



Date: April 30, 2010

# NIKKO CORDIAL SECURITIES INC.

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

## Non-consolidated Financial Summary for the period ended March 31, 2010 (JGAAP)

### 1. Overall business performance

#### (1) Operating results for the 10 months ended March 31, 2010

(Millions of Yen)

	Operating revenue	Net operating revenue	Operating income	Ordinary income	Net income
FY2009	104,926	100,511	23,539	24,089	26,744

Note: Operating results mentioned above were from June 15, 2009 to March 31, 2010 (operation started on October 1, 2009)

#### Reference information

Operating results combined with those of former Nikko Cordial Securities Inc. before the corporate de-merger to accommodate better comparability in full fiscal year basis (from April 1, 2009 to March 31, 2010) are as follows.

(% percentage change from previous fiscal year)

(Millions of Yen)

	Operating revenue		Net operating revenue		Operating income		Ordinary income		Net income	
FY2009	190,558	16.1%	184,929	16.4%	44,472	125.9%	45,312	104.5%	58,318	—
FY2008	164,135	-26.3%	158,942	-27.0%	19,685	-61.4%	22,158	-56.7%	(3,626)	—

Note: Current Nikko Cordial Securities Inc. succeeded all of the operations (excluding selected assets and liabilities) of former Nikko Cordial Securities Inc and certain businesses, including the domestic debt and equity underwriting business, of Nikko Citigroup Ltd (currently Citigroup Global Markets Japan Inc.), through a corporate de-merger. Operating results mentioned above are sum of operating results of former Nikko Cordial Securities Inc.(from April 1, 2009 to September 30, 2009) and those of current Nikko Cordial Securities Inc.(from June 15, 2009 to March 31, 2010 :Operation started on October 1, 2009)

#### (2) Financial conditions

(Millions of Yen except for percentages)

	Total assets	Net assets	Equity ratio	Regulatory Capital Adequacy Ratio
FY2009	6,853,539	416,377	6.1 %	566.9 %

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

FY 2009 : 416,377 million yen

**2. Others****(1) Changes in significant accounting policies**

- |   |        |
|---|--------|
| 1) Changes in accordance with revisions to accounting standards | : None |
| 2) Changes other than 1) above                                  | : None |

**\*Other special matters:**

None

**Operating Results and Financial Conditions****1. Operating results**

## Financial Overview

Current Nikko Cordial Securities Inc. was originally established on June 15th, 2009 as “Nikko Cordial Securities De-merger Preparatory Company Ltd. (the ‘Company’)”. After obtaining required approvals of relevant authorities and through other necessary procedures, the Company succeeded all of the operations (excluding selected assets and liabilities) of former Nikko Cordial Securities Inc and certain businesses, including the domestic debt and equity underwriting business, of Nikko Citigroup Ltd (currently Citigroup Global Markets Japan Inc.), through a corporate de-merger pursuant to the agreement reached among Sumitomo Mitsui Banking Corporation (“SMBC”), Nikko Citi Holdings Inc., a wholly-owned subsidiary of Citigroup Inc. (“Citi”), and other affiliates of Citi, and started its operations effective October 1st, 2009 as a financial instruments firm. The Company has become a wholly-owned subsidiary of SMBC and renamed to “Nikko Cordial Securities Inc.” effective on the same date.

Operating revenue, for the fiscal year ended March 2010 (from June 15th, 2009 to March 31st, 2010) - the first fiscal year since the establishment as a securities and investment banking company, totaled 104.9 billion yen. Operating revenue reported in this financial summary does not include any business performance figures up to the end of September 2009 of former Nikko Cordial Securities Inc.

Net operating revenue, which subtracts interest expense from operating revenue, was 100.5 billion yen, operating income was 23.5 billion yen, ordinary income was 24.0 billion yen and net income was 26.7 billion yen.

Major revenues and expenses are as follows:

**Reference information**

In case the above-mentioned financial results are combined with those before the corporate de-merger of former Nikko Cordial Securities Inc, operating revenue in full fiscal year basis was 190.5 billion yen, net operating revenue, which subtracts interest expense from operating revenue, was 184.9 billion yen, selling, general and administrative expenses was 140.4 billion yen, resulting in operating income was 44.4 billion yen and ordinary income reflected non-operating income/expense items was 45.3 billion yen.

