

The company took over all the businesses of former Nikko Cordial Securities Inc. and partial businesses of Nikko Citigroup Limited. (current Citigroup Global Markets Japan) by demerger on October 1, 2009. Please note the figures in this summary for the 6 months ended September 30, 2009 are on former Nikko Cordial Securities Inc. before the demerger.

Date: October 29, 2009

## NIKKO CORDIAL SECURITIES INC.

URL: <http://www.nikko.co.jp/>

### Non-Consolidated Financial Summary 6 Months Ended September 30, 2009 (JGAAP)

#### 1. Overall business performance for the 6 months ended September 30, 2009

##### (1) Operating results (from April 1, 2009 to September 30, 2009)

(Millions of Yen except for percentages)

	Operating revenue		Net operating revenue		Operating income	
FY2009 2Q ( 6 months)	85,632	-13.0%	84,418	-11.2%	20,932	13.2%
FY2008 2Q ( 6 months)	98,433	-21.5%	95,108	-22.8%	18,494	-48.3%

	Ordinary income		Net income	
FY2009 2Q ( 6 months)	21,223	1.0%	31,574	160.3%
FY2008 2Q ( 6 months)	21,015	-42.0%	12,131	-40.0%

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 except for percentages.

##### (2) Financial condition

(Millions of Yen except for percentages)

	Total assets	Net assets	Equity ratio	Capital adequacy ratio
FY2009 2Q	1,911,167	522,774	27.4 %	685.8 %
FY2008	1,466,956	393,392	26.8	607.6

Equity (Total of "Shareholders' equity" and "Valuation and translation adjustments")

FY 2009 2Q: 522,774 million yen      FY 2008: 393,392 million yen

#### 2. Others

(1) Adoption of simplified accounting method and 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 : None

(ii) Other than the above : None

## Operating Results and Financial Condition

### 1. Operating Results

#### Financial Overview

Operating revenue for this period (from April 1, 2009 to September 30, 2009) totaled 85.6 billion yen or a 13 % decrease over the same period in the previous year and net operating revenue, which subtracts interest expense from operating revenue, was 84.4 billion yen or a 11% decrease. Selling, general and administrative expense was 63.4 billion yen or a 17% decrease. Consequently, operating income was 20.9 billion yen, or a 13% increase, and ordinary income after adjustment for non-operating income/expenses was 21.2 billion yen almost same as the year-earlier period level. As a result, Net income, after extraordinary gains (losses) and income taxes, was 31.5 billion yen or a 160% increase on a year-over-year basis.

Major revenues and expenses are as follows:

#### (1) Commissions

Commissions were 60.3 billion yen, down 9% from the same period of the previous fiscal year. Following are summaries by category:

##### *Brokerage Commissions*

Brokerage commissions were 10.0 billion yen, a 9% decrease. Average daily trading value on the Tokyo Stock Exchange (domestic common stocks total) during the period decreased by 32% from the year-earlier period level to 1,619.7 billion yen. Given this situation of market conditions, brokerage commissions on equities declined to 9.4 billion yen or a 14% decrease.

##### *Fee for offering, secondary distribution and solicitation for selling and others for professional investors*

Fee for offering, secondary distribution and solicitation for selling and others for professional investors were 30.6 billion yen, a 58% increase. Commission revenues on equities were 1.9 billion yen or a 174% increase, and those on bonds were 0.3 billion yen or a 79% decrease. Commission revenues on mutual funds were 28.3 billion yen or a 69% increase, due to brisk sales of mutual funds mainly focusing on global investment in stocks and bonds on emerging markets.

##### *Other Commissions*

Other commissions were 19.5 billion yen, down 45%, mainly due to a decrease in agency commission on accumulated balances in mutual funds.

#### (2) Net Gain on Trading

Net gain on trading was 23.3 billion yen or a 16% decrease. Net trading gain on equities and bonds/foreign exchanges were 1.1 billion yen and 22.2 billion yen, respectively.

#### (3) Net Financial Income

Net financial income, 1.9 billion yen of interest and dividend income less 1.2 billion yen of interest expense, was 0.7 billion yen.

