

Summary of First-Quarter Business Results for the Financial Year Ending 31 March 2004 (Consolidated)

Listed company's name: **Shinko Securities Co., Ltd.** Listing stock exchanges: Tokyo, Osaka, and Nagoya
 Code No.: 8606 Location of head office: Tokyo
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1. Notes regarding the compilation of this quarterly business result summary
 - a) The accounting methods used are identical to those applied to consolidated accounts in recent financial years.
 - b) There has been no change in the scope of application of full consolidation or the equity method.
2. Summary of First-Quarter Business Results for the Financial Year Ending 31 March 2004 (1 April 2003 - 30 June 2003)

(1) Consolidated business results (Note) The amounts displayed below have been rounded off downwards to the nearest million yen.

	Operating revenues		Net operating revenues		Operating profit		Ordinary profit	
	mil. yen	%	mil. yen	%	mil. yen	%	mil. yen	%
1st quarter in 2004	27,566	(26.6)	26,711	(28.2)	3,810	()	4,463	()
1st quarter in 2003	21,774	(- 30.8)	20,834	()	-4,170	()	-2,623	()
Year ended March 2003	80,303		76,656		-15,386		-14,113	

	Net profit		Net profit per share	Net profit per share - diluted
	mil. yen	%	yen	yen
1st quarter in 2004	3,965	()	5.12	
1st quarter in 2003	-3,576	()	-4.44	
Year ended March 2003	-32,307		-40.59	

- (Note) 1. Investment profit or loss on equity method: Quarter to 30 June 2003: -5 million yen
 Quarter to 30 June 2002: -68 million yen
 Year to 31 March 2003: -245 million yen
2. Average number of shares issued (consolidated): Quarter to 30 June 2003: 774,071,718
 Quarter to 30 June 2002: 806,117,030
 Year to 31 March 2003: 795,982,332
3. The percentages of operating revenues, net operating revenues, operating profit, and net profit show the percentage increase (or decrease) on the first quarter of the previous financial year.

(2) Consolidated financial status

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	mil. yen	mil. yen	%	yen
1st quarter in 2004	1,846,807	209,273	11.3	270.36
1st quarter in 2003	2,155,712	238,751	11.1	296.18
Year ended March 2003	2,155,425	203,154	9.4	262.45

- (Note) Number of shares issued (consolidated): Quarter to 30 June 2003: 774,063,085
 Quarter to 30 June 2002: 806,103,593
 Year to 31 March 2003: 774,081,700

[Consolidated cash flows]

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash & cash equivalents balance at term end
	mil. yen	mil. yen	mil. yen	mil. yen
1st quarter in 2004	26,274	-1,588	11,807	76,783
1st quarter in 2003				
Year ended March 2003	-50,627	-1,065	1,951	40,260

(Note) Consolidated cash flow data for the first quarter of the financial year ended 31 March 2003 was not made public and is therefore not displayed here.

(3) Scope of full consolidation and partial consolidation under the equity method:

Number of fully consolidated subsidiaries: 14

Number of subsidiaries subject to non-consolidated under the equity method: --

Number of equity-method affiliates: 5

3. Forecast of consolidated business results for the full financial year ending 31 March 2004 (1 April 2003 - 31 March 2004):