**(1) Commissions**

Commissions were 76.9 billion yen. Following are summaries by category:

***Brokerage Commissions***

Brokerage commissions were 8.8 billion yen. Average daily trading values on the Tokyo Stock Exchange during the period were 1,553.5 billion yen. Given this situation of market conditions, brokerage commissions on equities were 8.2 billion yen.

***Commissions for underwriting, secondary distribution and solicitation for selling and others for professional investors***

Commissions for underwriting, secondary distribution and solicitation for selling and others for professional investors were 19.4 billion yen. As serving as a lead managing underwriter for Sumitomo Mitsui Financial Group public offerings and others have contributed to getting off to a favorable start at Investment Banking business, commission revenues on equities were 13.7 billion yen, and those on bonds were 5.7 billion yen.

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

Fees for offering, secondary distribution and solicitation for selling and others for professional investors were 27.3 billion yen. Fee revenues on investment trusts were 27.0 billion yen, due to brisk sales of mutual funds, especially led by those of SMBC Nikko New World Bond Fund, investing globally in stocks and bonds on emerging markets.

***Other Commissions***

Other commissions were 21.2 billion yen. Agent commissions from investment trusts were 12.4 billion yen.

**(2) Net Gain on Trading**

Net gain on trading was 23.7 billion yen. Net trading gains on equities and bonds/foreign exchanges were 1.0 billion yen and 22.6 billion yen, respectively.

**(3) Net Financial Income**

Net financial loss, 4.2 billion yen of interest and dividend income less 4.4 billion yen of interest expense, was 0.1 billion yen.

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

Selling, general and administrative expenses were 76.9 billion yen, mainly consisted of employee compensation and benefits 37.6 billion yen, outsourcing and office supplies 13.5 billion yen, occupancy 9.0 billion yen and brokerage, communication and other transaction related costs 8.6 billion yen.

**(5) Extraordinary gains and losses**

Extraordinary gains were 0.1 billion yen, including gain on sales of investment securities.

Extraordinary losses were 1.7 billion yen. Write-off of investment securities and loss on disposal of fixed assets were 1.4 billion yen and 0.1 billion yen, respectively.

**(6) Taxes**

The income taxes-current were 3.0 billion yen, while income taxes-deferred were -7.2 billion yen as a result of an increase of deferred tax assets by reassessment of an estimate of future taxable income.

**2. Financial Conditions**

The Company was established with its initial capital (common stock) 0.5 billion yen on June 15th, 2009, and boosted it to 4 billion yen during the following two months. Additional new shares were issued and the capital (common stock) was increased to 10 billion on October 1st, 2009 when the Company purchased the assets and liabilities from former Nikko Cordial Securities Inc. and launched operations as a securities firm. At the same time, the Company recorded 378.1 billion yen in other capital reserve, which was the difference between the total purchase price for the de-merger and the portion allocated to the additional increase in the capital account.

Net assets, consisting of common stock, capital surplus, retained earnings and net unrealized gain on investment securities were 416.3 billion yen at the end of this fiscal year (as of March 31<sup>st</sup>, 2010). Current assets at the end of this fiscal year amounted to 6,607.4 billion yen. Fixed assets were 246.1 billion yen, and the total assets were 6,853.5 billion yen. Current liabilities amounted to 6,217.1 billion yen; fixed liabilities were 220.0 billion yen and the total liabilities were 6,437.1 billion yen.

Regulatory capital adequacy ratio was 566.9 % at the end of this fiscal year as a result of introducing 200 billion yen subordinated borrowing from SMBC to prepare for further business expansion.

## 4. Financial Statements

## (1) Balance Sheet

(Millions of Yen)

	Mar. 31, 2010
<b>(ASSETS)</b>	
<b>Current assets</b>	
Cash and cash deposits	174,868
Cash segregated and deposits	119,553
Trading assets:	2,420,193
<i>Trading securities</i>	2,296,182
<i>Derivatives</i>	124,010
Receivables related to margin transactions:	39,401
<i>Loans on margin transactions</i>	31,780
<i>Cash collateral pledged for securities borrowed on margin transactions</i>	7,621
Collateralized short-term financing agreements:	3,710,671
<i>Cash collateral pledged for securities borrowed</i>	3,710,671
Advance payments	261
Cash paid for subscriptions	15,028
Short-term guarantee deposits	75,478
Accrued income	15,955
Deferred tax assets	24,936
Other current assets	11,108
Allowance for bad debts	(31)
<b>Total current assets</b>	<u>6,607,425</u>
<b>Fixed assets</b>	
Tangible fixed assets	6,707
<i>Buildings</i>	4,681
<i>Furniture and fixtures</i>	1,922
<i>Land</i>	17
<i>Leased assets</i>	85
Intangible fixed assets	50,027
<i>trademark</i>	35,207
<i>goodwill</i>	12,651
<i>Software</i>	1,595
<i>Others</i>	572
Investments and others:	189,379
<i>Investment securities</i>	59,155
<i>Investment in subsidiaries and affiliates</i>	39,081
<i>Long-term loans</i>	5,083
<i>Long-term guarantee deposits</i>	15,500
<i>Long-term prepaid expense</i>	106
<i>Deferred tax assets</i>	64,309
<i>Other investments</i>	12,991
<i>Allowance for bad debts</i>	(6,848)
<b>Total Fixed Assets</b>	<u>246,113</u>
<b>Total assets</b>	<u>6,853,539</u>

