and liabilities are recorded at market value.

(2) Non-trading securities and derivatives

Securities held for non-trading purposes are accounted for as follows.

(A) Investments in subsidiaries and affiliates

Recorded at cost using the moving average method.

(B) Other securities

a. Securities with market value:

Recorded at market value at the end of this period. The difference between the cost using the moving average method and market value is recorded as Net unrealized gain on investment securities in Net assets on the statement of financial condition.

b. Securities without market value:

Recorded at cost using the moving average method. Investments in partnership funds are consolidated in proportion to the company's interests, but certain investments in partnerships which will not have material effect on financial statement are recorded as investment securities at net asset value based on its financial statements in proportion to the company's interests.

2. Depreciation method for fixed assets

(1) Tangible fixed assets

The former declining-balance method is mainly applied.

(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, director and executive officer bonus payments, accrued bonuses are estimated 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 rental.

5. Other basis of presentation

(1) Accounting for consumption taxes

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

(2) Consolidated tax system

The consolidated tax payment system with Nikko Cordial Corporation ("NCC") as the consolidated parent corporation is applied. When NCC becomes a wholly-owned subsidiary of Citigroup Japan Holdings Ltd. ("CJH"), the application of the consolidated tax payment system with NCC as the parent corporation will come to an end. Up to the day before NCC becomes a wholly-owned subsidiary of CJH (on January 29, 2008), the consolidated tax payment system with NCC as the consolidated parent corporation will be applied. Subsequently, the consolidated tax payment system with CJH as the consolidated parent corporation is scheduled to be applied.

Notes to the balance sheet

	(Millions of Yen)		
	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2007</u>	<u>Mar. 31, 2007</u>
1. Accumulated depreciation of tangible fixed assets	12,390	10,782	12,523
2. Debt guarantees	20,586	22,273	20,063

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 income statement

	(Millions of Yen)		
Details of extraordinary gain and loss	<u>FY2006 3Q</u> <u>(9 months)</u>	<u>FY2007 3Q</u> <u>(9 months)</u>	<u>FY2006</u>
Extraordinary gain			
Gain on sales of investment securities	132	304	143
Reversal of allowance for bad debts	10	-	10
Extraordinary loss			
Loss on disposal of fixed assets	344	282	547
Write-off of investment securities	579	134	4,697
Reorganizing cost for overseas subsidiaries and affiliates	800	-	800
Impairment loss	-	-	154
Provision for directors' retirements	73	-	73
Expense of settlement for stock options granted in prior years	-	496	-
Provision for securities transaction liabilities	59	41	99

5. Commissions, Gain / Loss on Trading

(1) Commissions

i) Breakdown by Categories

(Millions of Yen except percentages)

	 For 9 months ended Dec. 31, 2006	For 9 months ended Dec. 31, 2007	<A> Net Change	$\frac{\text{<A>}}{\text{}}$	For the year ended March 31, 2007
Brokerage commissions	29,264	25,732	-3,531	-12.1 %	40,703
< Equities >	< 28,808 >	< 25,479 >	< -3,328 >	< -11.6 >	< 40,079 >
< Bonds >	< 333 >	< 96 >	< -236 >	< -71.1 >	< 448 >
< Investment trusts >	< 122 >	< 156 >	< 34 >	< 27.8 >	< 174 >
Subscription & distribution commissions	67,755	42,133	-25,622	-37.8	80,877
< Investment trusts >	< 53,596 >	< 38,806 >	< -14,789 >	< -27.6 >	< 65,172 >
Other commissions	53,608	59,027	5,419	10.1	74,164
< Investment trusts >	< 29,577 >	< 31,886 >	< 2,309 >	< 7.8 >	< 39,576 >
Total	150,628	126,893	-23,734	-15.8	195,745

ii) Breakdown by Products

(Millions of Yen except percentages)

	 For 9 months ended Dec. 31, 2006	For 9 months ended Dec. 31, 2007	<A> Net Change	$\frac{\text{<A>}}{\text{}}$	For the year ended March 31, 2007
Equities	40,827	29,189	-11,637	-28.5 %	54,273
Bonds	4,655	2,515	-2,140	-46.0	5,348
Investment trusts	83,296	70,849	-12,446	-14.9	104,924
Others	21,848	24,338	2,489	11.4	31,198
Total	150,628	126,893	-23,734	-15.8	195,745

(2) Gain / Loss on Trading

(Millions of Yen except percentages)

	 For 9 months ended Dec. 31, 2006	For 9 months ended Dec. 31, 2007	<A> Net Change	$\frac{\text{<A>}}{\text{}}$	For the year ended March 31, 2007
Equities, etc.	2,364	1,731	-633	-26.8 %	3,217
Bonds, forex, etc.	29,466	45,832	16,366	55.5	42,970
< Bonds, etc. >	< 17,020 >	< 15,905 >	< -1,114 >	< -6.5 >	< 22,236 >
< Forex, etc. >	< 12,446 >	< 29,927 >	< 17,481 >	< 140.5 >	< 20,734 >
Total	31,830	47,564	15,733	49.4	46,187

