



Date: October 29, 2010

# NIKKO CORDIAL SECURITIES INC.

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

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

### 1. Overall business performance for the 6 months ended September 30, 2010

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

(Millions of Yen)

	Operating revenue	Net operating revenue	Operating income	Ordinary income	Quarterly Net income
FY2010 2Q ( 6 months)	111,370	104,661	23,048	22,656	16,138

#### Reference information

Comparison with operating results of former Nikko Cordial Securities Inc. before the corporate de-merger (from April 1, 2009 to September 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 2Q ( 6 months)	111,370 30.1%	104,661 24.0%	23,048 10.1%	22,656 6.8%	16,138 -48.9%
FY2009 2Q ( 6 months)	85,632 -13.0%	84,418 -11.2%	20,932 13.2%	21,223 1.0%	31,574 160.3%

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 2Q (6months) mentioned above are those of former Nikko Cordial Securities Inc. (from April 1, 2009 to September 30, 2009).

#### (2) Financial conditions

(Millions of Yen except for percentages)

	Total assets	Net assets	Equity ratio	Regulatory Capital Adequacy Ratio
FY2010 2Q	7,959,985	430,232	5.4 %	515.4 %
FY2009	6,853,539	416,377	6.1 %	566.9 %

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

FY 2010 2Q: 430,232 million yen

FY 2009: 416,377 million yen

**2. Others**

**(1) Adoption of Simplified and Particular Accounting Treatments** : None

**(2) Changes in Accounting Principles, Procedures and Presentations**

(i) Changes due to revised accounting standard : Yes

(ii) Other than the above : None

**\*Other special matters**

There is no applicable information to be disclosed.

Table of Contents for the Accompanying Materials

I. Operating Results and Financial Conditions.....	2
1. Operating Results.....	2
2. Financial Conditions.....	3
II. Others .....	3
1. Summary of simplified and particular accounting treatments.....	3
2. Summary of changes in accounting principles, procedures and presentations.....	3
III. Financial Statements.....	4
1. Balance Sheet.....	4
2. Income Statement.....	6
3. Note on going concern.....	7
4. Note to significant changes in the amount of shareholder's equity.....	7
IV. Supplementary Information.....	8
1. Commission Received.....	8
2. Net Trading Income.....	8
3. Equity Trading Activity (excluding futures transactions) .....	9
4. Underwriting/Subscription / Distribution .....	9
5. Regulatory Capital Adequacy Ratio.....	9
6. Trend Statement of Operations.....	10

## I. Operating Results and Financial Conditions

### 1. Operating Results

#### Financial Overview

Operating revenue for this period (from April 1, 2010 to September 30, 2010) totaled 111.3 billion yen. Net operating revenue, which subtracts financial expenses from operating revenue, was 104.6 billion yen, while selling, general and administrative expenses was 81.6 billion yen. Consequently, operating income was 23.0 billion yen, and ordinary income after adjustment for non-operating income/expenses was 22.6 billion yen. Quarterly net income, which incorporates factors such as extraordinary income (losses) and income taxes, was 16.1 billion yen.

#### (1) Commission received

Commission received were 68.5 billion yen. Following are summaries by category:

##### ***Commission to consignees***

Commission to consignees were 7.5 billion yen. Average daily trading values on the Tokyo Stock Exchange during the period were 1,459.1 billion yen. Given this situation of market conditions, commission to consignees on equities were 7.1 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 9.0 billion yen. Commission revenues on equities were 3.4 billion yen, and those on bonds were 5.6 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 33.4 billion yen. Fee revenues on investment trusts were 33.0 billion yen due to brisk sale of the Nikko Ashmore Emerging Markets Tri-Asset Fund (Monthly Dividend Payment Type).

##### ***Other fees received***

Other fees received were 18.4 billion yen. Agent commissions from investment trusts were 12.4 billion yen.

#### (2) Net Trading Income

Net trading income was 32.4 billion yen. Net trading income on bonds/foreign exchanges was 32.5 billion yen and net trading loss on equities was 0.05 billion yen.

#### (3) Net Financial Revenue

Net financial revenue, 10.3 billion yen of financial revenue less 6.7 billion yen of financial expenses, was 3.6 billion yen.

