



MEMBERSHIP

Date: January 30, 2009

NIKKO CORDIAL SECURITIES INC.

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Non-Consolidated Financial Summary 9 Months Ended December 31, 2008 (JGAAP)

1. Overall business performance for the 9 months ended December 31, 2008

(1) Operating results (from April 1, 2008 to December 31, 2008)

(Millions of Yen except percentages)

	Operating revenue		Net operating revenue		Operating income	
FY2008 3Q (9 months)	133,610	-26.5%	129,099	-27.5%	20,811	-57.6%
FY2007 3Q (9 months)	181,699	-3.3%	178,182	-4.3%	49,068	-14.7%

	Ordinary income		Quarterly Net income	
FY2008 3Q (9 months)	23,193	-53.3%	(850)	—
FY2007 3Q (9 months)	49,708	-15.4%	27,807	-15.0%

Note: 1. The percentages noted in Operating revenue, Net operating revenue, Operating income, Ordinary income and Quarterly Net income represent the increase or decrease compared to the same period in 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
FY2008 3Q	1,317,809	396,204	30.1 %	570.0 %
FY2007	1,523,908	420,600	27.6	574.6

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

FY 2008 3Q: 396,204 million yen FY 2007: 420,600 million yen

2. Others

(1) Adoption of simplified accounting method or accounting method peculiar to quarterly: None financial statements

(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

Operating revenue for the third quarter of the current fiscal year (from April 1, 2008 to December 31, 2008) totaled ¥133.6 billion or a 26 % decrease over the same period in the previous year and net operating revenue, which subtracts interest expense from operating revenue, was ¥129.0 billion or 28% down. Selling, general and administrative expense was ¥108.2 billion or a 16% decrease. Consequently, operating income was ¥20.8 billion, or a 58% decrease, and ordinary income after adjustment for non-operating income/expenses was ¥23.1 billion or 53% down. As a result, Net loss, after extraordinary gains (losses) and income taxes, was ¥0.8 billion.

Major revenues and expenses are as follows:

(1) Commissions

Commissions were ¥88.1 billion, 30% down from the same period of the previous fiscal year. Following are summaries by category:

Brokerage Commissions

Brokerage commissions were ¥17.3 billion, a 33% decrease. Brokerage commissions on equities were ¥16.6 billion or a 35% decrease due to a decline in trading volume by domestic individual investors reflecting stock market slump triggered by subprime mortgage crisis in US.

Subscription and Distribution Commissions

Subscription and distribution commissions were ¥22.7 billion, a 46% decrease. Commission revenues on equities were ¥0.8 billion or 47% down, and those on bonds were ¥2.1 billion or a 34% increase. Commission revenues on mutual funds were ¥19.7 billion or a 49% decrease, due to reduction of sales amount caused by severe sales environment because of stock market crisis.

Other Commissions

Other commissions were ¥48.0 billion, 19% down, mainly due to a decrease in agency commission on accumulated balances in mutual funds.

(2) Net Gain on Trading

Net gain on trading was ¥39.3 billion, a 17% decrease due to fewer FX-related transactions. Trading gain on equities and bonds/foreign exchanges were ¥0.3 billion and ¥38.9 billion, respectively.

(3) Net Financial Income

Net financial income, ¥6.1 billion of interest and dividend income less ¥4.5 billion of interest expense, was ¥1.5 billion.

(4) Selling, General and Administrative Expenses

Employee compensation and benefits were ¥49.5 billion or a decrease of ¥13.5 billion (a 21% decrease), mainly due to a decrease in bonuses for employees and compensations and benefits for performance based FA/IFA. Further, selling, general and administrative expenses were ¥108.2 billion, a decrease of ¥20.8 billion (16% down) owing to continued and effective cost control.

(5) Extraordinary gains and losses

The Company recorded extraordinary gains totaling ¥0.6 billion, including gain on sale of investment in affiliates, reversal of financial instruments transactions reserve.

Extraordinary losses including reorganizing cost for a lump-sum payment for early retired employees, restructuring overseas branches and loss from sales of investment securities were ¥21.7 billion.