(3) Equity Trading Activity (excluding futures transactions)

(Millions of Yen and shares except percentage)

	For 9 months ended Dec. 31, 2006		For 9 months ended Dec. 31, 2007		Comparison ratio		For the year ended March 31, 2007	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	4,699	5,229,662	4,138	4,377,316	-11.9 %	-16.3 %	6,949	7,318,622
(Proprietary)	(445)	(694,000)	(253)	(404,859)	(-43.2)	(-41.7)	(565)	(904,831)
(Agency)	(4,253)	(4,535,662)	(3,885)	(3,972,457)	(-8.6)	(-12.4)	(6,384)	(6,413,791)
Brokerage ratio	90.5 %	86.7 %	93.9 %	90.8 %			91.9 %	87.6 %
TSE share	0.5 %	0.5 %	0.4 %	0.3 %			0.5 %	0.5 %

(4) Subscription / Distribution

(Millions of Yen and shares except percentage)

		For 9 months ended Dec. 31, 2006	For 9 months ended Dec. 31, 2007	Comparison ratio	For the year ended March 31, 2007
* Subscription and distribution	Equities (Number of shares)	334	20	-93.9 %	349
	Equities (Amounts)	552,481	84,369	-84.7	615,914
	Bonds (Face value)	1,087,300	837,173	-23.0	1,296,329
	Invest. trusts (Amounts)	5,519,701	4,951,046	-10.3	7,111,645
	Others (Amounts)	18,775	9,890	-47.3	22,059

* Includes distributions and private offerings

(5) Regulatory Capital Adequacy Ratio

		Dec. 31, 2006	Dec. 31, 2007	March 31, 2007
Basic Items	Total Capital (A)	429,327	424,550	436,743
Supplementary items	Unrealized gain on investment securities	699	262	1,043
	Statutory reserve	803	885	844
	Allowance for bad debts	142	74	132
	Sub-total (B)	1,644	1,222	2,019
Deductible assets	(C)	84,273	81,543	83,715
Net capital	(A) + (B) - (C) (D)	346,698	344,229	355,047
Risk total	Market Risk	6,237	4,202	4,801
	Counterparty Risk	12,252	12,573	12,963
	Basic Risk	42,233	44,047	42,689
	Sub-total (E)	60,723	60,823	60,454
Net capital ratio	(D) / (E)*100 (%)	570.9 %	565.9 %	587.2 %

Note: The table above shows calculation of the capital adequacy ratio based on financial results in accordance with the provision set out in the Financial Instruments and Exchange Law.

(6) Quarterly Statement of Operations

(Millions of Yen)

	FY2007 1Q 04/01/07 06/30/07	FY2007 2Q 07/01/07 09/30/07	FY2007 3Q 10/01/07 12/31/07	FY2006 3Q 10/01/06 12/31/06	FY2007 1/4 04/01/06 03/31/07
Operating revenue	67,158	58,219	56,321	66,484	62,419
Commissions	44,795	40,091	42,006	51,994	48,936
<i>Brokerage commissions</i>	9,655	7,869	8,207	9,797	10,175
<i>Subscription & distribution commissions</i>	15,902	12,737	13,493	22,140	20,219
<i>Other commissions</i>	19,236	19,484	20,305	20,056	18,541
Net gain on trading	19,916	15,699	11,947	12,567	11,546
Net gain on other trading	0	0	0	0	0
Interest and dividend income	2,445	2,428	2,366	1,922	1,936
Interest expense	1,124	1,108	1,284	738	676
Net operating revenue	66,034	57,111	55,036	65,746	61,743
Selling, general and administrative expense	44,827	42,536	41,749	44,733	42,978
<i>Brokerage, communication and other transaction related costs</i>	4,864	5,271	4,980	5,312	5,305
<i>Employee compensation and benefits</i>	22,795	20,262	19,992	23,154	21,587
<i>Occupancy</i>	4,568	4,633	4,594	4,214	4,369
<i>Outsourcing and office supplies</i>	8,289	8,495	8,373	8,214	7,923
<i>Depreciation and amortization</i>	526	571	627	505	483
<i>Taxes, other than income taxes</i>	496	516	308	480	448
<i>Other</i>	3,285	2,785	2,873	2,850	2,860
Operating income	21,206	14,575	13,287	21,013	18,764
Non-operating income	686	(148)	245	309	431
Non-operating expenses	94	(28)	77	31	96
Ordinary income	21,798	14,454	13,455	21,291	19,099
Extraordinary gains	20	160	123	(4)	38
Extraordinary losses	624	181	149	525	1,593
Net income before provision for income taxes	21,194	14,434	13,429	20,761	17,544
Income taxes-current	1,364	7,842	6,774	13,613	7,093
Income taxes-deferred	7,682	(1,478)	(934)	(4,679)	418
Net income	12,147	8,070	7,589	11,826	10,033