



Date: July 26, 2010

# NIKKO CORDIAL SECURITIES INC.

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

## Non-consolidated Financial Summary for the period ended June 30, 2010 (JGAAP)

### 1. Overall business performance for the 3 months ended June 30, 2010

#### (1) Operating results (from April 1, 2010 to June 30, 2010)

(Millions of Yen)

	Operating revenue	Net operating revenue	Operating income	Ordinary income	Quarterly Net income
FY2010 1Q ( 3 months)	58,251	55,013	14,470	13,344	10,245

#### Reference information

Comparison with operating results of former Nikko Cordial Securities Inc. before the corporate de-merger (from April 1, 2009 to June 30, 2009) are as follows.

(% percentage change from the same period of the previous fiscal year)

(Millions of Yen)

	Operating revenue		Net operating revenue		Operating income		Ordinary income		Quarterly Net income	
FY2010 1Q ( 3 months)	58,251	37.1%	55,013	31.4%	14,470	40.6%	13,344	21.0%	10,245	24.1%
FY2009 1Q ( 3 months)	42,496	-24.9%	41,859	-23.4%	10,295	-24.8%	11,031	-21.9%	8,253	2.6%

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 effective on October 1, 2009. Operating results for FY2009 1Q (3months) mentioned above are those of former Nikko Cordial Securities Inc.(from April 1, 2009 to June 30, 2009).

#### (2) Financial conditions

(Millions of Yen except for percentages)

	Total assets	Net assets	Equity ratio	Regulatory Capital Adequacy Ratio
FY2010 1Q	7,426,087	424,959	5.7 %	514.9 %
FY2009	6,853,539	416,377	6.1 %	566.9 %

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

FY 2010 1Q: 424,959 million yen

FY 2009: 416,377 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 than the above : None

**\*Other special matters:**

None

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

Operating revenue for this period (from April 1, 2010 to June 30, 2010) totaled 58.2 billion yen. Net operating revenue, which subtracts financial expenses from operating revenue, was 55.0 billion yen, while selling, general and administrative expenses was 40.5 billion yen. Consequently, operating income was 14.4 billion yen, and ordinary income after adjustment for non-operating income/ expenses was 13.3 billion yen. Quarterly Net income, which incorporates factors such as extraordinary income (losses) and income taxes, was 10.2 billion yen.

**(1) Commission received**

Commission received were 36.2 billion yen. Following are summaries by category:

***Commission to consignees***

Commission to consignees were 4.6 billion yen. Average daily trading values on the Tokyo Stock Exchange during the period were 1,667.1 billion yen. Given this situation of market conditions, commission to consignees on equities were 4.3 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 4.5 billion yen. Commission revenues on equities were 2.1 billion yen, and those on bonds were 2.4 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 18.1 billion yen. Fee revenues on investment trusts were 17.8 billion yen, particularly due to brisk sales of mutual funds featuring monthly distribution, such as Nikko Edmond de Rothschild Dynamic Funds investing globally in stocks of the high-growth-expected countries, high yield corporate bonds and bonds issued in the emerging economies.

***Other fees received***

Other fees received were 8.8 billion yen. Agent commissions from investment trusts were 6.3 billion yen.

**(2) Net Trading Income**

Net trading income was 17.6 billion yen. Net trading income on equities and bonds/foreign exchanges were 0.1 billion yen and 17.4 billion yen, respectively.

**(3) Net Financial Revenue**

Net financial revenue, 4.4 billion yen of financial revenue less 3.2 billion yen of financial expenses, was 1.1 billion yen.

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

Selling, general and administrative expenses were 40.5 billion yen, mainly consisted of personal expenses 20.0 billion yen, office cost 7.0 billion yen, trading related expenses 4.5 billion yen and real estate expenses 4.4 billion yen.

**(5) Extraordinary Income and Losses**

Extraordinary income were 0.03 billion yen.

Extraordinary losses were 2.3 billion yen. Loss on valuation of investment securities and Loss on adjustment for changes of accounting standard for asset retirement obligations and Loss on sales of investment securities were 1.0 billion yen, 0.7 billion yen and 0.3 billion yen, respectively.

