

NIKKO CORDIAL CORPORATION



6-5, Nihonbashi Kabuto-cho, Chuo-ku, Tokyo

Telephone: 81(3)5644-4543

URL http://www.nikko.co.jp/group_e

Consolidated financial summary under Japanese GAAP for the year ended March 31, 2004

(1) Operating results (from April 1, 2003 to March 31, 2004) (Millions of Yen except per share data and percentage)

	Operating revenue	Net operating revenue	Operating income	Ordinary income
FY 2003	340,747 [19.9 %]	307,807 [22.8 %]	75,288 [153.4 %]	76,804 [142.7 %]
FY 2002	284,279	250,681	29,711	31,648

	Net income (loss)	Basic net income (loss) per share	Diluted net income per share	Return on shareholders' equity
FY 2003	38,703 [- %]	20.81 Yen	20.11 Yen	5.8 %
FY 2002	(21,611)	(11.75)	-	(3.2)

Note: 1. Equity in loss of affiliated companies

FY 2003

(409) million yen

FY 2002

(1,071) million yen

2. Average number of shares issued and outstanding (consolidated basis)

FY 2003

1,840,715,378 shares

FY 2002

1,840,981,847 shares

3. Change in accounting policy: None

4. The percentage noted in Operating revenue, Net operating revenue, Operating income and Ordinary income is the rate of the increase or decrease compared with the previous year.

(2) Financial condition (Millions of Yen except per share data and percentage)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
As of Mar.31, 2004	6,031,827	683,285	11.3 %	370.98 Yen
As of Mar.31, 2003	5,770,994	649,334	11.3	352.76

Note: Number of shares issued and outstanding (consolidated basis)

As of Mar.31, 2004

1,840,754,024 shares

As of Mar.31, 2003

1,840,708,244 shares

(3) Cash flow (Millions of Yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents
FY 2003	267,052	9,192	(81,540)	473,187
FY 2002	(361,345)	63,087	299,879	279,101

(4) Scope of consolidation and equity method

Consolidated subsidiaries: 38 companies

Subsidiaries accounted for under the equity method: 2 companies

Affiliates accounted for under the equity method: 18 companies

(5) Change in scope of consolidation and equity method

Consolidated subsidiaries: addition 3 companies, exclusion 6 companies

Affiliates accounted for under the equity method: addition 5 companies, exclusion 4 companies

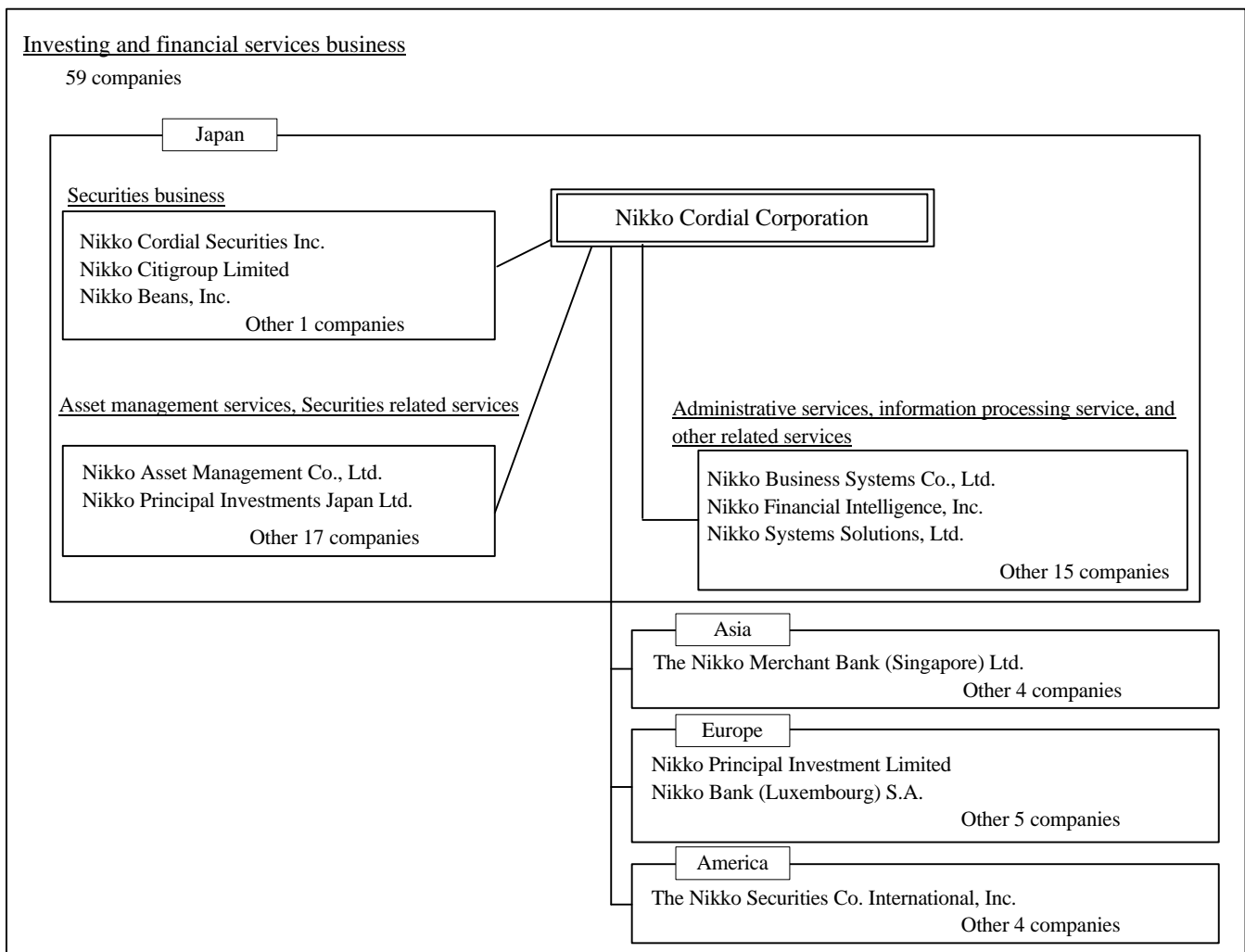
Note1: Figures are rounded down to the nearest

Note2: Our group main business, securities business, is strongly influenced by the economic conditions and market conditions. On the other hand, our group provides a variety of information in relation to the market conditions. We consider that it is difficult to prospect and disclose our operating result in the future in order to avoid misleading it with the information which we provide. We consider it is the best way to disclose our actual operating results on a quarterly basis continually, instead of the estimated operating results in the future.

Information on Group Companies

The company and its affiliates, which include 38 consolidated companies and 20 companies accounted for under the equity method, are primarily engaged in the businesses of securities trading, brokerage, underwriting and distribution of securities, subscription and offering of securities, private placement of securities, other securities business and asset management business. Offices have been located in the leading financial centers over the world, and the company provides a wide range of financial services to clients on a global basis for their funding and asset management. Nikko Cordial Securities Inc. mainly provides brokerage services to customers. Services to institutionals such as corporate finance, capital markets, M&A, trading on behalf of institutionals, and research, are jointly provided with Nikko Citigroup Limited. Domestic and overseas subsidiaries provide a wide range of services including asset management services, securities related services, financial services, administrative and information processing services and other related services.