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

Selling, general and administrative expenses were 81.6 billion yen, mainly consisted of personal expenses 38.9 billion yen, outsourcing and stationery expenses 14.3 billion yen, trading related expenses 10.2 billion yen and real estate expenses 8.9 billion yen.

#### (5) Extraordinary Income and Losses

Extraordinary income were 0.02 billion yen from gain on sales of investment securities.

Extraordinary losses were 2.7 billion yen. Loss on valuation of investment securities and others and Loss on adjustment for changes of accounting standard for asset retirement obligations and Loss on sales of investment securities were 1.3 billion yen, 0.7 billion yen and 0.4 billion yen, respectively.

**(6) Income Taxes**

Income taxes-current were 0.4 billion yen. Income taxes-deferred were 3.3 billion yen due to a decrease in deferred tax assets.

**2. Financial Conditions**

Net assets were 430.2 billion yen at the end of this period (as of September 30, 2010), an increase by 13.8 billion yen from the end of the previous fiscal year. Current assets were 7,724.2 billion yen, an increase by 1,116.8 billion yen. Noncurrent assets were 235.7 billion yen, a decrease by 10.3 billion yen, and the total assets were 7,959.9 billion yen. Current liabilities increased by 1,050.2 billion yen to 7,267.3 billion yen; noncurrent liabilities increased by 42.2 billion yen to 262.3 billion yen and the total liabilities were 7,529.7 billion yen.

Regulatory capital adequacy ratio was 515.4 % at the end of September 2010.

**II. Others**

**1. Summary of simplified and particular accounting treatments**

There is no applicable information to be disclosed.

**2. Summary of changes in accounting principles, procedures and presentations**

**(1) 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 the first quarter of this fiscal year.

As a result, operating income and ordinary income decreased by 1 million yen, and quarterly income before income taxes decreased by 784 million yen.

**(2) Other than the above**

There is no applicable information to be disclosed.

## III. Financial Statements

## 1. Balance Sheet

( Millions of Yen)

	Sep. 30, 2010	Mar. 31, 2010
<b>(ASSETS)</b>		
<b>Current assets</b>		
Cash and deposits	56,752	174,868
Cash segregated as deposits	134,862	119,553
Trading products:	3,281,925	2,420,193
<i>Trading securities and other</i>	3,131,177	2,296,182
<i>Derivatives</i>	150,747	124,010
Trade date accrual	50,332	—
Margin transaction assets:	47,032	39,401
<i>Loans on margin transactions</i>	44,716	31,780
<i>Cash collateral pledged for securities borrowing on margin transactions</i>	2,315	7,621
Loans secured by securities:	3,945,773	3,710,671
<i>Cash collateral pledged for securities borrowed</i>	3,945,773	3,710,671
Advances paid	57	261
Cash paid for offering	64,587	15,028
Short-term guarantee deposits	95,361	75,478
Deferred tax assets	23,329	24,936
Other	24,254	27,063
Allowance for doubtful accounts	(32)	(31)
<b>Total current assets</b>	<u>7,724,236</u>	<u>6,607,425</u>
<b>Noncurrent assets</b>		
Property and equipment	7,569	6,707
Intangible assets	47,754	50,027
Investments and other assets:	180,425	189,379
<i>Investment securities</i>	51,884	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>	15,694	15,500
<i>Deferred tax assets</i>	62,483	64,309
<i>Other</i>	13,029	13,098
<i>Allowance for doubtful accounts</i>	(6,829)	(6,848)
<b>Total noncurrent assets</b>	<u>235,749</u>	<u>246,113</u>
<b>Total assets</b>	<u>7,959,985</u>	<u>6,853,539</u>

( Millions of Yen)