( Millions of Yen)	
	Mar. 31, 2010
<b>(LIABILITIES)</b>	
<b>Current liabilities</b>	
Trading liabilities:	1,553,112
<i>Trading securities</i>	1,427,383
<i>Derivatives</i>	125,729
Open trade payables, net	78,214
Payables related to margin transactions:	11,754
<i>Borrowings on margin transactions</i>	1,711
<i>Cash collateral received for securities loaned on margin transactions</i>	10,043
Collateralized short-term financing agreements:	1,454,102
<i>Cash collateral received for securities loaned</i>	836,659
<i>Borrowings on Gensaki transactions</i>	617,442
Deposits received	152,005
Guarantee deposits received	22,693
Short-term borrowings	2,696,973
Commercial paper	217,000
Accrued amount payable	6,012
Income taxes payable	2,647
Accrued bonuses	15,900
Other current liabilities	6,687
<b>Total Current Liabilities</b>	<u>6,217,104</u>
<b>Fixed liabilities</b>	
Long-term borrowings	216,000
Accrued pension benefits	3,078
Other long-term liabilities	945
<b>Total fixed liabilities</b>	<u>220,023</u>
<b>Statutory reserves</b>	
Financial instruments transaction liability reserve	34
<b>Total statutory reserve</b>	<u>34</u>
<b>Total liabilities</b>	6,437,162
<b>(NET ASSETS)</b>	
<b>Shareholders' equity</b>	
Common stock	10,000
Capital surplus:	378,143
<i>Other capital reserve</i>	378,143
Retained earnings:	26,744
<i>Other retained earnings</i>	26,744
<i>Earned surplus carried forward</i>	26,744
<b>Total Shareholders' equity</b>	<u>414,888</u>
<b>Valuation and translation adjustments</b>	
Net unrealized gain on investment securities	1,489
<b>Total valuation and translation adjustments</b>	1,489
<b>Total net assets</b>	416,377
<b>Total liabilities and net assets</b>	6,853,539

**(2) Income Statement**

(Millions of Yen)

	For the 10 months Mar. 31, 2010
<b>Operating revenue</b>	
Commissions	76,935
Net gain on trading	23,764
Net gain on other trading	0
Interest and dividend income	4,226
<b>Total operating revenue</b>	<u>104,926</u>
Interest expense	<u>4,415</u>
<b>Net operating revenue</b>	100,511
<b>Selling, general and administrative expenses</b>	76,972
<i>Brokerage, communication and other transaction related costs</i>	8,644
<i>Employee compensation and benefits</i>	37,693
<i>Occupancy</i>	9,024
<i>Outsourcing and office supplies</i>	13,523
<i>Depreciation and amortization</i>	3,329
<i>Taxes, other than income taxes</i>	764
<i>Others</i>	3,990
<b>Operating income</b>	23,539
<b>Non-operating income</b>	784
<b>Non-operating expenses</b>	234
<b>Ordinary income</b>	24,089
<b>Extraordinary gains</b>	
Gain on sales of investment securities	152
<b>Total extraordinary gains</b>	<u>152</u>
<b>Extraordinary losses</b>	
Loss on disposal of fixed assets	161
Loss on sales of investment securities	53
Write-off of investment securities	1,465
Provision of reserve for financial instruments transactions	34
<b>Total extraordinary losses</b>	<u>1,715</u>
<b>Net income before provision for income taxes</b>	22,526
Income taxes-current	3,054
Income taxes-deferred	(7,272)
<b>Total income taxes</b>	<u>(4,217)</u>
<b>Net income</b>	26,744

