



Date: October 27, 2008

NIKKO CORDIAL SECURITIES INC.

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Non-Consolidated Financial Summary 6 Months Ended September 30, 2008 (JGAAP)

1. Overall business performance for the 6 months ended September 30, 2008

(1) Operating results (from April 1, 2008 to September 30, 2008)

(Millions of Yen except percentages)

	Operating revenue		Net operating revenue		Operating income	
FY2008 2Q (6 months)	98,433	-21.5%	95,108	-22.8%	18,494	-48.3%
FY2007 2Q (6 months)	125,378	3.2%	123,145	2.2%	35,781	-2.1%

	Ordinary income		Net income	
FY2008 2Q (6 months)	21,015	-42.0%	12,131	-40.0%
FY2007 2Q (6 months)	36,253	-3.3%	20,218	-3.2%

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 same period in the previous year.

2. Figures are discarded.

(2) Financial condition

(Millions of Yen except percentages)

	Total assets	Net assets	Equity ratio	Capital adequacy ratio
FY2008 2Q	1,687,707	408,431	24.2 %	558.4 %
FY2007	1,523,908	420,600	27.6	574.6

Equity ("Shareholders' equity" and "Valuation and translation adjustment")

FY 2008 2Q: 408,431 million yen FY 2007: 420,600 million yen

2. Others

- (1) Adoption of simplified accounting method or accounting method peculiar to quarterly financial statements: None
- (2) Change of the accounting principles, procedures and presentation in the preparation of quarterly financial statements
 - (i) Changes due to revised accounting standard: Yes
 - (ii) Other changes: None

Note: See Operating Results and Financial Condition 3. Others (page 3) for details

Operating Results and Financial Condition

1. Operating Results

Financial Overview

The company completed the merger with Citibank Securities Inc. in May 3, 2008 and took over securities brokerage business for wealthy classes and other retail customers.

Operating revenue for this period (from April 1, 2008 to September 30, 2008) totaled ¥98.4 billion or 21% decrease year on year. Net operating revenue, which subtracts interest expense from operating revenue, was ¥95.1 billion or 23% decrease from the same period last year. Selling, general and administrative expenses were ¥76.6 billion or 12% down from the last year. Consequently, operating income was ¥18.4 billion, or 48% year-on-year decrease, and ordinary income after adjustment for non-operating income/expenses were ¥21.0 billion or 42% down from the last year. Net income, which incorporates factors such as extraordinary gains (losses) and income taxes, was ¥12.1 billion or 40% down from the prior year.

Major revenues and expenses are as follows:

(1) Commissions

Commissions were ¥66.1 billion, 22% down from the previous year. Following are summaries by category:

Brokerage Commissions

Brokerage commissions were ¥11.0 billion, 37% year-on-year decrease. Brokerage commissions on equities were ¥10.9 billion or 37% decrease from the previous year due to smaller trading volume by individual investors in a downturn market caused by subprime mortgage crisis in US.

Subscription and Distribution Commissions

Subscription and distribution commissions were ¥19.3 billion, 32% decrease from the year earlier. Commission revenues on equities were ¥0.6 billion or 39% year-on-year decrease, and those on bonds were ¥1.8 billion or 49% increase from last year. Commission revenues on mutual funds were ¥16.7 billion or 36% decrease from the previous year, due to reduction of sales amount caused by severe sales environment because of stock market crisis.

Other Commissions

Other commissions were ¥35.7 billion, 8% down from the previous year, mainly due to the decrease in agency commission on accumulated balances in mutual funds.

(2) Net Gain on Trading

Due to fewer FX-related transactions net gain on trading decreased by 22% from the last year to ¥27.7 billion. Trading gain on equities and bonds/foreign exchanges were ¥0.09 billion and ¥27.6 billion, respectively.

(3) Net Financial Income

Net financial income, ¥4.5 billion of interest and dividend income less ¥3.3 billion of interest expense, was ¥1.2 billion.

(4) Selling, General and Administrative Expenses

As bonus for staff and salaries for particular employees such as FA/IFA who are paid on performance were dropped, employee compensation and benefits were down ¥7.2 billion (17%) from the previous year to ¥35.8 billion. Further, continued and effective cost control helped selling, general and administrative expenses down ¥10.7 billion (12%) year on year to ¥76.6 billion.