(6) Taxes

The income taxes benefits-current was ¥0.9 billion and income taxes-deferred was ¥3.9 billion including ¥1.5 billion write down of deferred tax assets.

2. Financial Condition

Current assets at the end of this period amounted to ¥1,248.8 billion, a decrease of ¥199.5 billion compared with the end of the previous year, mainly due to a decrease in trading assets. Fixed assets were ¥68.9 billion, down by ¥6.5 billion compared to the previous financial year end.

Current liabilities amounted to ¥917.2 billion, a decrease of ¥180.9 billion compared to the end of the last year end, mainly due to a decrease in cash collateral received for securities loaned. Long-term liabilities were ¥3.7 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. However, since application of "Accounting Standard for Lease Transactions" (ASBJ, Accounting Standards Board of Japan – statement No.13, revised on March 30th, 2007) and "Implementation Guidance on Accounting Standards for Lease Transactions" (ASBJ, Accounting Standards Board of Japan – Guidance No.16, revised on March 30th, 2007) from the beginning of the current term, such leases are accounted for as general sales transactions.

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

4. Financial Statements

(1) Balance Sheet

(Millions of Yen except percentages)

	Dec. 31, 2008	 Mar. 31, 2008	<A> Net Change	$\left[\frac{\langle A \rangle}{\langle B \rangle} \right]$
(ASSETS)				
Current assets	<u>1,248,817</u>	<u>1,448,400</u>	<u>(199,583)</u>	<u>(13.8) %</u>
Cash and cash deposits	58,603	58,711	(108)	(0.2)
Cash segregated and deposits	102,007	129,722	(27,715)	(21.4)
Trading assets:	663,657	761,500	(97,842)	(12.8)
<i>Trading securities</i>	505,340	654,526	(149,186)	(22.8)
<i>Derivatives</i>	158,317	106,973	51,344	48.0
Receivables related to margin transactions:	31,071	69,556	(38,485)	(55.3)
<i>Loans on margin transactions</i>	28,889	68,566	(39,677)	(57.9)
<i>Cash collateral pledged for securities borrowed on margin transactions</i>	2,181	989	1,192	120.5
Collateralized short-term financing agreements:	232,562	316,278	(83,715)	(26.5)
<i>Cash collateral pledged for securities borrowed</i>	232,562	316,278	(83,715)	(26.5)
Advance payments	2,105	721	1,383	191.7
Cash paid for subscriptions	3,989	6,055	(2,065)	(34.1)
Short-term loans	121	20,191	(20,070)	(99.4)
Deferred tax assets	3,361	7,494	(4,133)	(55.2)
Other current assets	151,642	78,273	73,368	93.7
Allowance for bad debts	(304)	(105)	(199)	-
Fixed assets	<u>68,991</u>	<u>75,507</u>	<u>(6,515)</u>	<u>(8.6)</u>
Tangible fixed assets	7,045	8,334	(1,289)	(15.5)
Intangible fixed assets	3,047	2,737	310	11.3
Investments and others:	58,898	64,435	(5,536)	(8.6)
<i>Investment securities</i>	8,102	13,099	(4,997)	(38.1)
<i>Investment in subsidiaries and affiliates</i>	14,640	14,740	(100)	(0.7)
<i>Long-term loans</i>	5,086	5,139	(53)	(1.0)
<i>Long-term guarantee deposits</i>	14,698	16,600	(1,902)	(11.5)
<i>Deferred tax assets</i>	9,885	8,173	1,712	20.9
<i>Other investments</i>	12,410	12,742	(331)	(2.6)
<i>Allowance for bad debts</i>	(5,924)	(6,059)	135	-
Total assets	<u>1,317,809</u>	<u>1,523,908</u>	<u>(206,098)</u>	<u>(13.5)</u>

(Millions of Yen except percentages)