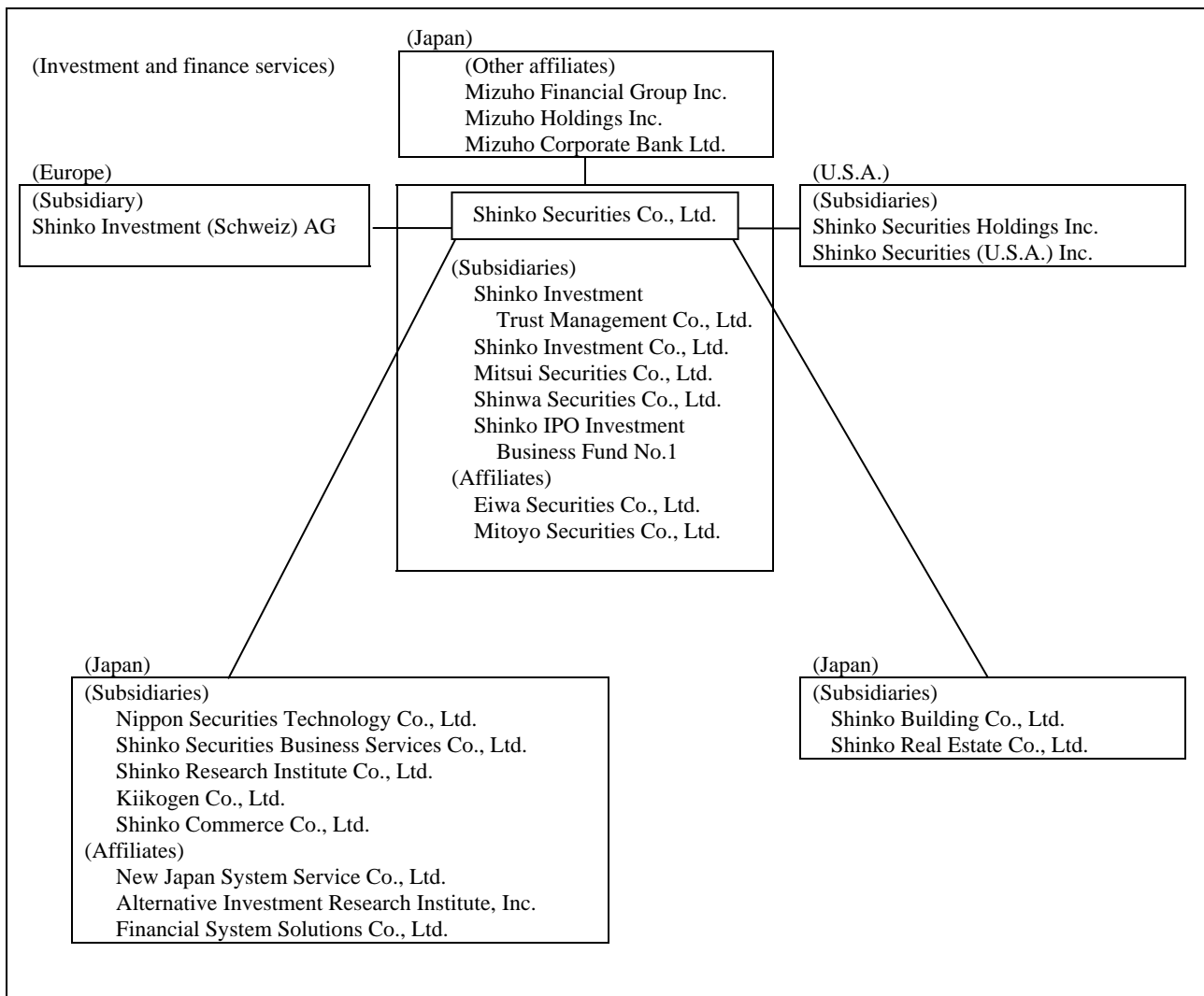
Our operating revenues come chiefly from the fees and commissions we earn, which are extremely susceptible to changes in stock market conditions. In addition, it is also very difficult to anticipate valuation losses or gains on the instruments we hold for trading purposes. For reasons such as these, we do not carry out such forecasts.

Our Corporate Group

Our corporate group is composed of 15 subsidiaries and 5 affiliates. The business activities of our company and of 7 of the subsidiaries and 2 of the affiliates consist mainly of trading securities, the commissioning of securities trading, the underwriting and selling of securities, offering and selling of securities, handling of private offerings, and other securities- and finance-related activities, as well as a wide range of services in the areas of raising and operating funds for customers. The other companies provide services related to and supportive of our company's activities, conduct market surveys and research, manage real estate, and more. Therefore, our corporate group's business activities all come under the single business segment of "investment and financial services."

All of our subsidiary companies, except Shinko IPO Investment Business Fund No. 1, are consolidated companies, and the equity method is applied for all of our affiliated companies.

1. Organizational Diagram of Corporate Group



Business Performance and Financial Position

[Business Performance]

The first quarter (covering the three-month period from 1 April 2003 to 30 June 2003 and hereinafter referred to as “the period”) saw the domestic recovery lose some steam in the face of a global slowdown that hit export growth from the manufacturing sector. Nevertheless, an optimistic mood began to take hold as corporate restructuring efforts led an earnings recovery. The stock market started the period bearishly, with few buyers around to soak up the continued unwinding of cross-held shares and pension assets managed by firms on behalf of the public pension system, and at the end of April the market appeared to be in the grip of a crisis as the Nikkei Stock Average hit yet another post-bubble low. Firmness in US equity markets, however, saw foreign investors start buying Japanese stocks, and this triggered a rapid rebound. Trading volume picked up as buyers reappeared, and at the end of the period the Nikkei had topped 9000 and recovered to the level seen in November last year. A policy of renewed quantitative easing from the Bank of Japan and continued strong demand kept the bond market buoyant overall with yields on 10-year Japanese government bonds dipping to another record low. Nevertheless, rising stock prices saw it entering a correction phase at the end of the period.