**(6) Income Taxes**

Income taxes-current were 0.3 billion yen. Income taxes-deferred were 0.3 billion yen due to a decrease in deferred tax assets.

**2. Financial Conditions**

Net assets were 424.9 billion yen at the end of this period (as of June 30, 2010), an increase by 8.5 billion yen from the end of previous fiscal year. Current assets were 7,185.1 billion yen, an increase by 577.7 billion yen. Noncurrent assets were 240.9 billion yen, a decrease by 5.1 billion yen, and the total assets were 7,426.0 billion yen. Current liabilities increased by 545.1 billion yen to 6,762.3 billion yen; noncurrent liabilities decreased by 18.7 billion yen to 238.7 billion yen and the total liabilities were 7,001.1 billion yen.

Regulatory capital adequacy ratio was 514.9 % at the end of June 2010.

**3. 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

Application of the Accounting Standard for Asset Retirement Obligations

Accounting Standard for Asset Retirement Obligations (Statement No.18, March 31<sup>st</sup> 2008) and the Guidance on Accounting Standard for Asset Retirement Obligations (Guidance No.21, March 31<sup>st</sup> 2008) have been applied since this period.

As a result, operating income and ordinary income decreased by 7 million yen, and quarterly income before income taxes decreased by 783 million yen.

(ii) Other than the above

None

## 4. Financial Statements

## (1) Balance Sheet

(Millions of Yen)

	Jun. 30, 2010	Mar. 31, 2010
<b>(ASSETS)</b>		
<b>Current assets</b>		
Cash and deposits	69,480	174,868
Cash segregated and deposits	119,780	119,553
Trading products:	3,488,125	2,420,193
<i>Trading securities and other</i>	3,337,003	2,296,182
<i>Derivatives</i>	151,121	124,010
Margin transaction assets:	54,387	39,401
<i>Loans on margin transactions</i>	53,566	31,780
<i>Cash collateral pledged for securities borrowing on margin transactions</i>	821	7,621
Loans secured by securities:	3,303,840	3,710,671
<i>Cash collateral pledged for securities borrowed</i>	3,303,840	3,710,671
Advances paid	97	261
Cash paid for offering	11,453	15,028
Short-term guarantee deposits	88,860	75,478
Deferred tax assets	22,658	24,936
Other current assets	26,503	27,063
Allowance for doubtful accounts	(35)	(31)
<b>Total current assets</b>	<u>7,185,152</u>	<u>6,607,425</u>
<b>Noncurrent assets</b>		
Property, plant and equipment	6,937	6,707
Intangible assets	48,872	50,027
Investments and other assets:	185,124	189,379
<i>Investment securities</i>	53,571	59,155
<i>Stocks of subsidiaries and affiliates</i>	39,081	39,081
<i>Long-term loans receivable</i>	5,082	5,083
<i>Long-term guarantee deposits</i>	15,321	15,500
<i>Deferred tax assets</i>	65,823	64,309
<i>Other</i>	13,016	13,098
<i>Allowance for doubtful accounts</i>	(6,771)	(6,848)
<b>Total noncurrent assets</b>	<u>240,934</u>	<u>246,113</u>
<b>Total assets</b>	<u>7,426,087</u>	<u>6,853,539</u>

(Millions of Yen)