#### (4) Selling, General and Administrative Expenses

Brokerage, communication and other transaction related costs were 5.4 billion yen or a decrease of 2.7 billion yen (down 33%), mainly due to a decrease in advertising expenses. Outsourcing and office supplies expenses were 13.1 billion yen or a decrease of 3.4 billion yen (down 21%), mainly due to a decrease in information systems related expenses. In addition, employee compensation and benefits were 31.1 billion yen or a decrease of 4.6 billion yen (down 13%), mainly due to a decrease in performance-based compensations and bonuses for FA/IFA. As a result, selling, general and administrative expenses were 63.4 billion yen, a decrease of 13.1 billion yen (down 17%).

(5) Extraordinary gains and losses

The Company recorded extraordinary gains totaling 1.4 billion yen, including gain on sales of investment securities and reversal of financial instruments transactions reserve.

Extraordinary losses composed of write-off of investment securities and loss on disposal of fixed assets were 1.9 billion yen.

(6) Taxes

The income taxes-current was 9.3 billion yen, and income taxes benefits-deferred was -20.1 billion yen, due to deferred tax asset for temporary difference recognized through the investment in kind as the step for the demerger.

**2. Financial Condition**

Current assets at the end of this quarter amounted to 1,735.0 billion yen, an increase of 329.1 billion yen compared to the end of the previous fiscal year, mainly due to an increase in deposits and loans secured by securities. Fixed assets were 176.0 billion yen, an increase of 115.0 billion yen compared to the end of the previous fiscal year, mainly due to an increase in investment securities.

Current liabilities amounted to 1,382.5 billion yen, an increase of 315.8 billion yen compared to the end of the previous fiscal year, mainly due to an increase in short term borrowings. Long-term liabilities were 5.3 billion yen.

Common stock and legal capital reserve increased by 49.5 billion yen each due to the investment in kind.

**3. Financial Statements**

## (1) Balance Sheet

( Millions of Yen except for percentages)

	Sep. 30, 2009	<B> Mar. 31, 2009	<A> Net Change	$\left[ \frac{\langle A \rangle}{\langle B \rangle} \right]$
<b>(ASSETS)</b>				
<b>Current assets</b>	<u>1,735,080</u>	<u>1,405,961</u>	<u>329,118</u>	<u>23.4</u> %
Cash and cash deposits	242,490	95,650	146,840	153.5
Cash segregated and deposits	140,448	148,189	(7,740)	(5.2)
Trading assets:	786,296	700,958	85,338	12.2
<i>Trading securities</i>	643,983	539,964	104,018	19.3
<i>Derivatives</i>	142,313	160,993	(18,680)	(11.6)
Receivables related to margin transactions:	43,528	23,716	19,812	83.5
<i>Loans on margin transactions</i>	36,430	18,671	17,759	95.1
<i>Cash collateral pledged for securities borrowed on margin transactions</i>	7,097	5,044	2,052	40.7
Collateralized short-term financing agreements:	393,546	281,534	112,011	39.8
<i>Cash collateral pledged for securities borrowed</i>	393,546	281,534	112,011	39.8
Advance payments	1,049	989	59	6.1
Cash paid for subscriptions	9,052	3,620	5,431	150.0
Short-term loans	206	133	73	54.9
Deferred tax assets	5,900	5,995	(94)	(1.6)
Other current assets	113,405	146,061	(32,655)	(22.4)
Allowance for bad debts	(844)	(887)	43	-
<b>Fixed assets</b>	<u>176,087</u>	<u>60,994</u>	<u>115,092</u>	<u>188.7</u>
Tangible fixed assets	6,038	6,570	(531)	(8.1)
Intangible fixed assets	39,775	3,079	36,696	-
Investments and others:	130,272	51,345	78,927	153.7
<i>Investment securities</i>	51,983	8,053	43,929	545.5
<i>Investment in subsidiaries and affiliates</i>	38,485	9,848	28,636	290.8
<i>Long-term loans</i>	5,084	5,085	(1)	(0.0)
<i>Long-term guarantee deposits</i>	16,154	14,196	1,957	13.8
<i>Deferred tax assets</i>	12,250	7,726	4,523	58.6
<i>Other investments</i>	12,337	12,450	(113)	(0.9)
<i>Allowance for bad debts</i>	(6,021)	(6,014)	(6)	-
<b>Total assets</b>	<u>1,911,167</u>	<u>1,466,956</u>	<u>444,211</u>	<u>30.3</u>