(5) Extraordinary gains and losses

The Company recorded extraordinary gains totaling ¥0.6 billion, including gain on sales of investment in subsidiaries and affiliates, reversal of provision for financial instruments transactions.

Extraordinary losses, such as loss on disposal of fixed assets and write-offs of investment securities, were ¥0.1 billion.

2. Financial Condition

Current assets at the end of this period amounted to ¥1,614.3 billion, an increase of ¥165.9 billion compared to the end of the previous term, mainly due to more cash collateral pledged for securities borrowed. Fixed assets were ¥73.3 billion, down by ¥2.1 billion from the previous term.

Current liabilities amounted to ¥1,274.7 billion, an increase of ¥176.6 billion compared to the end of the last term, mainly due to more deposits received. Long-term liabilities were ¥3.9 billion.

3. Others

<Change of the accounting principles, procedures and presentation in the preparation of quarterly financial statements>

Adoption of Accounting Standards for Lease Transaction

Previously the company treated finance lease transactions without ownership transfer to lessee as general lease transaction. Since it applied “Accounting Standards for Lease Transaction” (ASBJ, Financial Accounting Standard No.13, revised on March 30, 2007) and “Implementation Guidance on Accounting Standards for Lease Transaction” (ASBJ, Financial Accounting Standard No.16, revised on March 30, 2007) since the beginning of the current term, however, such leases are accounted for as general sales transaction.

Note that, for finance lease transactions without ownership transfer, the company continues to apply accounting principles for general lease transaction if such transaction commenced prior to the adoption of the new standards.

4. Financial Statements

(1) Balance Sheet

(Millions of Yen except percentages)

	Sep. 30, 2008	 Mar. 31, 2008	<A> Net Change	<A> /
(ASSETS)				
Current assets	1,614,399	1,448,400	165,998	11.5 %
Cash and cash deposits	103,906	58,711	45,194	77.0
Cash segregated and deposits	135,551	129,722	5,829	4.5
Trading assets:	740,755	761,500	(20,744)	(2.7)
<i>Trading securities</i>	617,325	654,526	(37,200)	(5.7)
<i>Derivatives</i>	123,430	106,973	16,456	15.4
Receivables related to margin transactions:	55,595	69,556	(13,960)	(20.1)
<i>Loans on margin transactions</i>	53,033	68,566	(15,533)	(22.7)
<i>Cash collateral pledged for securities borrowed on margin transactions</i>	2,562	989	1,572	159.0
Collateralized short-term financing agreements:	492,130	316,278	175,852	55.6
<i>Cash collateral pledged for securities borrowed</i>	492,130	316,278	175,852	55.6
Advance payments	355	721	(366)	(50.7)
Cash paid for subscriptions	8,192	6,055	2,137	35.3
Short-term loans	221	20,191	(19,969)	(98.9)
Deferred tax assets	2,514	7,494	(4,980)	(66.5)
Other current assets	75,278	78,273	(2,995)	(3.8)
Allowance for bad debts	(103)	(105)	1	-
Fixed assets	73,307	75,507	(2,199)	(2.9)
Tangible fixed assets	7,700	8,334	(633)	(7.6)
Intangible fixed assets	3,057	2,737	319	11.7
Investments and others:	62,550	64,435	(1,885)	(2.9)
<i>Investment securities</i>	12,076	13,099	(1,023)	(7.8)
<i>Investment in subsidiaries and affiliates</i>	14,640	14,740	(100)	(0.7)
<i>Long-term loans</i>	5,086	5,139	(52)	(1.0)
<i>Long-term guarantee deposits</i>	14,868	16,600	(1,731)	(10.4)
<i>Deferred tax assets</i>	9,277	8,173	1,103	13.5
<i>Other investments</i>	12,479	12,742	(262)	(2.1)
<i>Allowance for bad debts</i>	(5,879)	(6,059)	180	-
Total assets	1,687,707	1,523,908	163,798	10.7

(Millions of Yen except percentages)