	Dec. 31, 2008	 Mar. 31, 2008	<A> Net Change	$\left[\frac{\text{<A>}}{\text{}} \right]$
(LIABILITIES)				
Current liabilities	917,200	1,098,115	(180,915)	(16.5) %
Trading liabilities:	240,728	227,570	13,158	5.8
<i>Trading securities</i>	82,393	120,917	(38,523)	(31.9)
<i>Derivatives</i>	158,334	106,653	51,681	48.5
Open trade payables, net	1,749	12,309	(10,560)	(85.8)
Payables related to margin transactions:	16,685	3,088	13,596	440.2
<i>Borrowings on margin transactions</i>	11,383	575	10,807	-
<i>Cash collateral received for securities loaned on margin transactions</i>	5,302	2,512	2,789	111.0
Collateralized short-term financing agreemer	293,873	418,648	(124,775)	(29.8)
<i>Cash collateral received for securities loaned</i>	71,861	161,343	(89,482)	(55.5)
<i>Borrowings on Gensaki transactions</i>	222,012	257,305	(35,292)	(13.7)
Deposits received	131,575	102,176	29,398	28.8
Guarantee deposits received	17,263	24,940	(7,676)	(30.8)
Short-term borrowings	177,200	216,200	(39,000)	(18.0)
Commercial paper	5,000	65,000	(60,000)	(92.3)
Income taxes payable	533	372	160	43.1
Other current liabilities	32,590	27,807	4,783	17.2
Long-term liabilities	3,779	4,292	(512)	(11.9)
Accrued pension benefits	2,688	2,639	49	1.9
Other long-term liabilities	1,090	1,652	(562)	(34.0)
Statutory reserves	625	900	(274)	(30.5)
Total liabilities	921,605	1,103,308	(181,702)	(16.5)
(NET ASSETS)				
Shareholders' equity	396,187	420,633	(24,445)	(5.8)
Common stock	100,000	100,000	-	-
Capital surplus:	293,606	290,880	2,726	0.9
<i>Legal capital reserve</i>	25,000	25,000	-	-
<i>Other capital reserve</i>	268,606	265,880	2,726	1.0
Retained earnings:	2,580	29,752	(27,172)	(91.3)
<i>Other retained earnings</i>	2,580	29,752	(27,172)	(91.3)
<i>Unappropriated retained earnings</i>	2,580	29,752	(27,172)	(91.3)
Valuation and translation adjustments	16	(33)	49	-
Net unrealized gain on investment securities	16	(33)	49	-
Total net assets	396,204	420,600	(24,395)	(5.8)
Total liabilities and net assets	1,317,809	1,523,908	(206,098)	(13.5)

(2) Income Statement

(Millions of Yen except percentages)

	 For the 9 months ended Dec.31, 2007	For the 9 months ended Dec. 31, 2008	<A> Net Change	$\left[\frac{\langle A \rangle}{\langle B \rangle} \right]$
Operating revenue	181,699	133,610	(48,088)	(26.5) %
Commissions	126,893	88,199	(38,693)	(30.5)
Net gain on trading	47,564	39,302	(8,261)	(17.4)
Net gain on other trading	0	0	(0)	(89.7)
Interest and dividend income	7,241	6,108	(1,132)	(15.6)
Interest expense	3,517	4,511	993	28.3
Net operating revenue	178,182	129,099	(49,082)	(27.5)
Selling, general and administrative expenses	129,113	108,287	(20,825)	(16.1)
<i>Brokerage, communication and other transaction related costs</i>	15,116	11,467	(3,648)	(24.1)
<i>Employee compensation and benefits</i>	63,051	49,509	(13,541)	(21.5)
<i>Occupancy</i>	13,796	13,077	(718)	(5.2)
<i>Outsourcing and office supplies</i>	25,158	24,033	(1,125)	(4.5)
<i>Depreciation and amortization</i>	1,726	1,778	52	3.0
<i>Taxes, other than income taxes</i>	1,321	1,359	37	2.9
<i>Others</i>	8,943	7,061	(1,881)	(21.0)
Operating income	49,068	20,811	(28,257)	(57.6)
Non-operating income	784	2,771	1,987	253.5
Non-operating expenses	144	389	245	170.0
Ordinary income	49,708	23,193	(26,515)	(53.3)
Extraordinary gains	304	659	354	116.5
Extraordinary losses	955	21,705	20,750	—
Quarterly Net income before provision for income taxes	49,058	2,147	(46,910)	(95.6)
Income taxes/(benefits)-current	15,980	(925)	(16,905)	—
Income taxes/(benefits)-deferred	5,269	3,922	(1,347)	(25.6)
Quarterly Net income / (loss)	27,807	(850)	(28,657)	—