(Millions of Yen except for percentages)

	Sep. 30, 2009	<B> Mar. 31, 2009	<A> Net Change	$\left[ \frac{\text{<A>}}{\text{<B>}} \right]$
<b>(LIABILITIES)</b>				
<b>Current liabilities</b>	<u>1,382,579</u>	<u>1,066,754</u>	<u>315,825</u>	<u>29.6</u> %
Trading liabilities:	261,558	225,464	36,094	16.0
<i>Trading securities</i>	119,453	63,938	55,515	86.8
<i>Derivatives</i>	142,104	161,525	(19,421)	(12.0)
Open trade payables, net	51,161	3,687	47,474	-
Payables related to margin transactions:	31,927	17,668	14,258	80.7
<i>Borrowings on margin transactions</i>	21,512	10,209	11,302	110.7
<i>Cash collateral received for securities loaned on margin transactions</i>	10,415	7,459	2,955	39.6
Collateralized short-term financing agreement	246,873	371,859	(124,985)	(33.6)
<i>Cash collateral received for securities loaned</i>	135,955	85,910	50,044	58.3
<i>Borrowings on Gensaki transactions</i>	110,918	285,948	(175,030)	(61.2)
Deposits received	122,450	117,848	4,602	3.9
Guarantee deposits received	17,511	15,912	1,599	10.0
Short-term borrowings	604,500	301,300	303,200	100.6
Commercial paper	24,000	-	24,000	-
Income taxes payable	2,557	736	1,820	247.2
Other current liabilities	20,038	12,277	7,761	63.2
<b>Long-term liabilities</b>	<u>5,376</u>	<u>6,216</u>	<u>(840)</u>	<u>(13.5)</u>
Accrued pension benefits	4,463	5,257	(793)	(15.1)
Other long-term liabilities	912	959	(47)	(4.9)
<b>Statutory reserves</b>	<u>436</u>	<u>593</u>	<u>(156)</u>	<u>(26.4)</u>
<b>Total liabilities</b>	<u>1,388,393</u>	<u>1,073,564</u>	<u>314,828</u>	<u>29.3</u>
<b>(NET ASSETS)</b>				
<b>Shareholders' equity</b>	<u>524,174</u>	<u>393,411</u>	<u>130,763</u>	<u>33.2</u>
Common stock	149,594	100,000	49,594	49.6
Capital surplus:	343,201	293,606	49,594	16.9
<i>Legal capital reserve</i>	74,594	25,000	49,594	198.4
<i>Other capital reserve</i>	268,606	268,606	-	-
Retained earnings:	31,378	(195)	31,574	-
<i>Other retained earnings</i>	31,378	(195)	31,574	-
<i>Unappropriated retained earnings</i>	31,378	(195)	31,574	-
<b>Valuation and translation adjustments</b>	<u>(1,399)</u>	<u>(18)</u>	<u>(1,381)</u>	<u>-</u>
Net unrealized gain on investment securities	(1,399)	(18)	(1,381)	-
<b>Total net assets</b>	<u>522,774</u>	<u>393,392</u>	<u>129,382</u>	<u>32.9</u>
<b>Total liabilities and net assets</b>	<u>1,911,167</u>	<u>1,466,956</u>	<u>444,211</u>	<u>30.3</u>

## (2) Income Statement

(Millions of Yen except for percentages)