	Sep. 30, 2008	 Mar. 31, 2008	<A> Net Change	<A> -
(LIABILITIES)				
Current liabilities	1,274,721	1,098,115	176,606	16.1 %
Trading liabilities:	225,893	227,570	(1,677)	(0.7)
<i>Trading securities</i>	103,614	120,917	(17,302)	(14.3)
<i>Derivatives</i>	122,278	106,653	15,625	14.7
Open trade payables, net	32,396	12,309	20,087	163.2
Payables related to margin transactions:	5,855	3,088	2,766	89.6
<i>Borrowings on margin transactions</i>	368	575	(207)	(35.9)
<i>Cash collateral received for securities loaned on margin transactions</i>	5,486	2,512	2,973	118.3
Collateralized short-term financing agreements:	383,974	418,648	(34,674)	(8.3)
<i>Cash collateral received for securities loaned</i>	58,062	161,343	(103,280)	(64.0)
<i>Borrowings on Gensaki transactions</i>	325,911	257,305	68,606	26.7
Deposits received	254,316	102,176	152,139	148.9
Guarantee deposits received	20,385	24,940	(4,555)	(18.3)
Short-term borrowings	274,700	216,200	58,500	27.1
Commercial paper	61,000	65,000	(4,000)	(6.2)
Income taxes payable	265	372	(107)	(28.8)
Other current liabilities	15,935	27,807	(11,872)	(42.7)
Long-term liabilities	3,928	4,292	(363)	(8.5)
Accrued pension benefits	2,672	2,639	32	1.2
Other long-term liabilities	1,256	1,652	(396)	(24.0)
Statutory reserves	625	900	(275)	(30.6)
Total liabilities	1,279,275	1,103,308	175,967	15.9
(NET ASSETS)				
Shareholders' equity	408,891	420,633	(11,741)	(2.8)
Common stock	100,000	100,000	-	-
Capital surplus:	291,007	290,880	126	0.0
<i>Legal capital reserve</i>	25,000	25,000	-	-
<i>Other capital reserve</i>	266,007	265,880	126	0.0
Retained earnings:	17,884	29,752	(11,868)	(39.9)
<i>Other retained earnings</i>	17,884	29,752	(11,868)	(39.9)
<i>Unappropriated retained earnings</i>	17,884	29,752	(11,868)	(39.9)
Valuation and translation adjustments	(460)	(33)	(427)	-
Net unrealized gain on investment securities	(460)	(33)	(427)	-
Total net assets	408,431	420,600	(12,168)	(2.9)
Total liabilities and net assets	1,687,707	1,523,908	163,798	10.7

(2) Income Statement

(Millions of Yen except percentages)

	 For the 6 months ended Sep.30, 2007	For the 6 months ended Sep. 30, 2008	<A> Net Change	$\frac{\text{<A>}}{\text{}}$
Operating revenue	125,378	98,433	(26,945)	(21.5) %
Commissions	84,886	66,150	(18,736)	(22.1)
Net gain on trading	35,616	27,740	(7,876)	(22.1)
Net gain on other trading	0	0	0	(91.5)
Interest and dividend income	4,874	4,542	(331)	(6.8)
Interest expense	2,232	3,324	1,091	48.9
Net operating revenue	123,145	95,108	(28,036)	(22.8)
Selling, general and administrative expenses	87,363	76,614	(10,749)	(12.3)
<i>Brokerage, communication and other transaction related costs</i>	10,136	8,192	(1,943)	(19.2)
<i>Employee compensation and benefits</i>	43,058	35,805	(7,252)	(16.8)
<i>Occupancy</i>	9,202	8,950	(251)	(2.7)
<i>Outsourcing and office supplies</i>	16,785	16,605	(179)	(1.1)
<i>Depreciation and amortization</i>	1,098	1,228	130	11.9
<i>Taxes, other than income taxes</i>	1,013	1,072	58	5.8
<i>Others</i>	6,070	4,758	(1,311)	(21.6)
Operating income	35,781	18,494	(17,287)	(48.3)
Non-operating income	538	2,677	2,139	397.6
Non-operating expenses	66	155	89	135.2
Ordinary income	36,253	21,015	(15,237)	(42.0)
Extraordinary gains	181	641	460	254.0
Extraordinary losses	805	153	(652)	(80.9)
Net income before provision for income taxes	35,629	21,504	(14,124)	(39.6)
Income taxes-current	9,206	3,865	(5,341)	(58.0)
Income taxes-deferred	6,204	5,507	(696)	(11.2)
Net income	20,218	12,131	(8,086)	(40.0)

Notes to the financial statements

The financial statements of Nikko Cordial Securities Inc. have been prepared in accordance with the "Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements" (MOF Ordinance No.38, 1977) (the "regulations"), and based on the Regulations No.38 and No. 57 they also have been prepared in accordance 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) .