The business structure of the company is as follows.



Operating Results and financial condition

Operating Results

1. Financial overview

Operating revenue for this year (from April 1, 2003 to March 31, 2004) was ¥340.7 billion or 120% of the previous year. Net operating revenue, which was net of ¥32.9 billion of Interest expense, was ¥307.8 billion or 123% of the previous year. Selling, general and administrative expense recorded ¥232.5 billion or 105% of the previous year. Consequently, Operating Income was ¥75.2 billion or 253% of the previous year, and Ordinary income, net of non-operating revenue (expense), was ¥76.8 billion or 243% of the previous year. Net income, which included Extraordinary gain (loss) and Corporate Taxes, was ¥38.7 billion, while net loss for the previous year was ¥21.6 billion.

Overview of revenues and expenses are as follows;

(1) Commissions

Commissions were ¥229.4 billion or 142% of the previous year. The following is a summary by each account.

Brokerage Commissions

Brokerage commissions were ¥71.8 billion or 142% of the previous year. Commissions in retail business increased due to the expansion of customers and higher level of trading volume influenced by the rise in equity market. As a result, brokerage commissions on equities were ¥69.6 billion or 147% of the previous year. Brokerage commissions on bonds and on investment trusts were ¥0.7billion and ¥1.3billion, or 61% and 77% of the previous year respectively.

Underwriting and Selling Commissions

Underwriting and selling commissions were ¥35.7 billion or 199% of the previous year. Commissions on equities were ¥28.5 billion or 253% of the previous year, primarily reflecting an increase in initial public offering, public subscription and offering influenced by the strong equity market and the deals in several large transactions. Commissions on bonds were ¥7.2 billion or 108% of the previous year.

Subscription and Distribution Commissions

Subscription and distribution commissions were ¥33.3 billion or 245% of the previous year. Commissions on investment trust were ¥30.8 billion or 239% of the previous year, reflecting that we offered the international and long-term diversified products such as investment trusts which invested in Chinese stocks or REIT, or alternative products which aim at an absolute performance, in order to meet customers' demand, as well as Japanese equity investment trusts. Commissions on bonds were ¥2.5 billion, almost four times more than the previous year, as a result of an increase in sales of the government bonds for customers.

Other Commissions

Other commissions were ¥88.4 billion or 111% of the previous year, due to an increase in management fee from international and long-term diversified products and alternative products, even though the balance of fixed income investment trust decreased by early redemption of "Chance".

(2) Net Gain on Trading, Net Gain on Operating Investments

Net gain on trading was ¥66.3 billion or 91% of the previous year. Trading gain on equities accounted for ¥23.7 billion or 45% of the previous year, mainly due to the decrease in large block deals. On the other hand, trading gain on bonds and foreign exchanges was ¥42.5 billion or 206% of the previous year, as a result of an increase in sales of foreign bonds which were favorably purchased as an internationally diversified investment. Operating investments including venture capital and principal investment business resulted in loss of ¥0.8 billion due to writing off certain investments.

(3) Net Financial Income

Net financial income, ¥45.8 billion of interest and dividend income less ¥32.9 billion of interest expense, was ¥12.8 billion or 69% of the previous year.

(4) Selling, general and administrative expense

Selling, general and administrative expense was ¥232.5 billion or 105% of the previous year. While we have tried to reduce the fixed costs, transaction related costs and performance-linked compensation increased due to the increase in trading volume and upswing of our performance.

(5) Extraordinary gain and loss

Extraordinary gain was ¥9.4 billion which included ¥5.1 billion gain from sales of investments securities, and ¥2.9 billion gain from sales of investments in subsidiaries and affiliates with aim at efficiency of group's management and restructuring of group's business. Reserve for securities transaction liabilities was released by ¥1.3 billion for the conversion of Nikko Citigroup Limited to a company registered as Japanese domestic company.

Extraordinary loss was ¥7.1 billion, which included ¥3.7 billion of Provision for directors' retirements and ¥1.7 billion of disposal of software and others.

2. Operating Income and Loss by Overseas Regions

Geographic breakdown of operating income and loss was – Europe and Americas had operating income of ¥400 million and ¥3,100 million respectively, while Asia recorded operating loss of ¥50 million.

3. Profit Appropriation

In accordance with the prescribed policy that we determine the dividend based on the payout ratio referring to the net income of the consolidated financial statements, ¥5 per share is projected to be paid as the year-end dividend.

Accordingly, dividend per share for this year would amount to ¥8, since ¥3 per share has been already paid as the interim dividend.

Financial condition

At the year end, net cash provided by operating activities were ¥267.0 billion due to a decrease in trading positions and an increase in borrowings pledged by securities.

Net cash provided by investing activities were ¥9.1 billion mainly from sales of investment securities.

Net cash used in financing activities were ¥81.5 billion. ¥73.0 billion and ¥106.4 billion were provided by long term borrowings and issuance of corporate debts respectively, while ¥90.1 billion and ¥32.3 billion were paid for short term borrowings and long term borrowings respectively. In addition, ¥55.9 billion and ¥73.4 billion were paid for redemption of corporate debts and convertible bonds respectively.

As a result, cash and cash equivalents at the end of year was ¥473.1 billion, increased ¥194.0 billion compared with the previous year.

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Mar.31, 2004 (A)	Mar.31, 2003 (B)	variance (A) - (B)
< ASSETS >			
Current assets	5,672,420	5,399,117	273,302
Cash on hand, Cash in banks	473,292	280,571	192,721
Cash segregated for customers and others	168,919	103,697	65,222
Trading assets	2,514,961	2,729,246	(214,285)
Trading securities	2,449,871	2,645,256	(195,384)
Derivatives	65,089	83,990	(18,901)
Trading receivables	75,062	-	75,062
Securities	132,294	99,990	32,304
Operating investment securities	96,974	91,477	5,497
Margin account receivables	157,142	83,662	73,479
Loans on margin transactions	138,935	61,178	77,756
Cash collateral pledged for securities borrowing on margin transaction	18,207	22,484	(4,277)
Loans secured by securities	1,925,332	1,892,460	32,872
Cash collateral pledged for securities borrowing	1,800,961	1,787,609	13,352
Loans on Gensaki transaction	124,370	104,850	19,519
Advance payments	4,860	5,564	(704)
Cash paid for subscription	4,146	2,328	1,817
Short-term guaranty deposits	18,978	21,818	(2,839)
Short-term loans	5,300	6,416	(1,115)
Accrued income	27,460	29,542	(2,082)
Deferred tax assets	18,508	20,612	(2,103)
Other current assets	49,381	32,120	17,260
Allowance for bad debts	(195)	(390)	195
Fixed assets	359,407	371,876	(12,469)
Tangible fixed assets	64,767	67,583	(2,815)
Buildings	23,861	25,208	(1,347)
Furnitures and fixtures	5,635	6,473	(838)
Land	35,271	35,900	(629)
Intangible fixed assets	30,948	29,980	967
Investments and others	263,691	274,312	(10,621)
Investment securities	132,754	115,329	17,425
Long-term loans	34,876	30,637	4,238
Long-term guaranty deposits	24,815	30,254	(5,439)
Deferred tax assets	54,012	78,707	(24,695)
Other investments	30,227	34,804	(4,576)
Allowance for bad debts	(12,994)	(15,420)	2,425
Total assets	6,031,827	5,770,994	260,833