	<B> For the 6 months ended Sep. 30, 2008	For the 6 months ended Sep. 30, 2009	<A> Net Change	$\left[ \frac{\text{<A>}}{\text{<B>}} \right]$
<b>Operating revenue</b>	98,433	85,632	(12,800)	(13.0) %
Commissions	66,150	60,319	(5,830)	(8.8)
Net gain on trading	27,740	23,398	(4,341)	(15.7)
Net gain on other trading	0	0	(0)	(87.4)
Interest and dividend income	4,542	1,914	(2,628)	(57.9)
Interest expense	3,324	1,213	(2,110)	(63.5)
<b>Net operating revenue</b>	95,108	84,418	(10,690)	(11.2)
<b>Selling, general and administrative expenses</b>	76,614	63,485	(13,128)	(17.1)
<i>Brokerage, communication and other transaction related costs</i>	8,192	5,464	(2,728)	(33.3)
<i>Employee compensation and benefits</i>	35,805	31,193	(4,612)	(12.9)
<i>Occupancy</i>	8,950	7,833	(1,117)	(12.5)
<i>Outsourcing and office supplies</i>	16,605	13,197	(3,407)	(20.5)
<i>Depreciation and amortization</i>	1,228	1,045	(183)	(14.9)
<i>Taxes, other than income taxes</i>	1,072	1,292	220	20.6
<i>Others</i>	4,758	3,458	(1,299)	(27.3)
<b>Operating income</b>	18,494	20,932	2,438	13.2
Non-operating income	2,677	898	(1,779)	(66.4)
Non-operating expenses	155	608	452	290.5
<b>Ordinary income</b>	21,015	21,223	207	1.0
Extraordinary gains	641	1,493	851	132.7
Extraordinary losses	153	1,984	1,831	-
<b>Net income before provision for income taxes</b>	21,504	20,731	(773)	(3.6)
Income taxes-current	3,865	9,314	5,449	141.0
Income taxes/(benefits)-deferred	5,507	(20,157)	(25,665)	-
<b>Net income</b>	12,131	31,574	19,442	160.3

## **Notes to the financial statements**

The financial statements of former 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 (not including Leased Assets)

The 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) 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. (renamed to Citigroup Japan Holdings Inc. on October 1, 2009) as the consolidated parent corporation.

**Notes to the balance sheet**

(Millions of Yen)

	<u>Sep. 30, 2009</u>	<u>Mar. 31, 2009</u>
1. Accumulated depreciation of tangible fixed assets	12,338	11,860
2. Debt guarantees	15,778	16,899

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)

	For the 6 months ended <u>Sep. 30, 2008</u>	For the 6 months ended <u>Sep. 30, 2009</u>
Details of extraordinary gains and losses		
Extraordinary gains		
Gain on sales of fixed assets	0	-
Gain on sales of investment securities	9	1,299
Gain on sales of investments in subsidiaries and affiliates	240	-
Reversal of allowance for bad debts	84	36
Reversal of financial instruments transactions reserve	307	156
Extraordinary losses		
Loss on disposal of fixed assets	123	50
Loss from sales of investment securities	3	-
Write-off of investment securities	26	1,934



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

(A) Breakdown by Categories

(Millions of Yen except for percentages)

	<B> For the 6 months ended Sep. 30, 2008	For the 6 months ended Sep. 30, 2009	<A> Net Change	$\left[ \frac{\langle A \rangle}{\langle B \rangle} \right]$
Brokerage commissions	11,068	10,069	-998	-9.0 %
< Equities >	< 10,922 >	< 9,444 >	< -1,477 >	< -13.5 >
< Bonds >	< 14 >	< 45 >	< 31 >	< 220.9 >
< Investment trusts >	< 131 >	< 579 >	< 447 >	< 339.3 >
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	19,350	30,653	11,302	58.4
< Investment trusts >	< 16,782 >	< 28,367 >	< 11,585 >	< 69.0 >
Other commissions	35,731	19,596	-16,135	-45.2
< Investment trusts >	< 17,340 >	< 11,062 >	< -6,278 >	< -36.2 >
Total	66,150	60,319	-5,830	-8.8

(B) Breakdown by Products

(Millions of Yen except for percentages)

	<B> For the 6 months ended Sep. 30, 2008	For the 6 months ended Sep. 30, 2009	<A> Net Change	$\left[ \frac{\langle A \rangle}{\langle B \rangle} \right]$
Equities	12,722	12,245	-476	-3.7 %
Bonds	2,282	604	-1,678	-73.5
Investment trusts	34,255	40,009	5,754	16.8
Others	16,890	7,460	-9,430	-55.8
Total	66,150	60,319	-5,830	-8.8

**(2) Gain / Loss on Trading**

(Millions of Yen except for percentages)

	<B> For the 6 months ended Sep. 30, 2008	For the 6 months ended Sep. 30, 2009	<A> Net Change	$\left[ \frac{\langle A \rangle}{\langle B \rangle} \right]$
Equities, etc.	98	1,128	1,030	- %
Bonds, forex, etc.	27,642	22,269	-5,372	-19.4
< Bonds, etc. >	< 22,381 >	< 20,468 >	< -1,913 >	< -8.5 >
< Forex, etc. >	< 5,260 >	< 1,801 >	< -3,458 >	< -65.8 >
Total	27,740	23,398	-4,341	-15.7