	Sep. 30, 2010	Mar. 31, 2010
<b>(LIABILITIES)</b>		
<b>Current liabilities</b>		
Trading products:	2,141,877	1,553,112
<i>Trading securities and other</i>	1,987,587	1,427,383
<i>Derivatives</i>	154,290	125,729
Trade date accrual	—	78,214
Margin transaction liabilities:	8,940	11,754
<i>Borrowings on margin transactions</i>	2,097	1,711
<i>Cash received for securities lending on margin transactions</i>	6,842	10,043
Loans payable secured by securities:	1,038,491	1,454,102
<i>Cash received on debt credit transaction of securities</i>	830,462	836,659
<i>Borrowings on Gensaki transaction</i>	208,028	617,442
Deposits received	119,745	152,005
Guarantee deposits received	19,861	22,693
Short-term loans payable	3,651,900	2,696,973
Commercial papers	265,000	217,000
Income taxes payable	508	2,647
Other	21,072	28,600
<b>Total Current Liabilities</b>	<b>7,267,397</b>	<b>6,217,104</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	257,000	216,000
Provision for retirement benefits	3,286	3,078
Asset retirement obligations	1,020	—
Other	1,006	945
<b>Total noncurrent liabilities</b>	<b>262,313</b>	<b>220,023</b>
<b>Reserves under the special laws</b>		
Reserve for financial products transaction liabilities	42	34
<b>Total reserves under the special laws</b>	<b>42</b>	<b>34</b>
<b>Total liabilities</b>	<b>7,529,752</b>	<b>6,437,162</b>
<b>(NET ASSETS)</b>		
<b>Shareholder's 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:	42,882	26,744
<i>Other retained earnings</i>	42,882	26,744
<i>Retained earnings brought forward</i>	42,882	26,744
<b>Total Shareholder's equity</b>	<b>431,026</b>	<b>414,888</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	(793)	1,489
<b>Total valuation and translation adjustments</b>	<b>(793)</b>	<b>1,489</b>
<b>Net assets</b>	<b>430,232</b>	<b>416,377</b>
<b>Total liabilities and net assets</b>	<b>7,959,985</b>	<b>6,853,539</b>

## 2. Income Statement

(Millions of Yen)

	For the 6 months ended Sep. 30, 2010
<b>Operating revenue</b>	
Commission received	68,514
Net trading income	32,459
Other net gain on goods trading	0
Financial revenue	10,397
<b>Total operating revenue</b>	<u>111,370</u>
Financial expenses	<u>6,709</u>
<b>Net operating revenue</b>	104,661
<b>Selling, general and administrative expenses</b>	81,612
<i>Trading related expenses</i>	10,216
<i>Personal expenses</i>	38,947
<i>Real estate expenses</i>	8,938
<i>Outsourcing and stationery expenses</i>	14,396
<i>Depreciation</i>	3,245
<i>Taxes and dues</i>	859
<i>Other</i>	5,007
<b>Operating income</b>	23,048
<b>Non-operating income</b>	1,354
<b>Non-operating expenses</b>	1,747
<b>Ordinary income</b>	22,656
<b>Extraordinary income</b>	
Gain on sales of investment securities	<u>27</u>
<b>Total extraordinary income</b>	<u>27</u>
<b>Extraordinary loss</b>	
Loss on retirement of noncurrent assets	222
Loss on sales of investment securities	438
Loss on valuation of investment securities and others	1,344
Provision of reserve for financial products transaction liabilities	7
Loss on adjustment for changes of accounting standard for asset retirement obligations	774
<b>Total extraordinary losses</b>	<u>2,787</u>
<b>Quarterly Income before income taxes</b>	19,896
Income taxes-current	411
Income taxes-deferred	3,347
<b>Total income taxes</b>	<u>3,758</u>
<b>Quarterly Net income</b>	16,138

\* The operating results for the corresponding period 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 on going concern**

There is no applicable information to be disclosed.

**4. Note to significant changes in the amount of shareholder's equity**

There is no applicable information to be disclosed.

**IV. Supplementary Information****1. Commission Received**

(A) Breakdown by Categories

(Millions of Yen)

	For the 6 months ended Sep.30 2010
Commission to consignees	7,540
< Equities >	< 7,170 >
< Bonds >	< 46 >
< Investment trusts >	< 323 >
Commissions for underwriting, secondary distribution and solicitation for selling and others for professional investors	9,064
< Equities >	< 3,410 >
< Bonds >	< 5,613 >
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	33,437
< Investment trusts >	< 33,038 >
Other fees received	18,472
< Investment trusts >	< 12,455 >
<b>Total</b>	<b>68,514</b>

(B) Breakdown by Products

(Millions of Yen)

	For the 6 months ended Sep.30 2010
Equities	11,606
Bonds	6,264
Investment trusts	45,816
Others	4,826
<b>Total</b>	<b>68,514</b>