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Mar.31, 2004 (A)	Mar.31, 2003 (B)	variance (A) - (B)
< LIABILITIES >			
Current liabilities	4,842,925	4,455,217	387,707
Trading liabilities	1,522,114	1,481,985	40,129
Trading securities	1,387,865	1,407,733	(19,868)
Derivatives	134,248	74,251	59,997
Trading payables	-	12,190	(12,190)
Margin account payables	41,296	39,175	2,121
Borrowings on margin transactions	14,206	16,009	(1,802)
Cash received for securities lending on margin transactions	27,089	23,165	3,924
Borrowings pledged by securities	1,758,969	1,572,093	186,875
Cash collateral received for securities lending	804,664	902,643	(97,979)
Borrowings on Gensaki transaction	954,305	669,450	284,854
Deposits received	140,451	119,676	20,775
Guaranty deposits received	48,009	26,879	21,130
Short-term borrowings	925,165	1,029,646	(104,481)
Commercial paper	176,000	88,000	88,000
Current portion of corporate debts	135,408	29,927	105,480
Income taxes payable	7,096	2,849	4,247
Deferred tax liabilities	76	13	62
Accrued bonuses	23,161	9,922	13,239
Other current liabilities	65,175	42,857	22,317
Long-term liabilities	418,419	577,707	(159,288)
Corporate debts	197,365	252,365	(55,000)
Convertible bonds	-	47,600	(47,600)
Long-term borrowings	187,500	223,260	(35,760)
Deferred tax liabilities	11,072	1	11,071
Accrued pension benefits	14,162	42,287	(28,124)
Provision for welfare pension fund	1,200	2,720	(1,520)
Other long-term liabilities	7,119	9,474	(2,355)
Statutory reserves	889	2,525	(1,635)
Reserve for securities transaction liabilities	889	2,521	(1,632)
Reserve for financial futures transaction liabilities	0	3	(3)
Reserve for commodities transaction liabilities	0	-	-
Total liabilities	5,262,233	5,035,450	226,783
< MINORITY INTERESTS >			
Minority interests	86,308	86,209	98
< SHAREHOLDERS' EQUITY >			
Common stock	232,845	208,957	23,888
Additional paid-in capital	176,251	152,469	23,782
Retained earnings	324,880	293,656	31,223
Net unrealized gain (loss) on investment securities	22,424	(6,344)	28,769
Cumulative currency translation adjustments	649	867	(217)
Treasury stock	(73,766)	(271)	(73,494)
Total shareholders' equity	683,285	649,334	33,951
Total liabilities, minority interests, and shareholders' equity	6,031,827	5,770,994	260,833

CONSOLIDATED STATEMENT OF OPERATIONS

(Millions of Yen except percentage)

	FY2003 <A> (4/1/03 ~ 3/31/04)	FY2002 (4/1/02 ~ 3/31/03)	(A) - (B)	Ratio <u><A></u>
Operating revenue	340,747	284,279	56,468	119.9 %
Commissions	229,424	161,468	67,955	142.1
Brokerage commissions	71,862	50,498	21,363	142.3
Underwriting & selling commissions	35,779	17,967	17,812	199.1
Subscription & distribution commissions	33,370	13,610	19,760	245.2
Other commissions	88,411	79,392	9,019	111.4
Net gain on trading	66,307	72,855	(6,548)	91.1
Net loss on operating investments	(812)	(2,422)	1,610	-
Net gain on other trading	3	3	0	80.6
Interest and dividend income	45,824	52,373	(6,548)	87.5
Interest expense	32,940	33,597	(657)	98.0
Net operating revenue	307,807	250,681	57,126	122.8
Selling, general and administrative expense	232,518	220,970	11,548	105.2
Floor brokerage, communication and other transaction related costs	36,642	29,997	6,644	122.2
Employee compensation and benefits	122,811	111,549	11,261	110.1
Occupancy and equipment	25,977	27,983	(2,006)	92.8
Data processing and other services	16,411	19,505	(3,093)	84.1
Depreciation and amortization	13,415	13,364	51	100.4
Taxes, other than income taxes	2,200	2,753	(553)	79.9
Other expenses	15,058	15,816	(757)	95.2
Operating income	75,288	29,711	45,577	253.4
Non-operating income	4,059	5,957	(1,898)	68.1
Non-operating expense	2,543	4,020	(1,476)	63.3
Equity in loss of affiliated companies	409	1,071	(661)	38.2
Other	2,133	2,948	(814)	72.4
Ordinary income	76,804	31,648	45,155	242.7
Extraordinary gain	9,425	539	8,885	1,746.7
Extraordinary loss	7,159	26,376	(19,217)	27.1
Income before income taxes	79,070	5,811	73,258	1,360.6
Income taxes-current	6,923	18,359	(11,435)	37.7
Income taxes-deferred	25,082	1,636	23,445	1,532.2
Minority interests	8,360	7,427	933	112.6
Net income (loss)	38,703	(21,611)	60,315	-

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

(Millions of Yen)

	FY2003 (4/1/03 ~ 3/31/04)	FY2002 (4/1/02 ~ 3/31/03)
< Additional paid-in capital >		
Additional paid-in capital at beginning of period	152,469	152,466
Increased in additional paid-in capital	23,782	2
Exercise of stock option	35	1
Conversion of convertible bonds	23,746	0
Additional paid-in capital at end of period	176,251	152,469
< Retained earnings >		
Retained earnings at beginning of period	293,656	324,486
Increased in retained earnings	38,703	-
Net income for the year	38,703	-
Decreased in retained earnings	7,480	30,829
Net loss for the year	-	21,611
Dividends paid	7,362	9,205
Bonuses to directors	12	12
Loss on disposal of Treasury stock	0	-
Decrease due to addition of consolidated subsidiaries	104	-
Retained earnings at end of period	324,880	293,656

CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of Yen)