**(3) Equity Trading Activity (excluding futures transactions)**

(Millions of Yen and shares except for percentages)

	For the 6 months ended Sep. 30, 2008		For the 6 months ended Sep. 30, 2009		Comparison ratio	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	2,279	2,048,451	3,033	1,603,001	33.1 %	-21.7 %
< Proprietary >	< 227 >	< 305,045 >	< 164 >	< 144,543 >	< -27.8 >	< -52.6 >
< Agency >	< 2,052 >	< 1,743,406 >	< 2,869 >	< 1,458,457 >	< 39.8 >	< -16.3 >
Brokerage ratio	90.0 %	85.1 %	94.6 %	91.0 %		
TSE share	0.4 %	0.3 %	0.5 %	0.4 %		

**(4) Subscription / Distribution**

(Millions of Yen and shares except for percentages)

		For the 6 months ended Sep. 30, 2008	For the 6 months ended Sep. 30, 2009	Comparison ratio
*Subscription and distribution	Equities ( Number of shares )	39	111	179.6 %
	Equities ( Amounts )	47,247	81,816	73.2
	Bonds ( Face value )	944,356	502,869	-46.8
	Invest. trusts ( Amounts )	2,565,666	2,497,238	-2.7
	Others ( Amounts )	5,190	2,404	-53.7

\* Includes secondary offerings, private placement and solicitation for selling and others for professional investors

**(5) Regulatory Capital Adequacy Ratio**

( Millions of Yen except for percentages)

		Sep. 30, 2009	Mar. 31, 2009
Basic items	Total capital (A)	522,774	393,392
Supplementary items	Statutory reserve	436	593
	Allowance for bad debts	45	38
	Sub-total (B)	481	631
	Deductible assets (C)	163,552	67,989
	Net capital (A) + (B) - (C) (D)	359,703	326,034
Risk total	Market Risk	9,987	3,498
	Counterparty Risk	10,413	11,080
	Basic Risk	32,044	39,075
	Sub-total (E)	52,445	53,654
	Net capital ratio (D) / (E)*100	685.8 %	607.6 %

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)

	FY2009 1Q 04/01/09 06/30/09	FY2009 2Q 07/01/09 09/30/09	FY2008 2Q 07/01/08 09/30/08	FY2008 1/4 04/01/08 03/31/09
<b>Operating revenue</b>	42,496	43,135	41,871	41,033
Commissions	29,392	30,927	29,416	26,938
<i>Brokerage commissions</i>	5,224	4,845	4,653	5,258
<i>Fee for offering, secondary distribution and solicitation for selling and others for professional investors</i>	14,572	16,081	7,828	7,315
<i>Other commissions</i>	9,596	9,999	16,934	14,364
Net gain on trading	12,170	11,227	10,449	12,344
Net gain on other trading	0	-	0	0
Interest and dividend income	933	980	2,005	1,750
Interest expense	637	576	1,438	1,298
<b>Net operating revenue</b>	41,859	42,559	40,433	39,735
Selling, general and administrative expenses	31,563	31,922	35,621	34,814
<i>Brokerage, communication and other transaction related costs</i>	2,540	2,924	4,077	3,584
<i>Employee compensation and benefits</i>	15,685	15,507	15,939	15,884
<i>Occupancy</i>	3,935	3,897	4,314	4,238
<i>Outsourcing and office supplies</i>	6,540	6,656	8,013	7,743
<i>Depreciation and amortization</i>	527	517	587	593
<i>Taxes, other than income taxes</i>	496	796	386	412
<i>Others</i>	1,837	1,621	2,301	2,357
<b>Operating income</b>	10,295	10,637	4,811	4,921
Non-operating income	838	59	2,138	708
Non-operating expenses	103	504	54	89
<b>Ordinary income</b>	11,031	10,191	6,895	5,539
Extraordinary gains	1,483	9	629	726
Extraordinary losses	1,829	155	103	6,451
<b>Net income before provision for income taxes</b>	10,684	10,046	7,421	(184)
Income taxes-current	2,668	6,646	2,519	(146)
Income taxes-deferred	(236)	(19,920)	816	868
<b>Net income</b>	8,253	23,320	4,086	(906)