Overseas, although the end of fighting in Iraq did serve to generate optimism regarding the US economy, the actual pace of recovery there remained weak. Fears of a slowdown in Europe also proliferated as slack domestic demand compounded the effects of a strong Euro. US and European stock markets looked to be on an upward trend, led by a rise in US stocks on hopes for an economic recovery stemming from end of the war in Iraq, solid corporate earnings, and further interest rate cuts. The bond market was solid as concern over the prospect of deflation in the US and across the world joined forces with expectations of additional rate cuts. It did, however, begin to undergo a slight correction at the end of the period.

This background saw consolidated operating revenues for the period of 27.566 billion yen (126.6% of the total for the same period the previous year), an ordinary profit of 4.463 billion yen, and a net profit of 3.965 billion yen. The following is a brief breakdown of our business results:

1. Commissions and fees received

Commissions and fees received during the period totaled 12.518 billion yen (92.1%). A breakdown of this income follows:

(1) Brokerage commissions

The average daily turnover during the period on the 1 and 2 of the Tokyo Stock Exchange was 790 billion yen (89.6%), Our company brokered the sale of 2.394 billion shares of stock (153.4%) worth 1.1321 trillion yen (97.0%), while our commissions on the same totaled 6.157 billion yen (90.8%). Commissions earned on bond brokering totaled 104 million yen (59.6%).

(2) Underwriting and selling fees

Although some big initial public offerings (IPOs) did push up the total value of new issues, the domestic primary market for equities was fairly subdued during the period. We lead managed five new issues by already listed firms, seven IPOs, and were involved in the underwriting of 30 out of the 38 new issues that took place during the period. Our earnings from the underwriting and placing selling fees for equity were 662 million yen (103.6%).

The domestic primary market for bonds was buoyant as further falls in interest rates accelerated the pace of new issues. Total issue value was up by a large margin, and we were lead managers or joint lead managers for 13 issues, and involved in a total of 100. This yielded income of 296 million yen (73.7%) for underwriting debt security issues.

(3) Handling commissions for offering and selling, and other commissions received

This income is made up chiefly of fees and commissions we earn selling investment trusts to our customers and service commissions. Against a background of continued ultra-low interest rates, there was increasing interest in income-type investment trust funds sold over-the-counter at banks and securities companies. We focused our efforts on the sale of income funds that invest in foreign bonds, notably our “Foreign Bond Fund” and our new “Foreign Investment-Grade Bond Fund”, or “IG Fund” as it is also known. The asset management for both these funds is carried out by Shinko Investment Trust Management Co., Ltd. We also offered some new equity funds, notably the 2003-04 and 2003-06 versions of an Australian-dollar denominated fund that tracks the movement of the Nikkei 225 index while guaranteeing the capital invested, and “UAM Multi-management Fund 1” (also known as “Fruit Kingdom”), a fund managed by United Investments Co., Ltd. that seeks to shield investors from market movements.

Declining yields on domestic bond investment trusts prompted the launch of the new “Bond Plus 03-05”, which is managed by Kogin Daiichi Life Asset Management and designed to offer an antidote to slumping bond investment trust. All told, we earned 2.426 billion yen (127.1%) from offering and selling, and 2.856 billion yen (78.5%) in other fees and commissions.

2. Trading profits

This period saw us earn trading profits of 3.753 billion yen (259.6%) on equity trading, and 10.267 billion yen (169%) on the trading of bonds, foreign currency and other instruments. Total trading profits thus stood at 14.02 billion yen (186.4%).

3. Financial balance

Deducting financial expenses from financial revenues gives a financial profit for the period of 150 million yen.

4. Selling, general and administrative expenses

Although depreciation for computer system development expenses did increase, transaction expenses and personnel expenses both dropped, taking total SG&A expenses down to 22.901 billion yen (91.6%).

5. Extraordinary profits and losses

Although we recorded an extraordinary profit on the reversal of 144 million yen in the reversal of reserves for securities transaction liabilities, we suffered a loss of 120 million yen on the sale of investment securities. In addition, we booked a charge of 422 million yen to reserves to cover future retirement and severance pay obligations. This is an amortized charge against a shortfall in such reserves that was recorded following a change in Japanese GAAP. These factors led to an extraordinary loss overall of 325 million yen.

[Financial condition]

Factors such as a reduction in our holdings of trading assets meant operating activities provided net cash of 26.274 billion yen.

Factors such as an increase in investment in computer systems meant investing activities used net cash of 1.588 billion yen.

Factors such as an increase in our issue of commercial paper meant financing activities provided net cash of 11.807 billion yen.