	FY2003 (4/1/03 ~ 3/31/04)	FY2002 (4/1/02 ~ 3/31/03)
Cash flows from operating activities:		
Net income before income taxes	79,070	5,811
Depreciation and amortization	13,415	13,364
Bonuses to directors	(12)	(12)
Increase (decrease) in accrued pension benefits	(26,995)	1,443
Increase (decrease) in accrued employees' bonuses	13,443	(3,844)
Interest and dividend income	(45,824)	(52,373)
Interest expense	32,940	33,597
Equity in loss of affiliated companies	409	1,071
(Gain) loss on sales of investment securities	(5,115)	240
Gain on sales of investment in subsidiaries and affiliates	(2,963)	(206)
Increase (decrease) in allowance for bad debts	567	(282)
Reversal of provision for directors' retirement	3,013	-
Restructuring cost on overseas subsidiaries and affiliates	187	-
(Gain) loss on sales of fixed assets	540	(51)
Loss on disposal of fixed assets	1,711	1,000
Write-off of securities	449	17,389
Loss from liquidation of subsidiaries and affiliates	-	897
Restructuring cost on branches and offices	481	2,339
Decrease in advance payments and deposits received	25,385	14,869
Decrease in commercial loans	13,227	7,968
Increase in commercial loans	(17,562)	(11,162)
(Increase) decrease in trading assets and liabilities	166,820	(439,142)
Increase in securities	(29,596)	(32,593)
Increase in operating investment securities	(300)	(3,882)
(Increase) decrease in margin account receivables and payables	(75,681)	3,806
Decrease in loans secured by securities and borrowings pledged by securities	154,003	69,120
(Increase) decrease in variation margin	(4,276)	13
Increase in guaranty deposits received	24,433	367
(Increase) decrease in other deposits	(71,349)	18,837
Others, net	6,302	(6,122)
Sub total	256,725	(357,535)
Interest and dividend received	46,212	49,433
Interest paid	(33,235)	(32,295)
Income taxes paid	(2,648)	(20,947)
Net cash flows from operating activities	267,052	(361,345)
Cash flows from investing activities:		
Payments for purchases of investment securities	(10,249)	(26,805)
Proceeds from sales of investment securities	34,043	81,711
Payments for purchases of fixed assets	(2,933)	(2,830)
Proceeds from sales of fixed assets	439	12,644
Decrease in loans	381	50,560
Increase in loans	(149)	(50,025)
Payments for investment in subsidiaries	(4,575)	(2,442)
Proceeds from sales of subsidiaries	3,942	3,574
Others, net	(11,705)	(3,300)
Net cash flows from investing activities	9,192	63,087
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(90,118)	97,801
Proceeds from long-term borrowings	73,000	108,000
Payments for repayment of long-term borrowings	(32,310)	(10,640)
Proceeds from issuance of corporate debts	106,431	175,428
Payments for redemption of corporate debts	(55,986)	(55,907)
Payment for buying back convertible bonds	(73,441)	-
Proceeds from new shares issued	70	3
Dividends paid	(7,362)	(9,205)
Dividends paid to minority shareholders	(1,822)	(5,601)
Net cash flows from financing activities	(81,540)	299,879
Adjustment on foreign currency translation of cash and cash equivalents	(659)	1,231
Increase in cash and cash equivalents	194,045	2,852
Cash and cash equivalents at beginning of the year	279,101	276,305
Decrease in cash and cash equivalents due to liquidation of consolidated companies	-	(56)
Increase in cash and cash equivalents due to addition of consolidated companies	39	-
	279,141	276,249
Cash and cash equivalents at end of the year	473,187	279,101

Notes to consolidated financial statements

The company's consolidated financial statements have been prepared in accordance with "Regulations of Consolidated Financial Statements" (MOF Ordinance No.28, 1976) as well as with the "Cabinet Office Ordinance Concerning Securities Companies"(Prime Minister's Office Ordinance and MOF Ordinance No.32, 1998) and the "Uniform Accounting Standard for Broker Dealers"(approved by the board of directors of the Japan Securities Dealers Association, November 14, 1974), in accordance with the provisions of Article 46 and Article 68 of the same regulations.

Basis of consolidated financial statements

1. Scope of consolidation

38 Companies are the consolidated subsidiaries out of 40 subsidiaries.

Major consolidated subsidiaries

- Nikko Cordial Securities Inc.
- Nikko Citigroup Limited
- Nikko Asset Management Co., Ltd.
- Nikko Beans, Inc.
- Nikko Bank (Luxembourg)S.A.
- The Nikko Merchant Bank (Singapore) Ltd.
- Nikko Principal Investment Limited
- Nikko Principal Investments Japan Ltd.
- Nikko Business Systems Co., Ltd.
- The Nikko Securities International, Inc.
- Nikko Financial Intelligence, Inc.
- Nikko Systems Solutions, Ltd (formerly Financial Network Technologies, Ltd.)

Koei Enterprises, Ltd. and Intelligent Technology Inc. are treated as the non-consolidated subsidiaries through application of the equity method, since the overall influence of the companies in the consolidated financial statements is not material.

In the current fiscal year, 1 purchased and 1 newly established subsidiaries and 1 subsidiary that has grown to have a material influence in the consolidated financial statements were added to the scope of consolidation, while 3 liquidated subsidiaries, 2 defunct subsidiaries due to the mergers among the affiliates and 1 sold subsidiary were excluded from the scope of consolidation.

(addition)

- Nikko Citigroup Limited (registered as Japanese corporation)
- NPI Ventures Limited
- Nikko Global Investments (Cayman) Limited

(exclusion)

- Plusum Corporation
- The Nikko Computer Systems House Co., Ltd.
- Nikko Licenses Inc.
- Nikko Global Asset Management (Hong Kong) Ltd.
- Nippon Global Securities Co., Ltd.
- The Nikko Credit Services Co., Ltd.

2. Application of the equity method

Investments in 18 affiliates and 2 non-consolidated subsidiaries were accounted for under the equity method.

Major affiliates

- NikkoCitiTrust and Banking Corporation
- P.T. Nikko Securities Indonesia
- Simplex Investment Advisors Inc.

4 newly established affiliates and 1 newly purchased affiliate were added to the scope of the equity method of

accounting, while 1 company that became subsidiary from affiliate due to additional acquisition of stocks, 1 liquidated affiliate, 1 affiliate whose stocks were sold and 1 affiliate under liquidation were excluded from the scope of the equity method of accounting.

(addition)

NX Properties Corporation
Simplex U.S.A. Inc
Active Network Corporation
Active Network Corporation China
Nikko Principal Citigroup Capital Partners Limited

(exclusion)

Japan Cross Securities Co., Ltd.
Knight Securities Japan Ltd.
Barclays Nikko Global Investors Limited
Osaka Securities Credit Co.,Ltd.

3. Fiscal year end of consolidated subsidiaries

Fiscal year end of consolidated subsidiaries are as follows

March 31, 2004:	35 companies
June 30, 2003:	1 company
December 31, 2003:	2 companies

3 companies, of which fiscal period is different from the period of the parent, prepared financial statements for the period of the parent, and their financial statements are consolidated.

4. Accounting policies

(1) Valuation of financial instruments

(i) Trading purposes

Securities, derivative contracts and other financial instruments classified as trading assets and liabilities are recorded at market value.

(ii) Non-trading purposes

Securities held for non-trading purpose are accounted for as follows.

(a) Securities held to maturities

Recorded at amortized cost.

(b) Other securities

Securities with market value:

Recorded at market value. The difference between the cost using the moving average method and market value is recorded as Net unrealized gain on investment securities in Shareholders' equity on the consolidated statement of financial condition.