Notes to the financial statements

The financial statements of Nikko Cordial Securities Inc. have been prepared in accordance with the "Regulations of Interim Financial Statements" (MOF Ordinance No.38, 1977), 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 Article 57 of the same 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 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 transactions for finance lease transactions without ownership transfer if the transaction commenced prior to the adaptation 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>Dec. 31, 2008</u>	<u>Mar. 31, 2008</u>
1. Accumulated depreciation of tangible fixed assets	11,582	11,146
2. Debt guarantees	21,644	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 quarterly income statement

	(Millions of Yen)	
	For the 9 months ended	For the 9 months ended
	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>
Details of extraordinary gains and losses		
Extraordinary gains		
Gain on sales of investment securities	304	77
Gain on sales of investments in subsidiaries and affiliates	-	240
Reversal of financial instruments transactions reserve	-	306
Reversal of securities market maintenance fund	-	35
Extraordinary losses		
Loss on sales of fixed assets	-	63
Loss on disposal of fixed assets	282	164
Loss from sales of investment securities	-	1,223
Write-off of investment securities	134	172
Reorganizing cost	-	20,081
Expense of settlement for stock options granted in prior years	496	-
Reserve for liability for securities transactions	41	-

5. Reference data**(1) Commissions**

i) Breakdown by Categories

(Millions of Yen except percentages)

	 For the 9 months ended Dec. 31, 2007	For the 9 months ended Dec. 31, 2008	<A> Net Change	$\left[\frac{\langle A \rangle}{\langle B \rangle} \right]$
Brokerage commissions	25,732	17,350	-8,382	-32.6 %
< Equities >	< 25,479 >	< 16,674 >	< -8,805 >	< -34.6 >
< Bonds >	< 96 >	< 69 >	< -26 >	< -27.9 >
< Investment trusts >	< 156 >	< 606 >	< 449 >	< 287.3 >
Subscription & distribution commissions	42,133	22,752	-19,380	-46.0
< Investment trusts >	< 38,806 >	< 19,711 >	< -19,095 >	< -49.2 >
Other commissions	59,027	48,096	-10,931	-18.5
< Investment trusts >	< 31,886 >	< 22,728 >	< -9,157 >	< -28.7 >
Total	126,893	88,199	-38,693	-30.5

ii) Breakdown by Products

(Millions of Yen except percentages)

	 For the 9 months ended Dec. 31, 2007	For the 9 months ended Dec. 31, 2008	<A> Net Change	$\left[\frac{\langle A \rangle}{\langle B \rangle} \right]$
Equities	29,189	19,462	-9,726	-33.3 %
Bonds	2,515	2,789	273	10.9
Investment trusts	70,849	43,046	-27,803	-39.2
Others	24,338	22,901	-1,437	-5.9
Total	126,893	88,199	-38,693	-30.5

(2) Gain / Loss on Trading

(Millions of Yen except percentages)

	 For the 9 months ended Dec. 31, 2007	For the 9 months ended Dec. 31, 2008	<A> Net Change	$\left[\frac{\langle A \rangle}{\langle B \rangle} \right]$
Equities, etc.	1,731	315	-1,415	-81.7 %
Bonds, forex, etc.	45,832	38,986	-6,846	-14.9
< Bonds, etc. >	< 15,905 >	< 29,073 >	< 13,167 >	< 82.8 >
< Forex, etc. >	< 29,927 >	< 9,913 >	< -20,013 >	< -66.9 >
Total	47,564	39,302	-8,261	-17.4

(3) Equity Trading Activity (excluding futures transactions)

(Millions of Yen and shares except percentage)