The balance of cash and cash equivalents at the end of this first quarter stood at 76.783 billion yen.

Consolidated Balance Sheets
(for the Period Ended 30 June 2003)

(Million yen)

	Quarter ended 30 June 2003	Quarter ended 30 June 2002	Net change on same period in previous year	Year ended 31 March 2003
Assets				
Current assets	1,705,748	2,000,925	-295,176	2,016,757
Cash and due from banks	77,815	75,925	1,890	41,292
Fund deposits	35,911	37,462	-1,550	34,019
Trading products	891,283	1,004,227	-112,944	893,408
Trading securities, etc	884,572	998,387	-113,815	889,315
Derivative transactions	6,711	5,839	871	4,092
Agreed per contra account				25,532
Investment securities for sale	4,178	5,400	-1,222	4,177
Margin transaction assets	41,424	66,045	-24,620	38,082
Customers' loans receivable in margin transactions	32,801	55,435	-22,634	29,481
Collaterals for borrowed securities for margin transactions	8,623	10,610	-1,986	8,600
Loans receivable secured by securities	633,555	793,004	-159,449	958,609
Collaterals for borrowed securities	632,555	793,004	-160,448	958,609
Loans receivable in gensaki transactions	999		999	
Advances	1,241	1,477	-236	1,013
Accounts for non-delivered securities and others	3,589		3,589	4,356
Short-term loans receivable	254	332	-78	275
Securities	1,787		1,787	713
Deferred income tax assets	531	600	-68	528
Other current assets	14,249	16,471	-2,222	14,817
Allowance for bad debts	-74	-23	-50	-69
Fixed assets	141,058	154,786	-13,728	138,668
Tangible fixed assets	52,474	56,286	-3,812	52,827
Intangible fixed assets	13,882	10,336	3,545	12,505
Investments and other assets	74,701	88,163	-13,461	73,335
Investment securities	47,259	53,394	-6,135	45,426
Long-term deposits	16,313	18,189	-1,875	16,566
Deferred income tax assets	273	1,369	-1,096	273
Other investments	16,065	20,227	-4,162	16,140
Allowance for bad debts	-5,209	-5,017	-192	-5,071
Total assets	1,846,807	2,155,712	-308,904	2,155,425

(Million yen)

	Quarter ended 30 June 2003	Quarter ended 30 June 2002	Net change on same period in previous year	Year ended 31 March 2003
Liabilities				
Current liabilities	1,572,432	1,848,027	-275,594	1,886,637
Trading products	414,218	539,165	-124,946	422,353
Trading securities, etc	409,760	534,913	-125,153	418,645
Derivative transactions	4,458	4,251	206	3,707
Agreed per contra account	25,118	48,907	-23,789	
Margin transaction liabilities	21,198	27,763	-6,564	20,662
Customers' loans payable for margin transactions	13,694	17,963	-4,269	15,506
Collaterals for loaned securities for margin transactions	7,504	9,799	-2,294	5,155
Loans payable secured by securities	937,018	1,067,574	-130,556	1,272,302
Amounts receivable on loan transactions	687,486	735,436	-47,949	949,296
Loans payable in gensaki transactions	249,531	332,138	-82,606	323,006
Deposits received	31,903	29,514	2,388	32,563
Received margins	9,057	11,803	-2,745	7,284
Accounts for non-received securities and others	3,655	8	3,647	4,356
Short-term loans payable	108,130	101,281	6,849	111,310
Commercial paper	17,000	15,500	1,500	2,000
Income taxes payable	162	257	-94	1,205
Deferred tax liabilities	15	198	-182	8
Reserve for bonus payments	1,279	1,967	-688	2,294
Other current liabilities	3,673	4,084	-411	10,294
Fixed liabilities	59,339	62,505	-3,165	59,773
Long-term loans payable	36,752	38,462	-1,710	36,732
Deferred tax liabilities	1,944	2,265	-320	643
Reserves for retirement benefits	15,293	15,360	-67	17,084
Other long-term liabilities	5,348	6,416	-1,068	5,312
Statutory reserve	833	978	-144	978
Total liabilities	1,632,606	1,911,511	-278,904	1,947,389
Minority interest	4,926	5,448	-521	4,881
Shareholders' equity				
Capital stock	125,167	125,167		125,167
Capital reserve	80,184	111,407	-31,222	111,407
Surplus	6,749	333	6,415	-28,439
Valuation difference	2,992	2,888	104	834
Exchange conversion adjustment account	286	321	-35	286
Treasury stock	-6,105	-1,366	-4,739	-6,102
Total shareholders' equity	209,273	238,751	-29,478	203,154
Total liabilities, minority interest, and shareholders' equity	1,846,807	2,155,712	-308,904	2,155,425