Securities without market value:

Recorded at cost using the moving average method.

(2) Depreciation and amortization of fixed assets

(1) Tangible fixed assets

In general, the declining method is applied as amortization method. However, the parent company and domestic subsidiaries applies the straight-line method as amortization method for buildings acquired after April 1, 1998 (excluding facilities attached to buildings) in accordance with the amendments of the Corporate Tax Law in FY1998.

(2) Intangible fixed assets

In general, 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 of the parent company and domestic subsidiaries are the periods stipulated in the Corporate Tax Law.

(3) Accounting policies for provisions

(i) Allowance for bad debts

To provide for possible losses from loans, the company assessed provision based on products loss rate from historical loss experience for performing loans, and estimated provision for identified loans from probable losses respectively.

(ii) Accrued bonuses

To provide for employee bonus payments, estimated bonuses are provided based on prescribed calculation methods.

(iii) Accrued pension benefits

To provide for the payment of employees' retirement benefits, the company recorded accrued pension benefits in accordance with the present value of estimated future obligations and the fair value of plan assets.

(iv) Provision for welfare pension fund

The company provides the reasonably calculated amount with regard to the unfunded projected benefit obligation (net of fair value of plan assets and projected benefit obligation) of Japan Securities Dealers Employees' Pension Fund, which is an industry-wide multi-employee non-contributory welfare pension plan where certain subsidiaries participate in.

(4) Accounting for lease transactions

Financing leases other than those for which the ownership of the leased property transfers to the lessee are accounted for as ordinary rental transactions.

(5) Accounting for hedging activities

In general, unrealized gains and losses on hedging instrument are deferred as assets or liabilities until the gains or losses on hedged instruments are realized.

(6) Accounting for consumption taxes

Consumption taxes are accounted for based on the tax exclusion method.

5. Valuation of assets and liabilities of consolidated subsidiaries

The method adopted for valuation of all assets and liabilities under the control of consolidated subsidiaries is comprehensive and based on fair value as per the date of acquisition.

6. Amortization of goodwill

Goodwill is principally amortized over 20 years based on the straight-line method.

7. Appropriation of retained earnings

The consolidated earned surplus statement for the year reflects the appropriation of earnings defined during the year.

8. Consolidated statements of cash flows

Cash equivalents included in the consolidated statement of cash flow (cash and cash equivalents) consist of cash on hand, current deposits and ordinary deposits from which funds can be redeemable on demand.

Notes to consolidated statement of financial condition

	Mar.31, 2004	Mar.31, 2003
		(Millions of Yen)
1. Accumulated depreciation of Tangible fixed assets	53,612	53,881
2. Debt guarantees	22,462	22,421
In accordance with Auditing Committee Report No.61 "Audit Treatment of Accounting and Reporting of Debt Guarantees and Similar Acts" issued by Japanese Institute of Certified Public Accountant, items that are recognized to constitute the equivalent of a debt guarantee are included in the notes as Debt Guarantees.		

3. Subordinated borrowings

Long-term borrowings include subordinated debts (subordinated borrowings) provided in Article 2 of the "Cabinet Office Ordinance on the Capital Adequacy Rule for Securities Companies" (the Prime Ministers Office Ordinance No.23, 2001).

	FY2003	FY2002
Short Subordinated borrowings	39,000	-
Long Subordinated borrowings	19,600	58,600

(Millions of Yen)

Notes to consolidated statement of operations

Details of extraordinary gain or loss

	FY2003	FY2002
Extraordinary gain		
Gain on sales of fixed assets	-	51
Gain on sales of investment securities	5,115	-
Gain on sales of investment in subsidiaries and affiliates	2,963	206
Reversal of allowance for bad debts	-	282
Reversal of provision for securities transaction liabilities	1,342	-
Reversal of provision for financial futures transaction liabilities	3	-
Extraordinary loss		
Loss on sales of fixed assets	540	-
Loss on disposal of fixed assets	*1 1,711	1,000
Loss on sales of investment securities	-	240
Loss on liquidation of subsidiaries and affiliates	-	897
Restructuring overseas subsidiaries and affiliates	187	-
Write-off of investment securities	*2 449	17,389
Restructuring cost on branches and offices	*3 481	2,339
Payment for directors' retirements	3,789	1,234
Additional payment for employees' retirements	*4 -	2,891
Provision for securities transaction liabilities	-	383
Provision for financial futures transaction liabilities	-	0

(Millions of Yen)

*1 Loss on disposal of fixed assets included loss on disposal of software.

*2 Write-off of investment securities included write-off of golf club memberships.

*3 Restructuring cost on branches and offices were posted as temporary costs and losses incurred with the disposition of fixed assets following the transfer of storefronts, surrender of excess space and combination of stores compatible with the scale of operations.

*4 Additional payment for employees' retirement posted additional amounts of retirement benefits and costs for assistance in locating new employment for employees retiring under the voluntary retirement system implemented in conjunction with the revised human resources and compensation system.

Notes to consolidated statement of cash flows

1. Reconciliation between “cash and cash equivalents” and accounts in the consolidated statement of financial condition.

	FY2003	FY2002
		(Millions of Yen)
Cash on hand, Cash in banks account		
Time deposits more than three months		
Cash and cash equivalents at end of the period	473,292	280,571
	(105)	(1,469)
	<u>473,187</u>	<u>279,101</u>
2. Significant non-cash transactions		
Increase in common stock by conversion of convertible bonds		
Increase in Additional paid-in capital		
by conversion of convertible bonds	23,853	0
Total	23,746	0
	<u>47,599</u>	<u>1</u>

Segment Information

1. Segment information by business

The company and its subsidiaries are engaged in global business activities focusing on securities businesses such as: 1) trading in securities, 2) brokerage of securities, 3) underwriting and distribution of securities, 4) subscription and offering of securities, 5) private placement of securities. These activities include financing and other services. Accordingly, the company and its subsidiaries operate in a single industry segment, Investment and financial services.

2. Segment information by geographical area

Net operating revenue, Selling, general and administrative expense, Operating income (loss), Assets by geographic area are as follows.

FY 2003

I. Net operating revenue and Operating income (loss)

	(Millions of Yen)						
	Japan	America	Europe	Asia	Total	Elimination or Unallocated	Consolidated
Net operating revenue							
Customers	302,573	892	4,091	250	307,807	-	307,807
Inter-segment	230	3,879	(196)	4	3,918	< 3,918 >	-
Total	302,804	4,771	3,895	255	311,725	< 3,918 >	307,807
S.G.&A. expenses	231,166	1,573	3,409	312	236,462	< 3,944 >	232,518
Operating income (loss)	71,637	3,197	485	(57)	75,263	< (25) >	75,288
	<u>5,981,377</u>	<u>6,249</u>	<u>121,549</u>	<u>1,956</u>	<u>6,111,133</u>	< 79,305 >	<u>6,031,827</u>

II. Assets

(Note) Method of segmentation by geographic area and principal countries of area belonging to each segment are as follows.