**STATEMENT OF CHANGES IN NET ASSETS**

	( Millions of Yen)
	For the 10 months Mar. 31, 2010
<b>Shareholders' equity</b>	
<b>Common stock</b>	
Balance at end of previous period	—
Change during the period	
Issuance of new shares	10,000
Total changes	<u>10,000</u>
Balance at end of period	<u>10,000</u>
<b>Capital surplus</b>	
Other capital reserve	
Balance at end of previous period	—
Change during the period	
Issuance of new shares	378,143
Total changes	<u>378,143</u>
Balance at end of period	<u>378,143</u>
<b>Retained earnings</b>	
Other retained earnings	
Unappropriated retained earnings	
Balance at end of previous period	—
Change during the period	
Net income	26,744
Total changes	<u>26,744</u>
Balance at end of period	<u>26,744</u>
<b>Total shareholders' equity</b>	
Balance at end of previous period	—
Change during the period	
Issuance of new shares	388,143
Net income	26,744
Total changes	<u>414,888</u>
Balance at end of period	<u>414,888</u>
<b>Valuation and translation adjustments</b>	
Net unrealized gain on investment securities	
Balance at end of previous period	—
Change during the period	
Net changes of net assets other than shareholders' equity	1,489
Total changes	<u>1,489</u>
Balance at end of period	<u>1,489</u>
<b>Total net asset</b>	
Balance at end of previous period	—
Change during the period	
Issuance of new shares	388,143
Net income	26,744
Net changes of net assets other than shareholders' equity	1,489
Total changes	<u>416,377</u>
Balance at end of period	<u>416,377</u>

**Notes on premise of going concern**

None

**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) Investments in subsidiaries and affiliates  
Recorded at cost method using the moving average method.
  - (3) Investments and others (relieve of investments in subsidiaries and affiliates)
    - (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) Partnership Act for Investment  
Recorded as investment securities at net asset value based on its financial statements in proportion to the company's interests, but certain investments in partnerships which are applicable to subsidiaries and/or will have material effect on financial statement are consolidated in proportion to the company's interests.
    - (C) Securities without market value and other assets  
Recorded at cost method using the moving average method.
2. Depreciation method for fixed assets
  - (1) Tangible fixed assets (excluding Leased Assets)  
Indirect method by the declining-balance method is applied, except that straight-line method is applied to buildings (except for accompanying facilities).
  - (2) Intangible fixed assets (exclude Leased Assets)  
Direct method by the straight-line method is applied.
  - (3) Leased Assets (finance lease assets without ownership transfer)  
Indirect method by the straight-line method is applied.
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  
The reserve for bonuses is provided for payment of bonuses to employee, director and executive officer bonuses.
  - (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) Financial Instruments Transaction Liability Reserve  
To provide for possible losses from accidents involved in financial instruments transactions, the company recorded financial instruments transaction liability reserve computed in accordance with Article 46.5.1 of "Financial Instruments and Exchange Act" and Article 175 of the "Cabinet Office Ordinance Concerning Financial Instruments Transaction Business".
4. Other basis of presentation
  - (1) Accounting for consumption taxes  
Consumption taxes are accounted for based on the tax exclusion method.
  - (2) Amortization on goodwill  
Goodwill is principally amortized within 20 years based on the straight-line method.

**Notes to the balance sheet**

( Millions of Yen )

	<u>Mar. 31, 2010</u>
1. Accumulated depreciation of tangible fixed assets	12,911
2. Debt guarantees	15,093

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.

## 3. Subordinated borrowings

Long-term borrowings include subordinated debts (subordinated borrowings) provided in Article 176 of the "Cabinet Office Ordinance Concerning Financial Instruments Transaction Business" (Cabinet Office Ordinance No.52, 2007), and the amount is follows.