Consolidated Statement of Income
(for the Period Ended 30 June 2003)

(Million yen)

	Quarter ended 30 June 2003	Quarter ended 30 June 2002	% change on same period in previous year	Year ended 31 March 2003
Operating revenues	27,566	21,774	126.6	80,303
Commissions and fees received	12,518	13,593	92.1	45,634
Trading profit or loss	14,020	7,521	186.4	30,142
Trading profit or loss on investment securities for sale	21	71	30.5	56
Financial profit	1,004	588	170.9	4,469
Financial expenses	854	939	91.0	3,646
Net operating revenues	26,711	20,834	128.2	76,656
Selling, general and administrative expenses	22,901	25,005	91.6	92,043
Transaction expenses	2,910	3,095	94.0	12,922
Personnel expenses	12,547	13,327	94.1	48,239
Real estate expenses	4,250	4,885	87.0	16,838
Office expenses	845	1,073	78.8	4,229
Depreciation	1,398	1,177	118.8	5,952
Taxes and dues	238	376	63.5	709
Others	709	1,071	66.3	3,150
Operating profit	3,810	-4,170		-15,386
Non-operating revenues	1,387	2,349	59.1	5,722
Non-operating expenses	734	802	91.5	4,449
Investment loss on equity method	5	68	8.1	245
Others	728	733	99.3	4,203
Ordinary profit	4,463	-2,623		-14,113
Extraordinary profits	270	422	63.9	916
Extraordinary losses	596	890	66.9	17,131
Net profit before taxes, etc	4,137	-3,091		-30,328
Income taxes	153	434	35.4	1,483
Adjustment amount for income taxes		13		933
Minority interest	18	36	50.3	-438
Net profit	3,965	-3,576		-32,307

Consolidated Earned Surplus Statement
(for the Period Ended 30 June 2003)

(Million yen)

	Quarter ended 30 June 2003	Quarter ended 30 June 2002	Year ended 31 March 2003
Capital surplus			
Balance of capital surplus at start of period	111,407	118,805	118,805
Decrease in capital surplus	31,222	7,397	7,397
Offset by capital reserve	31,222	7,397	7,397
Balance of capital surplus at end of period	80,184	111,407	111,407
Earned Surplus			
Balance of earned surplus at the start of the period	-28,439	-3,487	-3,487
Increase in earned earnings	35,188	7,397	7,397
Offset by capital reserve	31,222	7,397	7,397
Net profit	3,965		
Decrease in earned surplus		3,576	32,349
Net profit		-3,576	-32,307
Reduction in earned surplus outside the scope of the equity method			42
Balance of earned surplus at the end of the period	6,749	333	-28,439

Consolidated Cash Flow Statement
(for the Period Ended 30 June 2003)

(Million yen)

	Quarter ended 30 June 2003	Year ended 31 March 2003
I		
Cash flows from operating activities		
Net profit before taxes, etc	4,137	-30,328
Depreciation	1,398	5,952
Adjustment for extraordinary profit and loss		
Profit from sale on fixed assets		-25
Loss from sale on disposition of fixed assets	30	2,374
Profit from sale on investment securities	-125	-535
Write-down and sale of investment securities	142	5,569
Write-down of golf club memberships		33
Write-down of other investments		402
Re-amortization of future retirement and severance pay obligations in line with a change to accounting standards	422	1,690
Expenses incurred through merging or eliminating branches		668
Special retirement allowance		6,262
Reversal from reserve for securities transaction liabilities	-144	-355
Allowance for bad debts		128
Interest income and dividends receivable	-1,277	-4,982
Interest cost	854	3,646
Investment loss on equity method	5	245
Increase/decrease in loans receivable	33	267
Increase/decrease in money held as customers' trust	-1,850	13,090
Increase/decrease in advances and deposits received	-888	2,491
Increase/decrease in trading products	44,639	-105,912
Increase/decrease in margin transaction assets	-3,342	14,708
Increase/decrease in margin transaction liabilities	536	-10,669
Increase/decrease in loans receivable secured by securities	325,054	-483,742
Increase/decrease in loans payable secured by securities	-335,284	532,696
Increase/decrease in allowance for bad debts	143	315
Increase/decrease in reserve for bonus	-1,015	-1,901
Increase/decrease in reserves for retirement benefit payments	-2,213	423
Others	-4,256	-3,010
Subtotal	27,001	-50,494
Interest and dividends received	1,093	4,433
Interest paid	-623	-3,685
Income taxes etc. paid	-1,196	-881
Cash flow from operating activities	26,274	-50,627
II		
Cash flows from investing activities		
Payments for purchases of investment securities	-35	-2,853
Proceeds from the sale of investment securities	596	2,879
Payments for purchases of tangible fixed assets	-67	-1,267
Proceeds from the sale and retirement of tangible fixed assets		1,052
Payments for purchases of intangible fixed assets	-2,300	-5,511
Proceeds from sale and disposition of fixed assets		27
Revenue by return on long-term deposits	252	1,335
Other	-34	3,272
Cash flow from investing activities	-1,588	-1,065
III		
Cash flows from financing activities		
Revenue from short-term loans payable	13,545	16,350
Revenue from long-term loans payable	50	19,000
Expenditure for payment of long-term loans payable	-1,755	-27,039
Expenditure for acquiring treasury stocks	-2	-4,762
Dividend paid to minority shareholders	-29	-1,596
Cash flow from financing activities	11,807	1,951
IV		
Effect of foreign exchange rate changes on cash and cash equivalents	29	-233
V		
Increase/decrease in cash and cash equivalents	36,522	-49,974
VI		
Balance of cash and cash equivalents at start of period	40,260	90,235
VII		
Balance of Cash and cash equivalents at end of period	76,783	40,260