(1) Method of segmentation: Geographic

(2) Principal countries of area belonging to each segment area:

America: United States of America

Europe: United Kingdom, Luxembourg

Asia: Singapore

FY 2002

I. Net operating revenue and Operating income (loss)

(Millions of Yen)

II. Assets	Japan	America	Europe	Asia	Total	Elimination or		Consolidated
						Unallocated		
Net operating revenue								
Customers	243,187	102	7,251	140	250,681	-		250,681
Inter-segment	884	861	(637)	20	1,128	< 1,128 >		-
Total	244,071	963	6,613	160	251,809	< 1,128 >		250,681
S.G.&A. expenses	216,392	754	4,097	674	221,919	< 949 >		220,970
Operating income (loss)	27,678	209	2,516	(513)	29,890	< 179 >		29,711
	5,697,629	2,113	136,417	2,193	5,838,354	< 67,360 >		5,770,994

(Note) Method of segmentation by geographic area and principal countries of area belonging to each segment are as follows.

(1) Method of segmentation: Geographic

(2) Principal countries of area belonging to each segment area:

America: United States of America

Europe: United Kingdom, Luxembourg

Asia: Singapore

3. Overseas operating revenue (Net operating revenue)

The following shows net operating revenue from countries and regions other than Japan.

(Millions of Yen)

FY 2003

	America	Europe	Asia	Total
I . Overseas net operating revenue	25,684	15,748	1,297	42,731
II . Consolidated net operating revenue				307,807
III. Percentage of overseas net operating revenue against consolidated net operating revenue	8.3%	5.1%	0.4%	13.9%

FY 2002

(Millions of Yen)

	America	Europe	Asia	Total
I . Overseas net operating revenue	14,200	36,726	883	51,810
II . Consolidated net operating revenue				250,681
III. Percentage of overseas net operating revenue against consolidated net operating revenue	5.7%	14.7%	0.4%	20.7%

(Note) The method used for classification of countries or regions, and the principal countries or regions coming under each classification are the same as that for 2. Segment information by geographical area.

Retirement Benefits

1. Retirement benefit plan

The parent and certain domestic subsidiaries have welfare pension plan, defined benefit plans as qualified pension plan and lump sum retirement plan and defined contribution pension plan.

2. Retirement benefits recognized on consolidated financial statements

	(Millions of Yen)	
	<u>Mar.31, 2004</u>	<u>Mar.31, 2003</u>
(1) Benefit obligation		
Accrued pension benefits	14,162	42,287
(2) Pension expense	<u>FY 2003</u>	<u>FY 2002</u>
Pension expense	11,555	11,146
(Note) Pension expense is included in		
Employee compensation and benefit of Selling, general and administrative expense		

3. Basis of measurement of Benefit obligation

(1) Amortizing method of estimated payment of retirement benefits: Straight-line period method

	<u>Mar.31, 2004</u>	<u>Mar.31, 2003</u>
(2) Discount rate:	2.0~2.5%	2.0~2.5%
	<u>FY 2003</u>	<u>FY 2002</u>
(3) Expected rates of return on asset:	2.0~2.5%	1.0~3.5%

(4) Amortizing period of unrecognized actuarial gains or losses

Unrecognized actuarial gains or losses are amortized under the straight-line method over the average remaining service period of current employee and recognized as expense from the following fiscal year.

13~14 years	13~14 years
-------------	-------------

(5) Amortizing period of transition asset and liabilities

Unrecognized transition asset and liabilities are principally amortized over 15 years. Not material recognized transition asset and liabilities incurred by some domestic subsidiaries using the simplified method are expensed when it occurs.

Others

Information on lease and derivative transactions will be disclosed in EDINET.

Information on related party transactions, deferred tax accounting and securities will be disclosed additionally when those are available.

Reference Data < consolidated >

1. Commissions

(1) Breakdown by account

(Millions of Yen except percentage)

	FY2003 <A> (4/1/03 ~ 3/31/04)	FY2002 (4/1/02 ~ 3/31/03)	Ratio $\frac{\text{<A>}}{\text{}}$
Brokerage commissions	71,862	50,498	142.3 %
< Equities >	< 69,694 >	< 47,487 >	< 146.8 >
< Bonds >	< 754 >	< 1,231 >	< 61.2 >
< Investment trusts >	< 1,305 >	< 1,698 >	< 76.9 >
Underwriting & selling commissions	35,779	17,967	199.1
< Equities >	< 28,530 >	< 11,275 >	< 253.0 >
< Bonds >	< 7,248 >	< 6,691 >	< 108.3 >
Subscription & distribution commissions	33,370	13,610	245.2
< Investment trusts >	< 30,803 >	< 12,899 >	< 238.8 >
Other commissions	88,411	79,392	111.4
< Investment trusts >	< 27,757 >	< 25,250 >	< 109.9 >
Total	229,424	161,468	142.1

(2) Breakdown by Products

(Millions of Yen except percentage)

	FY2003 <A> (4/1/03 ~ 3/31/04)	FY2002 (4/1/02 ~ 3/31/03)	Ratio $\frac{\text{<A>}}{\text{}}$
Equities	102,749	65,020	158.0 %
Bonds	28,314	25,516	111.0
Investment trusts	59,865	39,848	150.2
Others	38,493	31,083	123.8
Total	229,424	161,468	142.1

2. Net gain on trading

(Millions of Yen except percentage)

	FY2003 <A> (4/1/03 ~ 3/31/04)	FY2002 (4/1/02 ~ 3/31/03)	Ratio $\frac{\text{<A>}}{\text{}}$
Equities, etc.	23,754	52,218	45.5 %
Bonds, forex, etc.	42,552	20,637	206.2
< Bonds, etc. >	< 34,255 >	< 16,852 >	< 203.3 >
< Forex, etc. >	< 8,296 >	< 3,784 >	< 219.2 >
Total	66,307	72,855	91.0

QUARTERLY CONSOLIDATED STATEMENT OF OPERATIONS

(Millions of Yen)