**2. Net Trading Income**

(Millions of Yen)

	For the 6 months ended Sep.30 2010
Equities, etc.	(54)
Bonds, forex, etc.	32,513
< Bonds, etc. >	< 27,459 >
< Forex, etc. >	< 5,053 >
<b>Total</b>	<b>32,459</b>

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

(Millions of Yen and shares)

	For the 6 months ended Sep.30 2010	
	Number of shares	Amount
Total	2,366	1,482,773
< Proprietary >	< 230 >	< 205,626 >
< Agency >	< 2,136 >	< 1,277,147 >
Brokerage ratio	90.3 %	86.1 %
TSE share	0.4 %	0.4 %

**4. Underwriting/Subscription / Distribution**

(Millions of Yen and shares)

		For the 6 months ended Sep.30 2010
Underwriting	Equities ( Number of shares )	69
	Equities ( Amounts )	91,575
	Bonds ( Face value )	2,612,508
	Others ( Amounts )	23,500
*Subscription and distribution	Equities ( Number of shares )	66
	Equities ( Amounts )	117,025
	Bonds ( Face value )	2,228,714
	Invest. trusts ( Amounts )	2,834,325
	Others ( Amounts )	29,485

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

**5. Regulatory Capital Adequacy Ratio**

( Millions of Yen)

		Sep. 30, 2010	Mar. 31, 2010
Basic items	Total capital (A)	430,232	414,888
Supplementary items	Unrealized gain on investment securities	—	1,489
	Reserves under the special laws	42	34
	Allowance for doubtful accounts	32	31
	Short-term subordinated borrowings	200,000	200,000
	Sub-total (B)	200,074	201,554
Deductible assets (C)	220,683	232,228	
Net capital (A) + (B) - (C) (D)	409,622	384,214	
Risk total	Market Risk	29,257	21,541
	Counterparty Risk	12,230	12,385
	Basic Risk	37,986	33,845
	Sub-total (E)	79,473	67,772
Net capital ratio (D) / (E)*100	515.4 %	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 10/01/09 12/31/09	FY2009 01/01/10 03/31/10	FY2010 1Q 04/01/10 06/30/10	FY2010 2Q 07/01/10 09/30/10
<b>Operating revenue</b>	0	47,148	57,777	58,251	53,119
Commission received	—	35,379	41,555	36,236	32,277
Commission to consignees	—	3,788	5,097	4,612	2,928
Commissions for underwriting, secondary distribution and solicitation for selling and others for professional investors	—	5,052	14,433	4,595	4,469
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	—	17,737	9,612	18,137	15,299
Other fees received	—	8,801	12,412	8,891	9,580
Net trading income	—	10,161	13,602	17,605	14,853
Other net gain on goods trading	—	0	0	0	0
Financial revenue	0	1,607	2,619	4,408	5,988
Financial expenses	—	1,794	2,620	3,237	3,471
<b>Net operating revenue</b>	0	45,353	55,157	55,013	49,647
<b>Selling, general and administrative expenses</b>	3	36,377	40,590	40,543	41,069
Trading related expenses	0	3,966	4,677	4,590	5,626
Personal expenses	—	17,327	20,366	20,084	18,863
Real estate expenses	—	4,603	4,421	4,470	4,468
Outsourcing and stationery expenses	0	6,611	6,912	7,040	7,356
Depreciation	—	1,666	1,663	1,604	1,641
Taxes and dues	0	393	370	437	421
Other	3	1,809	2,178	2,316	2,690
<b>Operating income / (loss)</b>	(3)	8,976	14,566	14,470	8,578
<b>Non-operating income</b>	—	603	181	212	1,142
<b>Non-operating expenses</b>	28	65	140	1,337	409
<b>Ordinary income / (loss)</b>	(31)	9,513	14,607	13,344	9,311
<b>Extraordinary income</b>	—	138	13	30	(3)
<b>Extraordinary loss</b>	—	2,340	(625)	2,359	427
<b>Net income / (loss) before income taxes</b>	(31)	7,311	15,247	11,015	8,880
Income taxes-current	—	1,160	1,894	371	40
Income taxes-deferred	—	—	(7,272)	399	2,947
<b>Net income / (loss)</b>	(31)	6,150	20,624	10,245	5,893