	Jun. 30, 2010	Mar. 31, 2010
<b>(LIABILITIES)</b>		
<b>Current liabilities</b>		
Trading products:	2,121,530	1,553,112
<i>Trading securities and other</i>	1,969,066	1,427,383
<i>Derivatives</i>	152,463	125,729
Trade date accrual	216,349	78,214
Margin transaction liabilities:	4,981	11,754
<i>Borrowings on margin transactions</i>	2,132	1,711
<i>Cash received for securities lending on margin transactions</i>	2,849	10,043
Loans payable secured by securities:	1,731,449	1,454,102
<i>Cash received on debt credit transaction of securities</i>	992,613	836,659
<i>Borrowings on Gensaki transaction</i>	738,836	617,442
Deposits received	121,566	152,005
Guarantee deposits received	18,783	22,693
Short-term loans payable	2,247,800	2,696,973
Commercial papers	279,600	217,000
Income taxes payable	238	2,647
Other current liabilities	20,002	28,600
<b>Total Current Liabilities</b>	<u>6,762,300</u>	<u>6,217,104</u>
<b>Noncurrent liabilities</b>		
Long-term loans payable	233,500	216,000
Provision for retirement benefits	3,331	3,078
Asset retirement obligations	1,010	—
Other noncurrent liabilities	946	945
<b>Total noncurrent liabilities</b>	<u>238,788</u>	<u>220,023</u>
<b>Reserves under the special laws</b>		
Reserve for financial products transaction liabilities	38	34
<b>Total reserves under the special laws</b>	<u>38</u>	<u>34</u>
<b>Total liabilities</b>	<u>7,001,127</u>	<u>6,437,162</u>
<b>(NET ASSETS)</b>		
<b>Shareholders' equity</b>		
Capital stock	10,000	10,000
Capital surplus:	378,143	378,143
<i>Other capital surplus</i>	378,143	378,143
Retained earnings:	36,989	26,744
<i>Other retained earnings</i>	36,989	26,744
<i>Retained earnings brought forward</i>	36,989	26,744
<b>Total Shareholders' equity</b>	<u>425,133</u>	<u>414,888</u>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	(173)	1,489
<b>Total valuation and translation adjustments</b>	<u>(173)</u>	<u>1,489</u>
<b>Total net assets</b>	<u>424,959</u>	<u>416,377</u>
<b>Total liabilities and net assets</b>	<u>7,426,087</u>	<u>6,853,539</u>

**(2) Income Statement**

( Millions of Yen)

	For the 3 months ended Jun. 30, 2010
<b>Operating revenue</b>	
Commission received	36,236
Net trading income	17,605
Other net gain on goods trading	0
Financial revenue	4,408
<b>Total operating revenue</b>	<u>58,251</u>
Financial expenses	<u>3,237</u>
<b>Net operating revenue</b>	55,013
<b>Selling, general and administrative expenses</b>	40,543
<i>Trading related expenses</i>	4,590
<i>Personal expenses</i>	20,084
<i>Real estate expenses</i>	4,470
<i>Office cost</i>	7,040
<i>Depreciation</i>	1,604
<i>Taxes and dues</i>	437
<i>Other</i>	2,316
<b>Operating income</b>	14,470
<b>Non-operating income</b>	212
<b>Non-operating expenses</b>	1,337
<b>Ordinary income</b>	13,344
<b>Extraordinary income</b>	
Gain on sales of investment securities	21
Reversal of allowance for doubtful accounts	9
<b>Total extraordinary income</b>	<u>30</u>
<b>Extraordinary loss</b>	
Loss on retirement of noncurrent assets	97
Loss on sales of investment securities	395
Loss on valuation of investment securities	1,088
Provision of reserve for financial products transaction liabilities	3
Loss on adjustment for changes of accounting standard for asset retirement obligations	774
<b>Total extraordinary losses</b>	<u>2,359</u>
<b>Quarterly Income before income taxes</b>	11,015
Income taxes-current	371
Income taxes-deferred	399
<b>Total income taxes</b>	<u>770</u>
<b>Quarterly Net income</b>	10,245

\* The operating results for the 1<sup>st</sup> quarter of the previous fiscal year are not presented above because current Nikko Cordial Securities Inc. began its operations as a financial instruments business operator effective on October 1, 2009, succeeding 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.

**(3) Note to premise of going concern**

None

**(4) Note to significant changes in the amount of shareholders' equity**

None

**5. Reference: Financial Results for the period from April 1, 2010 to June 30, 2010****(1) Commission received**

## (A) Breakdown by Categories

(Millions of Yen)

	For the 3 months ended Jun.30 2010
Commission to consignees	4,612
< Equities >	< 4,367 >
< Bonds >	< 28 >
< Investment trusts >	< 216 >
Commissions for underwriting, secondary distribution and solicitation for selling and others for professional investors	4,595
< Equities >	< 2,102 >
< Bonds >	< 2,452 >
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	18,137
< Investment trusts >	< 17,812 >
Other fees received	8,891
< Investment trusts >	< 6,313 >
<b>Total</b>	<b>36,236</b>