	FY2003 1Q 04/01/03 06/30/03	FY2003 2Q 07/01/03 09/30/03	FY2003 3Q 10/01/03 12/31/03	FY2003 4Q 01/01/04 03/31/04	FY2002 1/4 04/01/02 03/31/03
Operating revenue	77,259	86,444	87,228	89,814	71,069
Commissions	48,510	54,217	63,459	63,236	40,367
Brokerage commissions	12,991	20,245	18,672	19,952	12,624
Underwriting & selling commissions	6,027	4,431	14,852	10,468	4,491
Subscription & distribution commissions	7,935	9,912	7,149	8,373	3,402
Other commissions	21,556	19,627	22,785	24,442	19,848
Net gain on trading	18,622	13,865	14,788	19,032	18,213
Net gain (loss) on operating investments	(16)	658	918	(2,372)	(605)
Net gain on other trading	1	0	0	0	0
Interest and dividend income	10,141	17,702	8,061	9,918	13,093
Interest expense	9,306	7,938	8,087	7,607	8,399
Net operating revenue	67,952	78,506	79,141	82,207	62,670
Selling, general and administrative expense	56,811	61,470	55,919	58,317	55,242
Floor brokerage, communication and other transaction related costs	8,487	8,546	9,808	9,798	7,499
Employee compensation and benefits	30,426	34,924	27,508	29,952	27,887
Occupancy and equipment	6,873	6,436	6,183	6,484	6,995
Data processing and other services	3,903	4,144	4,155	4,207	4,876
Depreciation and amortization	3,249	3,273	3,359	3,532	3,341
Taxes, other than income taxes	596	496	474	632	688
Other expenses	3,273	3,647	4,429	3,709	3,954
Operating income	11,141	17,035	23,221	23,890	7,427
Non-operating income	1,182	1,097	680	1,098	1,489
Non-operating expense	890	53	1,041	557	1,005
Ordinary income	11,433	18,079	22,860	24,431	7,912
Extraordinary gain	430	2,452	3,160	3,381	134
Extraordinary loss	3,569	1,563	529	1,497	6,594
Income before income taxes	8,293	18,968	25,491	26,315	1,452
Income taxes-current	1,421	7,520	3,367	(5,386)	4,589
Income taxes-deferred	315	1,359	7,467	15,939	409
Minority interests	662	1,517	3,469	2,710	1,856
Net income (loss) for the current period	5,893	8,571	11,187	13,051	(5,402)



NIKKO CORDIAL CORPORATION

6-5, Nihonbashi Kabuto-cho, Chuo-ku, Tokyo

Telephone: 81(3)5644-4543

URL http://www.nikko.co.jp/group_e

Non-consolidated financial summary under Japanese GAAP for the year ended March 31, 2004

(1) Operating results (from April 1, 2003 to March 31, 2004)

(Millions of Yen except per share data and percentage)

	Operating revenue	Operating income	Ordinary income
FY2003	35,918 [158.3 %]	23,987 [1,082.6 %]	25,258 [1,615.7 %]
FY2002	13,905	2,028	1,472

	Net income	Basic net income per share	Diluted net income per share	Return on shareholders' equity
FY2003	5,257 [1,341.8 %]	2.69 Yen	2.68 Yen	0.8 %
FY2002	364	0.20 Yen	0.20 Yen	0.1

Note: 1. Figures are rounded down to the nearest.

2. Average number of shares issued and outstanding

FY2003 : 1,840,715,378 shares

FY2002 : 1,840,981,847 shares

3. Change in accounting policy: None

4. The percentage noted in Operating revenue, Operating income and Ordinary income is the rate of the increase or decrease compared with the previous year.

(2) Dividends

(Millions of Yen except per share data and percentage)

	Dividends per share			Dividends	Payout ratio	Dividends on equity
	Interim	Year end				
FY2003	8.00 Yen	3.00 Yen	5.00 Yen	14,725	297.1 %	2.1 %
FY2002	3.00	2.00	1.00	5,522	1,514.5	0.8

(2) Financial condition

(Millions of Yen except per share data and percentage)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
As of Mar.31, 2004	1,040,263	691,641	66.5 %	375.58 Yen
As of Mar.31, 2003	941,619	694,720	73.8	377.42

Note: Number of shares issued and outstanding

As of Mar.31, 2004: 1,840,754,024 shares

As of Mar.31, 2003: 1,840,708,244 shares

Number of shares held as treasury stock

As of Mar.31, 2004: 107,130,474 shares

As of Mar.31, 2003: 548,559 shares

STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Mar.31, 2004 (A)	Mar.31, 2003 (B)	variance (A)-(B)
< ASSETS >			
Current assets	405,882	328,690	77,192
Cash on hand, Cash in banks	116,328	50,459	65,869
Securities	129,987	99,990	29,997
Short-term loans to subsidiaries	148,500	174,000	(25,500)
Accounts receivable	8,979	1,443	7,535
Other current assets	2,088	2,798	(710)
Allowance for bad debts	-	(0)	0
Fixed assets	634,380	612,928	21,452
Tangible fixed assets	92	115	(22)
Buildings	43	48	(5)
Furniture and fixtures	48	66	(17)
Intangible fixed assets	0	0	0
Investments and others	634,287	612,812	21,474
Investment securities	54,552	31,206	23,345
Investment in subsidiaries and affiliates	573,682	571,439	2,243
Long-term loans	528	601	(72)
Long-term loans to subsidiaries	10,000	10,000	-
Long-term guaranty deposits	1,024	1,278	(254)
Other investments	3,299	5,587	(2,287)
Allowance for bad debts	(8,800)	(7,300)	(1,500)
Total assets	1,040,263	941,619	98,644

STATEMENT OF FINANCIAL CONDITION

(Millions of Yen)

	Mar.31, 2004 (A)	Mar.31, 2003 (B)	variance (A)-(B)
< LIABILITIES >			
Current liabilities	54,208	66,746	(12,538)
Short-term borrowings	35,000	25,000	10,000
Short-term borrowings from a subsidiary	16,000	16,000	-
Current portion of corporate debts	-	24,000	(24,000)
Accounts payable	462	478	(16)
Income taxes payable	1,029	97	932
Accrued bonuses	700	233	467
Other current liabilities	1,016	937	78
Long-term liabilities	294,414	180,151	114,262
Corporate debts	182,365	112,365	70,000
Convertible bonds	-	47,600	(47,600)
Long-term borrowings	99,000	20,000	79,000
Deferred tax liabilities	10,573	-	10,573
Accrued pension benefits	186	186	(0)
Other long-term liabilities	2,289	-	2,289
Total liabilities	348,622	246,898	101,723
< SHAREHOLDERS' EQUITY >			
Common stock	232,845	208,957	23,888
Additional paid-in capital	176,251	152,469	23,782
Legal capital reserve	176,251	152,469	23,782
Earned Surplus	340,911	343,017	(2,105)
Legal reserve	52,222	52,222	-
Voluntary reserve	259,024	259,024	-
Unappropriated retained earnings	29,665	31,770	(2,105)
Net unrealized gain(loss) on investment securities	15,398	(9,450)	24,849
Treasury stock	(73,766)	(271)	(73,494)
Total shareholders' equity	691,641	694,720	(3,079)
Total liabilities and shareholders' equity	1,040,263	941,619	98,644

STATEMENT OF OPERATIONS

(Millions of Yen)