	For the 9 months ended Dec. 31, 2007		For the 9 months ended Dec. 31, 2008		Comparison ratio	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	4,138	4,377,316	3,808	2,989,448	-8.0 %	-31.7 %
< Proprietary >	< 253 >	< 404,859 >	< 313 >	< 399,308 >	< 23.9 >	< -1.4 >
< Agency >	< 3,885 >	< 3,972,457 >	< 3,494 >	< 2,590,140 >	< -10.1 >	< -34.8 >
Brokerage ratio	93.9 %	90.8 %	91.8 %	86.6 %		
TSE share	0.4 %	0.3 %	0.4 %	0.3 %		

(4) Subscription / Distribution

(Millions of Yen and shares except percentage)

		For the 9 months ended Dec. 31, 2007	For the 9 months ended Dec. 31, 2008	Comparison ratio
*Subscription and distribution	Equities (Number of shares)	20	49	144.9 %
	Equities (Amounts)	84,369	52,345	-38.0
	Bonds (Face value)	837,173	1,224,931	46.3
	Invest. trusts (Amounts)	4,951,046	3,731,141	-24.6
	Others (Amounts)	9,890	6,920	-30.0

* Include distributions and private offerings

(5) Regulatory Capital Adequacy Ratio

(Millions of Yen except percentages)

		Dec. 31, 2008	Mar. 31, 2008
Basic items	Total capital (A)	396,187	420,600
Supplementary items	Unrealized gain on investment securities	16	—
	Statutory reserve	625	900
	Allowance for bad debts	36	55
	Sub-total (B)	678	955
Deductible assets	(C)	75,948	77,659
Net capital	(A) + (B) - (C) (D)	320,917	343,895
Risk total	Market Risk	3,226	3,881
	Counterparty Risk	12,302	11,873
	Basic Risk	40,762	44,093
	Sub-total (E)	56,291	59,848
Net capital ratio	(D) / (E)*100 (%)	570.0 %	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 Statement of Operations

(Millions of Yen)

	FY2008 1Q 04/01/08 06/30/08	FY2008 2Q 07/01/08 09/30/08	FY2008 3Q 10/01/08 12/31/08	FY2007 3Q 10/01/07 12/31/07	FY2007 1/4 04/01/07 03/31/08
Operating revenue	56,561	41,871	35,177	56,321	55,702
Commissions	36,733	29,416	22,049	42,006	39,184
<i>Brokerage commissions</i>	6,414	4,653	6,282	8,207	7,846
<i>Subscription & distribution commissions</i>	11,522	7,828	3,402	13,493	12,259
<i>Other commissions</i>	18,797	16,934	12,365	20,305	19,078
Net gain on trading	17,290	10,449	11,562	11,947	14,234
Net gain on other trading	0	0	0	0	0
Interest and dividend income	2,537	2,005	1,565	2,366	2,283
Interest expense	1,886	1,438	1,186	1,284	1,233
Net operating revenue	54,675	40,433	33,990	55,036	54,469
Selling, general and administrative expenses	40,993	35,621	31,673	41,749	41,733
<i>Brokerage, communication and other transaction related costs</i>	4,115	4,077	3,274	4,980	4,969
<i>Employee compensation and benefits</i>	19,865	15,939	13,703	19,992	19,708
<i>Occupancy</i>	4,636	4,314	4,127	4,594	4,578
<i>Outsourcing and office supplies</i>	8,592	8,013	7,427	8,373	8,409
<i>Depreciation and amortization</i>	641	587	549	627	590
<i>Taxes, other than income taxes</i>	685	386	287	308	425
<i>Others</i>	2,456	2,301	2,303	2,873	3,049
Operating income	13,682	4,811	2,317	13,287	12,736
Non-operating income	539	2,138	93	245	195
Non-operating expenses	101	54	233	77	136
Ordinary income	14,120	6,895	2,177	13,455	12,795
Extraordinary gains	12	629	17	123	99
Extraordinary losses	49	103	21,552	149	685
Net income/ (loss) before provision for income taxes	14,082	7,421	(19,356)	13,429	12,209
Income taxes/(benefits)-current	1,345	2,519	(4,790)	6,774	4,505
Income taxes/(benefits)-deferred	4,691	816	(1,584)	(934)	1,731
Net income/ (loss)	8,045	4,086	(12,981)	7,589	5,972