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) Investment in subsidiaries and affiliates

Recorded at cost method 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 method 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 (exclude Leased Assets)

The declining-balance method is mainly applied.

(2) Intangible fixed assets (exclude Leased 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) Leased Assets

The straight-line method is applied for leased assets of financing leases without transfer of ownership. The useful life of that method is leasing period and the residual value is zero.

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 estimated value of future obligations and plan assets at the end of this period.

4. Accounting Procedure for Lease transaction

The company applies accounting principles of general lease transaction for finance lease transactions without ownership transfer if the transaction commenced prior to the adoption of the new standards.

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 company applies the consolidated tax return system with Nikko Citi Holdings Inc. as the consolidated parent corporation.

Notes to the balance sheet

(Millions of Yen)

	<u>Sep. 30, 2008</u>	<u>Mar. 31, 2008</u>
1. Accumulated depreciation of tangible fixed assets	11,507	11,146
2. Debt guarantees	22,685	25,229

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)

	<u>For the 6 months ended Sep. 30, 2007</u>	<u>For the 6 months ended Sep. 30, 2008</u>
Details of extraordinary gains and losses		
Extraordinary gains		
Gain on sales of fixed assets	-	0
Gain on sales of investment securities	181	9
Gain on sales of investments in subsidiaries and affiliates	-	240
Reversal of allowance for bad debts	-	84
Reversal of provision for financial instruments transactions	-	307
Extraordinary losses		
Loss on disposal of fixed assets	190	123
Loss from sales of investment securities	-	3
Write-off of investment securities	100	26
Expense of settlement for stock options granted in prior years	496	-
Provision for securities transaction	18	-

5. Reference data

(1) Commissions

i) Breakdown by Categories

(Millions of Yen except percentages)

	 For the 6 months ended Sep. 30, 2007	For the 6 months ended Sep. 30, 2008	<A> Net Change	$\left[\frac{\langle A \rangle}{\langle B \rangle} \right]$
Brokerage commissions	17,524	11,068	-6,456	-36.8 %
< Equities >	< 17,370 >	< 10,922 >	< -6,448 >	< -37.1 >
< Bonds >	< 64 >	< 14 >	< -50 >	< -78.0 >
< Investment trusts >	< 89 >	< 131 >	< 42 >	< 47.2 >
Subscription & distribution commissions	28,640	19,350	-9,289	-32.4
< Investment trusts >	< 26,103 >	< 16,782 >	< -9,321 >	< -35.7 >
Other commissions	38,721	35,731	-2,990	-7.7
< Investment trusts >	< 21,534 >	< 17,340 >	< -4,193 >	< -19.5 >
Total	84,886	66,150	-18,736	-22.1

ii) Breakdown by Products

(Millions of Yen except percentages)

	 For the 6 months ended Sep. 30, 2007	For the 6 months ended Sep. 30, 2008	<A> Net Change	$\left[\frac{\langle A \rangle}{\langle B \rangle} \right]$
Equities	19,771	12,722	-7,049	-35.7 %
Bonds	1,754	2,282	527	30.1
Investment trusts	47,727	34,255	-13,472	-28.2
Others	15,633	16,890	1,257	8.0
Total	84,886	66,150	-18,736	-22.1

(2) Gain / Loss on Trading

(Millions of Yen except percentages)

	 For the 6 months ended Sep. 30, 2007	For the 6 months ended Sep. 30, 2008	<A> Net Change	$\left[\frac{\langle A \rangle}{\langle B \rangle} \right]$
Equities, etc.	1,040	98	-942	-90.6 %
Bonds, forex, etc.	34,576	27,642	-6,934	-20.1
< Bonds, etc. >	< 11,047 >	< 22,381 >	< 11,334 >	< 102.6 >
< Forex, etc. >	< 23,529 >	< 5,260 >	< -18,268 >	< -77.6 >
Total	35,616	27,740	-7,876	-22.1