## (B) Breakdown by Products

(Millions of Yen)

	For the 3 months ended Jun.30 2010
Equities	7,048
Bonds	2,891
Investment trusts	24,343
Others	1,953
<b>Total</b>	<b>36,236</b>

**(2) Net trading income**

(Millions of Yen)

	For the 3 months ended Jun.30 2010
Equities, etc.	116
Bonds, forex, etc.	17,489
< Bonds, etc. >	< 12,977 >
< Forex, etc. >	< 4,511 >
<b>Total</b>	<b>17,605</b>



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

(Millions of Yen and shares)

	For the 3 months ended Jun.30 2010	
	Number of shares	Amount
Total	1,293	825,081
< Proprietary >	< 105 >	< 106,802 >
< Agency >	< 1,188 >	< 718,279 >
Brokerage ratio	91.9 %	87.1 %
TSE share	0.4 %	0.4 %

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

(Millions of Yen and shares)

		For the 3 months ended Jun.30 2010
Underwriting	Equities ( Number of shares )	46
	Equities ( Amounts )	54,096
	Bonds ( Face value )	1,203,574
	Others ( Amounts )	23,500
*Subscription and distribution	Equities ( Number of shares )	38
	Equities ( Amounts )	75,410
	Bonds ( Face value )	1,005,908
	Invest. trusts ( Amounts )	1,558,664
	Others ( Amounts )	29,246

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

**(5) Regulatory Capital Adequacy Ratio**

( Millions of Yen)

		Jun. 30, 2010	Mar. 31, 2010
Basic items	Total capital (A)	424,959	414,888
Supplementary items	Unrealized gain on investment securities	—	1,489
	Reserves under the special laws	38	34
	Allowance for doubtful accounts	35	31
	Short-term subordinated borrowings	200,000	200,000
	Sub-total (B)	200,073	201,554
Deductible assets	(C)	230,446	232,228
Net capital	(A) + (B) - (C) (D)	394,586	384,214
Risk total	Market Risk	28,051	21,541
	Counterparty Risk	12,758	12,385
	Basic Risk	35,819	33,845
	Sub-total (E)	76,629	67,772
Net capital ratio	(D) / (E)*100	514.9 %	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 the 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	FY2010 1Q 04/01/10 06/30/10
<b>Operating revenue</b>	0	47,148	57,777	58,251
Commission received	—	35,379	41,555	36,236
Commission to consignees	—	3,788	5,097	4,612
Commissions for underwriting, secondary distribution and solicitation for selling and others for professional investors	—	5,052	14,433	4,595
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	—	17,737	9,612	18,137
Other fees received	—	8,801	12,412	8,891
Net trading income	—	10,161	13,602	17,605
Other net gain on goods trading	—	0	0	0
Financial revenue	0	1,607	2,619	4,408
Financial expenses	—	1,794	2,620	3,237
<b>Net operating revenue</b>	0	45,353	55,157	55,013
<b>Selling, general and administrative expenses</b>	3	36,377	40,590	40,543
Trading related expenses	0	3,966	4,677	4,590
Personal expenses	—	17,327	20,366	20,084
Real estate expenses	—	4,603	4,421	4,470
Office cost	0	6,611	6,912	7,040
Depreciation	—	1,666	1,663	1,604
Taxes and dues	0	393	370	437
Other	3	1,809	2,178	2,316
<b>Operating income / (loss)</b>	(3)	8,976	14,566	14,470
<b>Non-operating income</b>	—	603	181	212
<b>Non-operating expenses</b>	28	65	140	1,337
<b>Ordinary income / (loss)</b>	(31)	9,513	14,607	13,344
<b>Extraordinary income</b>	—	138	13	30
<b>Extraordinary loss</b>	—	2,340	(625)	2,359
<b>Net income / (loss) before income taxes</b>	(31)	7,311	15,247	11,015
Income taxes-current	—	1,160	1,894	371
Income taxes-deferred	—	—	(7,272)	399
<b>Net income / (loss)</b>	(31)	6,150	20,624	10,245