[Consolidated financial statements for the first quarter]

The consolidated financial statements for the first quarter follow the provisions of Ministry of Finance (MoF) Ordinance No.24 (1999) entitled “The Rules for Terms, Formats, and Preparation Method of Interim Consolidated Financial Statements” and also comply with the provisions stipulated in Articles 48 and 69 of said ordinance. In addition, they are compiled in accordance with Prime Ministerial and MoF Ordinance No.32 (1998) entitled “Cabinet Ordinance Concerning Securities Companies” and the resolution entitled “Unification of Securities Business Accounting ” adopted by the Japan Securities Dealers Association on 14 November 1974.

[Basic Important Matters for Preparation of interim Non-consolidated Financial Statements]

1. Matters regarding the scope of consolidation

(1) Consolidated subsidiaries (14 subsidiaries)

Major subsidiaries

Nippon Securities Technology Co., Ltd.
Shinko Securities Business Services Co., Ltd.
Shinko Investment Trust Management Co., Ltd.
Shinko Investment Co., Ltd.

(2) Non-consolidated subsidiaries (1 subsidiary)

Shinko IPO Investment Business Fund No.1

2. Matters concerning the application of equity method

Equity-method affiliates (5 affiliates)

Major affiliates

Eiwa Securities Co., Ltd.
Mitoyo Securities Co., Ltd.

3. Matters concerning the interim period of consolidated subsidiaries of consolidated subsidiaries

With regard to our consolidated subsidiaries, we use and consolidate their financial statements from quarterly closings conducted on the same dates as the parent company's closings.

4. Matters concerning the accounting standard

(1) Valuation standard for significant assets

1) Valuation standard for securities classed as trading assets (securities held with the intention to sell them):

Securities and derivative contracts classed as trading products and held by the parent company or subsidiaries are recorded at present market value.

2) Valuation standard for securities not classed as trading assets:

The following valuation methods are applied to securities that are not held for trading purposes:

a) Market values of bonds that are to be retained until maturity.

The depreciable cost (straight-line) method is used

b) Other securities

Securities, etc that have market values:

The present market value is recorded on the consolidated balance sheet and differences between this and acquisition cost is incorporated into the capital account in full. The selling price is based on the moving-average cost method.

Securities, etc that have no market values

Valued using the moving-average cost method.

(2) Depreciation methods used for depreciable assets

1) Tangible fixed assets

Both the parent company and subsidiaries use mainly fixed-percentage depreciation.

However, buildings acquired after 1 April 1998 (excluding the equipment etc. they contain) are depreciated using the straight-line (fixed amount) method.

2) Intangible fixed assets and long-term prepaid expenses

The straight-line method is used.

However, software for our own use is depreciated using a straight-line method with the fixed amount of depreciation being determined by the duration of its potential internal use.

(3) Handling of significant lease transaction

In the case of finance leases where ownership is not deemed to have passed to the lessee, normal accounting procedures for leases are followed.

(4) Criteria for provision of significant allowance

1) Allowance for bad debts

In preparation for loss from bad debt in loans receivables, etc., the recoverable possibilities of general receivables are reviewed based on the ratio of past uncollectibles and those of specific receivables including the ones that are likely to become bad debts are individually reviewed, so that the irrecoverable amount can be estimated.