	FY2003 (A) (4/1/03 ~ 3/31/04)	FY2002 (B) (4/1/02 ~ 3/31/03)	variance (A) - (B)	Ratio $\frac{\langle A \rangle}{\langle B \rangle}$ %
Operating revenue	35,918	13,905	22,013	258.3
Management fee from subsidiaries and affiliates	3,083	3,470	(386)	88.8
License fee	1,110	1,137	(26)	97.6
Interest and dividend income from subsidiaries and affiliates	31,725	9,298	22,427	341.2
Operating expense	11,931	11,877	54	100.5
Selling, general and administrative expense	9,508	9,582	(73)	99.2
Brokerage, communication and other transaction related costs	2,787	3,449	(661)	80.8
Employee compensation and benefits	3,110	2,703	407	115.1
Occupancy	507	590	(83)	85.9
Data processing and other services	626	565	61	110.8
Depreciation and amortization	27	34	(7)	77.5
Taxes, other than income taxes	168	167	1	100.6
Other expenses	2,280	2,071	208	110.1
Interest expense	2,423	2,295	(128)	105.6
Operating income	23,987	2,028	21,958	1,182.6
Non-operating income	1,906	579	1,327	329.0
Non-operating expense	635	1,135	(500)	56.0
Ordinary income	25,258	1,472	23,786	1,715.7
Extraordinary gain	0	3,864	(3,863)	0.0
Extraordinary loss	18,095	4,571	13,524	395.8
Income before income taxes	7,162	764	6,397	936.3
Income taxes-current	1,905	400	1,504	475.9
Income taxes-deferred	-	-	-	-
Net income	5,257	364	4,892	1,441.8
Retained earnings at the beginning of period	29,929	35,088	(5,158)	85.3
Loss on disposal of Treasury stock	0	-	0	-
Interim dividends paid	5,522	3,682	1,840	150.0
Retained earnings at the end of period	29,665	31,770	(2,105)	93.4

Proposal of Appropriation of Unappropriated Retained Earnings

(Millions of Yen)

	FY 2003		FY 2002	
General meeting of shareholders	-		06/26/2003	
Unappropriated retained earnings		29,665		31,770
Dividend paid	9,203		1,840	
	<¥5 per share>		<¥1 per share>	
Bonuses to directors	300		-	
		9,503		1,840
Retained earnings brought forward		20,161		29,929

1. In FY2003, ¥5,522 million interim dividends (¥3 per share) were paid on November 26 2003.

2. In FY2002, ¥3,682 million interim dividends (¥2 per share) were paid on November 26 2002.

Notes to financial statements

The company's financial statements have been prepared in accordance with "Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements" (MOF Ordinance No.59, 1963).

Significant accounting policies

1. Valuation of financial instruments

(1) Investment in subsidiaries and affiliates

Recorded at cost using the moving average method.

(2) Other securities

(i) Securities with market value

Recorded at market value. The difference between the cost using the moving average method and market value is recorded as Net unrealized gain (loss) on investments securities in Shareholders' equity on the balance sheet.

(ii) Securities without market value

Recorded at cost using the moving average method.

(3) Derivative contracts

Recorded at market value or fair value.

2. Depreciation and amortization of fixed assets

(1) Tangible fixed assets

Useful lives and salvage value for amortization are based on the Corporate Tax Law and the declining method is applied as amortization method.

(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.

3. Deferred assets

Cost for issuance of shares as well as corporate debts are recognized as expense at payments.

4. Accounting policies for provisions

(1) Allowance for bad debts

To provide for possible losses from loans, the company accounted allowance for bad debts. The company assessed provision based on products loss note from historical loss experience for performing loans, and provided provision for identified loans from probable losses respectively.

(2) Accrued bonuses

To provide for employee bonus payments, estimated bonuses are provided based on prescribed calculation methods.

(3) Accrued pension benefits

To provide for the payment of employees' retirement benefits, the company recorded accrued pension benefits in accordance with the present value of estimated future obligations and fair value of the plan assets.

5. Accounting for hedging activities

In general, unrealized gains and losses on hedging instrument are deferred as assets or liabilities until the realized gains or losses on hedged instruments are recognized.

6. Accounting for consumption taxes

Consumption taxes are accounted for based on the tax exclusion method.

Notes to statement of financial condition

		(Millions of Yen)
	Mar.31, 2004	Mar.31, 2003
1. Accumulated depreciation of Tangible fixed assets	284	276
2. Debt guarantees	146,928	33,269
<p>In accordance with Auditing Committee Report No.61 "Audit Treatment of Accounting and Reporting of Debt Guarantees and Similar Acts" issued by Japanese Institute of Certified Public Accountant, items that are recognized to constitute the equivalent of a debt guarantee are included in the notes as Debt Guarantees.</p>		
3. Details of increase or decrease in number of shares outstanding for this year.		
	no. of issued shares	issued amount
Conversion of convertible bonds	106,487,695 shares	¥47,600 million
Exercise of stock options	140,000 shares	¥70 million
		increased in capital
		¥23,853 million
		¥35 million

Notes to statement of operations

		(Millions of Yen)
		FY2003
		FY2002
Details of extraordinary gain or loss		
Extraordinary gain		
Gain on sales of investment securities		-
Gain on sales of investment in subsidiaries		3,859
Reversal of allowance for bad debts		0
Extraordinary loss		
Loss on disposal of fixed assets	*1	1
Loss on sales of investment securities		959
Loss on sales of investment in subsidiaries and affiliates		11,295
Loss on liquidation of a subsidiary		20
Write-off of investment securities	*2	42
Write-off of investment in subsidiaries		1,855
Provision for bad debts	*3	1,500
Payment for directors' retirements		2,420
Additional payment for employees' retirement	*4	-

*1 Loss on disposal of fixed assets included loss on disposal of software.

*2 Write-off of investment securities included write-off of golf club memberships.

*3 Provision for bad debts was the provision for loans to "The Nikko Building Co., Ltd."

*4 Additional payment for employees' retirement posted additional amounts of retirement benefits and costs for assistance in locating new employment for employees retiring under the voluntary retirement system implemented in conjunction with the revised human resources and compensation system.

QUARTERLY STATEMENT OF OPERATIONS

(Millions of Yen)

	FY2003 1Q 04/01/03 06/30/03	FY2003 2Q 07/01/03 09/30/03	FY2003 3Q 10/01/03 12/31/03	FY2003 4Q 01/01/04 03/31/04	FY2002 1/4 04/01/02 03/31/03
Operating revenue	2,856	3,170	3,647	26,244	3,476
Management fee from subsidiaries and affiliates	775	771	767	768	867
License fee	277	275	278	278	284
Interest and dividend income from subsidiaries and affiliates	1,803	2,123	2,601	25,197	2,324
Operating expense	2,703	3,337	2,939	2,951	2,969
Selling, general and administrative expense	2,116	2,665	2,389	2,337	2,395
Brokerage, communication and other transaction related costs	558	826	761	641	862
Employee compensation and benefits	790	881	662	775	675
Occupancy	147	113	118	127	147
Data processing and other services	140	177	161	147	141
Depreciation and amortization	6	6	6	6	8
Taxes, other than income taxes	21	21	75	49	41
Other expenses	450	638	602	588	517
Interest expense	586	672	549	614	573
Operating income (loss)	153	(167)	707	23,292	507
Non-operating income	105	1,438	108	254	144
Non-operating expense	117	64	197	256	283
Ordinary income	141	1,206	618	23,291	368
Extraordinary gain	-	949	-	(949)	966
Extraordinary loss	4,425	341	(276)	13,605	1,142
Income (loss) before income taxes	(4,284)	1,815	895	8,736	191
Income taxes-current	458	559	332	554	100
Income taxes-deferred	-	-	-	-	-
Net income (loss) for the current period	(4,742)	1,255	562	8,181	91