( Millions of Yen )

	<u>Mar. 31, 2010</u>
Long-term borrowings	200,000

**3. Reference: Financial Results for the period from June 15, 2009 to March 31, 2010****(1) Commissions**

## (A) Breakdown by Categories

(Millions of Yen)

	For the 10 months ended Mar.31 2010
Brokerage commissions	8,885
< Equities >	< 8,250 >
< Bonds >	< 220 >
< Investment trusts >	< 414 >
Commissions for underwriting, secondary distribution and solicitation for selling and others for professional investors	19,485
< Equities >	< 13,773 >
< Bonds >	< 5,712 >
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	27,349
< Investment trusts >	< 27,071 >
Other commissions	21,214
< Investment trusts >	< 12,472 >
<b>Total</b>	<b>76,935</b>

## (B) Breakdown by Products

(Millions of Yen)

	For the 10 months ended Mar.31 2010
Equities	25,627
Bonds	6,260
Investment trusts	39,958
Others	5,089
<b>Total</b>	<b>76,935</b>

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

(Millions of Yen)

	For the 10 months ended Mar.31 2010
Equities, etc.	1,071
Bonds, forex, etc.	22,692
< Bonds, etc. >	< 21,696 >
< Forex, etc. >	< 996 >
<b>Total</b>	<b>23,764</b>

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

(Millions of Yen and shares)

	For the 10 months ended Mar.31 2010	
	Number of shares	Amount
Total	2,959	1,700,847
< Proprietary >	< 254 >	< 218,968 >
< Agency >	< 2,704 >	< 1,481,878 >
Brokerage ratio	91.4 %	87.1 %
TSE share	0.5 %	0.4 %

**(4) Underwriting/Subscription / Distribution**

(Millions of Yen and shares)

		For the 10 months ended Mar.31 2010
Underwriting	Equities ( Number of shares )	230
	Equities ( Amounts )	324,036
	Bonds ( Face value )	1,654,144
*Subscription and distribution	Equities ( Number of shares )	262
	Equities ( Amounts )	384,984
	Bonds ( Face value )	1,628,283
	Invest. trusts ( Amounts )	2,748,736
	Others ( Amounts )	1,193

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

**(5) Regulatory Capital Adequacy Ratio**

( Millions of Yen)

		Mar. 31, 2010
Basic items	Total capital (A)	414,888
Supplementary items	Unrealized gain on investment securities	1,489
	Statutory reserve	34
	Allowance for bad debts	31
	Short-term subordinated borrowings	200,000
	Sub-total (B)	201,554
Deductible assets	(C)	232,228
Net capital	(A) + (B) - (C) (D)	384,214
Risk total	Market Risk	21,541
	Counterparty Risk	12,385
	Basic Risk	33,845
	Sub-total (E)	67,772
Net capital ratio	(D) / (E)*100	566.9 %

Note: 1. 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.

2. "Short-term subordinated borrowings" at the end of period is subordinated borrowings.

Amount : 50,000 millions of yen

Amount : 150,000 millions of yen

Contract date : October 1, 2009

Contract date : January 4, 2010

Maturity date : October 3, 2011

Maturity date : January 5, 2012

**(6) TREND STATEMENT OF OPERATIONS**

(Millions of Yen)

	FY2009 1H 06/15/09 09/30/09	FY2009 3Q 10/01/09 12/31/09	FY2009 4Q 01/01/10 03/31/10
<b>Operating revenue</b>	0	47,148	57,777
Commissions	—	35,379	41,555
Brokerage commissions	—	3,788	5,097
Commissions for underwriting, secondary distribution and solicitation for selling and others for professional investors	—	5,052	14,433
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	—	17,737	9,612
Other commissions	—	8,801	12,412
Net gain on trading	—	10,161	13,602
Net gain on other trading	—	0	0
Interest and dividend income	0	1,607	2,619
Interest expense	—	1,794	2,620
<b>Net operating revenue</b>	0	45,353	55,157
<b>Selling, general and administrative expenses</b>	3	36,377	40,590
<i>Brokerage, communication and other transaction related costs</i>	0	3,966	4,677
<i>Employee compensation and benefits</i>	—	17,327	20,366
<i>Occupancy</i>	—	4,603	4,421
<i>Outsourcing and office supplies</i>	0	6,611	6,912
<i>Depreciation and amortization</i>	—	1,666	1,663
<i>Taxes, other than income taxes</i>	0	393	370
<i>Others</i>	3	1,809	2,178
<b>Operating income / (loss)</b>	(3)	8,976	14,566
<b>Non-operating income</b>	—	603	181
<b>Non-operating expenses</b>	28	65	140
<b>Ordinary income / (loss)</b>	(31)	9,513	14,607
<b>Extraordinary gains</b>	—	138	13
<b>Extraordinary losses</b>	—	2,340	(625)
<b>Net income / (loss) before provision for income taxes</b>	(31)	7,311	15,247
Income taxes-current	—	1,160	1,894
Income taxes-deferred	—	—	(7,272)
<b>Net income / (loss)</b>	(31)	6,150	20,624