2) Reserve for bonus payments

To prepare for the payment of bonuses to employees, each group company calculated the estimated value of future payments and charged an appropriate portion of this obligation to the first quarter.

3) Reserve for retirement benefit

To prepare for the payment of lump sum retirement bonuses and qualified pensions, the difference between the value of such obligations and the total value of our pension assets at the end of this financial year was estimated, and the portion of the additional shortfall considered to have arisen in the first quarter was charged to the first quarter.

The difference at the change in the accounting method (8,454 million yen) will be amortized in straight-line method over 5 years, and the amount appropriated to this interim period is included in the Extraordinary loss.

Past service liabilities are regarded at any time as being a number of years (10 years) that fall within the average number of years' service remaining for each employee. These liabilities are amortized and charged to the period for which it was calculated using the straight-line method.

Actuarial gains and losses are also charged after amortizing by the straight-line method a number of years (10 years) that fall within the average number of years' service remaining for each employee. However, in this case, the charges are recorded in the following consolidated financial year.

(5) Standards for converting assets and liabilities denominated in foreign currencies

Foreign currency denominated claims and obligations are translated into Japanese yen at the spot rate prevailing on the day the consolidated balance sheet was prepared. Currency conversion losses or gains are recorded on the income statement as such.

The assets, liabilities, revenues, and expenses of foreign subsidiaries are also translated into Japanese yen at the spot rate prevailing on the day the consolidated balance sheet was compiled. Any conversion losses or gains are recorded in the capital account under the heading "Exchange conversion adjustment account".

(6) Method of significant hedge accounting

In order to hedge our exposure to cash flow fluctuations caused by borrowing at variable interest rates, we enter into interest rate swap contracts. These are handled on a case-by-case basis.

(7) Accounting for consumption tax, etc.

The tax exclusion method is applied.

5. Valuation of assets and liabilities belonging to subsidiaries

All valuation of assets and liabilities at subsidiaries is carried out at present market value.

6. Amortization of the consolidation adjustment account

This account is amortized in the lump for the year when it occurred.

7. Matter concerning the handling of profit appropriation and the like

Regarding the disposal of surpluses at consolidated companies, the consolidated earned surplus statement is compiled based on the appropriation of surpluses that have been determined during that consolidated financial year.

8. Scope of cash and cash equivalents included in the consolidated statement of cash flows

The cash movements recorded in the consolidated statement of cash flows are those of cash and cash equivalents. Assets classed as cash or cash equivalents are cash on hand, deposits for which no notice of withdrawal is required, and highly liquid short-term investments that carry next to no price risk and have a maturity of less than three months.

[Notes on consolidated balance sheets]

(Shinko Securities)

	Quarter ended 30 June 2003	Quarter ended 30 June 2002	Year ended 31 March 2003 (Million yen)
1. Accumulated depreciation of tangible fixed assets	21,370	21,903	20,989
2. Liabilities for guarantee (Guarantee reservation of the above)	3,023 (2,839)	4,001 (3,318)	3,670 (3,426)

In accordance with Report No.61 of the Auditing Committee of the Japanese Institute of Certified Public Accountants entitled “Auditing Procedures Concerning the Accounting for and Presentation of Guarantee Obligations and Similar”, we recognize that we bear effective responsibility for guaranteeing our obligations and therefore provide a footnote giving details of these obligations.

3. Subordinated borrowings

Among our long-term borrowings (including those that mature within one year), there are the following subordinated obligations (borrowings with special subordinating conditions) as defined in Article 2 of Cabinet Office Ordinance No.23 (2001) entitled “Orders Concerning the Capital Requirement of Securities Companies”.

	Quarter ended 30 June 2003	Quarter ended 30 June 2002	Year ended 31 March 2003 (Million yen)
	38,500	41,000	38,500

[Notes on consolidated statement of income]

	Quarter ended 30 June 2003	Quarter ended 30 June 2002	Year ended 31 March 2003 (Million yen)
Extraordinary profits			
Profit from sale of fixed assets		5	25
Profit from sale of investment securities	125	58	535
Reversal of reserve for securities transaction liabilities	144	355	355
Reversal of allowance for bad debts		3	
Extraordinary losses			
Loss from sale of fixed assets		75	1,607
Loss from disposition of fixed assets	30	28	766
Loss from sale of investment securities	120	19	330
Write-down of investment securities	21	344	5,239
Write-down of golf club memberships			33
Write-down of other investments			402
Re-amortization of future retirement and severance pay obligations in line with a change to accounting standards	422	422	1,690
Expenses incurred through merging or eliminating branches			668
Special retirement allowance			6,262
Allowance for bad debts			128