(3) Equity Trading Activity (excluding futures transactions)

(Millions of Yen and shares except percentage)

	For the 6 months ended Sep. 30, 2007		For the 6 months ended Sep. 30, 2008		Comparison ratio	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	2,764	2,943,064	2,279	2,048,451	-17.5 %	-30.4 %
< Proprietary >	< 169 >	< 274,085 >	< 227 >	< 305,045 >	< 34.1 >	< 11.3 >
< Agency >	< 2,594 >	< 2,668,978 >	< 2,052 >	< 1,743,406 >	< -20.9 >	< -34.7 >
Brokerage ratio	93.9 %	90.7 %	90.0 %	85.1 %		
TSE share	0.4 %	0.3 %	0.4 %	0.3 %		

(4) Subscription / Distribution

(Millions of Yen and shares except percentage)

		For the 6 months ended Sep. 30, 2007	For the 6 months ended Sep. 30, 2008	Comparison ratio
* Subscription and distribution	Equities (Number of shares)	18	39	113.2 %
	Equities (Amounts)	65,695	47,247	-28.1
	Bonds (Face value)	585,315	944,356	61.3
	Invest. trusts (Amounts)	3,329,030	2,565,666	-22.9
	Others (Amounts)	968	5,190	435.9

* Include distributions and private offerings

(5) Regulatory Capital Adequacy Ratio

(Millions of Yen except percentages)

		Sep. 30, 2008	Mar. 31, 2008
Basic items	Total capital (A)	408,431	420,600
Supplementary items	Statutory reserve	625	900
	Allowance for bad debts	43	55
	Sub-total (B)	668	955
Deductible assets	(C)	75,530	77,659
Net capital	(A) + (B) - (C) (D)	333,568	343,895
Risk total	Market Risk	3,700	3,881
	Counterparty Risk	14,317	11,873
	Basic Risk	41,708	44,093
	Sub-total (E)	59,726	59,848
Net capital ratio	(D) / (E)*100 (%)	558.4 %	574.6 %

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

(6) Quarterly Statements of Operations

(Millions of Yen)

	FY2008 1Q 04/01/08 06/30/08	FY2008 2Q 07/01/08 09/30/08	FY2007 2Q 07/01/07 09/30/07	FY2007 1/4 04/01/07 03/31/08
Operating revenue	56,561	41,871	58,219	55,702
Commissions	36,733	29,416	40,091	39,184
<i>Brokerage commissions</i>	6,414	4,653	7,869	7,846
<i>Subscription & distribution commissions</i>	11,522	7,828	12,737	12,259
<i>Other commissions</i>	18,797	16,934	19,484	19,078
Net gain on trading	17,290	10,449	15,699	14,234
Net gain on other trading	0	0	0	0
Interest and dividend income	2,537	2,005	2,428	2,283
Interest expense	1,886	1,438	1,108	1,233
Net operating revenue	54,675	40,433	57,111	54,469
Selling, general and administrative expenses	40,993	35,621	42,536	41,733
<i>Brokerage, communication and other transaction related costs</i>	4,115	4,077	5,271	4,969
<i>Employee compensation and benefits</i>	19,865	15,939	20,262	19,708
<i>Occupancy</i>	4,636	4,314	4,633	4,578
<i>Outsourcing and office supplies</i>	8,592	8,013	8,495	8,409
<i>Depreciation and amortization</i>	641	587	571	590
<i>Taxes, other than income taxes</i>	685	386	516	425
<i>Others</i>	2,456	2,301	2,785	3,049
Operating income	13,682	4,811	14,575	12,736
Non-operating income	539	2,138	(148)	195
Non-operating expenses	101	54	(28)	136
Ordinary income	14,120	6,895	14,454	12,795
Extraordinary gains	12	629	160	99
Extraordinary losses	49	103	181	685
Net income before provision for income taxes	14,082	7,421	14,434	12,209
Income taxes-current	1,345	2,519	7,842	4,505
Income taxes-deferred	4,691	816	(1,478)	1,731
Net income	8,045	4,086	8,070	5,972