Data on Consolidated Settlement of Accounts for the First Quarter

1. Commissions and fees received

(1) Breakdown for each account

(Million yen)

	Quarter ended 30 June 2003	Quarter ended 30 June 2002	% change on same period in previous year	Year ended 31 March 2003
Brokerage commissions	6,276	7,003	89.6	20,998
(Equities)	(6,157)	(6,785)	(90.8)	(20,354)
(Bonds)	(104)	(175)	(59.6)	(514)
Underwriting & selling fees	958	1,041	92.0	3,496
(Equities)	(662)	(639)	(103.6)	(2,268)
(Bonds)	(296)	(402)	(73.7)	(1,227)
Offering & selling fees and commissions	2,426	1,909	127.1	8,429
Other fees and commissions	2,856	3,638	78.5	12,710
Total	12,518	13,593	92.1	45,634

(2) Breakdown for each product

(Million yen)

	Quarter ended 30 June 2003	Quarter ended 30 June 2002	% change on same period in previous year	Year ended 31 March 2003
Equities	7,004	7,698	91.0	23,492
Bonds	782	959	81.6	3,154
Beneficiary securities	4,068	4,181	97.3	16,437
Others	663	754	87.9	2,550
Total	12,518	13,593	92.1	45,634

2. Trading profit/ loss

(Million yen)

	Quarter ended 30 June 2003	Quarter ended 30 June 2002	% change on same period in previous year	Year ended 31 March 2003
Equities, etc.	3,753	1,445	259.6	4,723
Bonds, exchange, etc.	10,267	6,075	169.0	25,418
(Bonds, etc.)	(11,030)	(4,419)	(249.6)	(25,623)
(Exchange, etc.)	(-763)	(1,655)	()	(-204)
Total	14,020	7,521	186.4	30,142

(Reference)

Quarterly Changes in Consolidated Statement of Income

(Million yen)

	First quarter of previous financial year	Second quarter of previous financial year	Third quarter of previous financial year	Fourth quarter of previous financial year	First quarter of current financial year
Operating revenues	21,774	18,632	20,502	19,392	27,566
Commissions and fees received	13,593	10,606	12,552	8,882	12,518
Brokerage commissions	7,003	4,485	5,683	3,825	6,276
(Equities)	(6,785)	(4,316)	(5,523)	(3,729)	(6,157)
(Bonds)	(175)	(130)	(127)	(80)	(104)
Underwriting & selling fees	1,041	756	753	943	958
(Equities)	(639)	(599)	(391)	(637)	(662)
(Bonds)	(402)	(157)	(361)	(306)	(296)
Offering & selling fees	1,909	1,908	2,266	2,345	2,426
Other fees and commissions	3,638	3,455	3,848	1,767	2,856
Trading profit	7,521	6,721	6,523	9,376	14,020
Equities, etc.	1,445	1,067	838	1,372	3,753
Bonds, exchange, etc.	6,075	5,654	5,684	8,004	10,267
(Bonds, etc.)	(4,419)	(6,251)	(5,977)	(8,974)	(11,030)
(Exchange, etc.)	(1,655)	(-597)	(-293)	(-970)	(-763)
Profit (loss) on investment securities for sale	71	10	2	-27	21
Financial revenues	588	1,295	1,424	1,161	1,004
Financial expenses	939	969	865	871	854
Net operating revenues	20,834	17,662	19,637	18,521	26,711
Selling, general and administrative expenses	25,005	22,964	22,038	22,035	22,901
Transaction expenses	3,095	3,784	3,175	2,868	2,910
Personnel expenses	13,327	11,823	11,860	11,228	12,547
Real estate expenses	4,885	3,779	3,983	4,189	4,250
Office expenses	1,073	772	804	1,579	845
Depreciation	1,177	1,722	1,482	1,571	1,398
Taxes and dues	376	115	114	103	238
Others	1,071	967	617	494	709
Operating profit	-4,170	-5,301	-2,400	-3,513	3,810
Non-operating revenues	2,349	630	1,166	1,575	1,387
Non-operating expenses	802	1,143	652	1,851	734
Investment loss on equity method	68	200	1	-24	5
Others	733	942	651	1,875	728
Ordinary profit	-2,623	-5,813	-1,886	-3,789	4,463
Extraordinary profits	422	71	16	405	270
Extraordinary losses	890	2,057	2,101	12,081	596
Net profit before taxes, etc	-3,091	-7,799	-3,971	-15,464	4,137
Income taxes	434	181	180	688	153
Adjustment amount for income taxes	13	6	55	857	
Minority interest	36	-44	72	-503	18
Net profit	-3,576	-7,943	-4,280	-16,507	3,965