

Summary of Business Results for the Third Quarter of 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 business results for the third quarter of the financial year ending 31 March 2004
 (1 April 2003 to 31 December 2003)

(1) Consolidated results of business activities (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	%
Third quarter to December 2003	83,317	(36.8)	79,893	(37.4)	12,478	()	14,116	()
Third quarter to December 2002	60,910	(-18.0)	58,135	(-17.8)	-11,872	()	-10,324	()
Financial year to March 2003	80,303		76,656		-15,386		-14,113	

	Net profit for this period		Net profit per share	Net profit per share (diluted)
	mil. yen	%	yen	yen
Third quarter to December 2003	11,686	()	15.10	
Third quarter to December 2002	-15,800	()	-19.72	
Financial year to March 2003	-32,307		-40.59	

- (Note) 1. Investment profit or loss on equity method: Third quarter to December 2003: 20 million yen
 Third quarter to December 2002: -270 million yen
 Financial year to March 2003: -245 million yen
2. Average number of shares outstanding (consolidated): Third quarter to December 2003: 774,103,157
 Third quarter to December 2002: 801,238,088
 Financial year to March 2003: 795,982,332
3. Percentage figures for operating revenues, net operating revenues, operating profit, ordinary profit, and net profit represent the percentage increase (or decrease) on the same period last year.

(2) Consolidated financial status

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	mil. yen	mil. yen	%	yen
Third quarter to December 2003	2,572,450	220,107	8.6	284.35
Third quarter to December 2002	1,802,931	221,302	12.3	280.45
Financial year to March 2003	2,155,425	203,154	9.4	262.45

- (Note) Number of shares outstanding (consolidated): Third quarter to December 2003: 774,085,045
 Third quarter to December 2002: 789,103,779
 Financial year to 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
Third quarter to December 2003	10,204	-7,255	64,055	106,879
Third quarter to December 2002				
Financial year to March 2003	-50,627	-1,065	1,951	40,260

(Note) Consolidated cash flow data for the third quarter ended 31 December 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 non-consolidated subsidiaries 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):

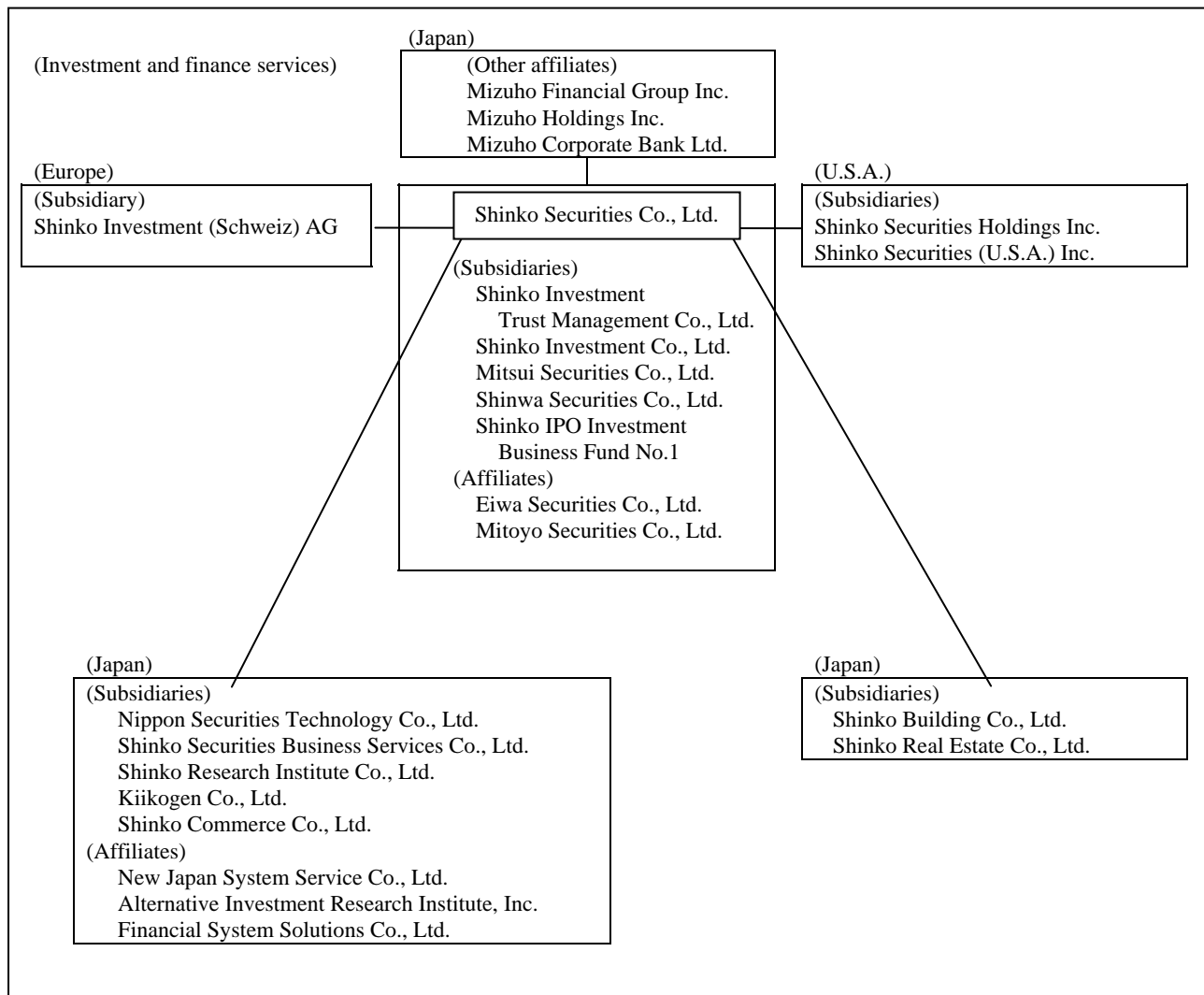
Because the main business activity of our corporate group is the buying and selling of securities, our earnings are strongly influenced by market conditions, etc. For this reason, we do not conduct forecasts of our business results.

Our Corporate Group

Our corporate group is composed of 15 subsidiaries and 5 affiliates. The business activities of our company and of 8 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.

Organizational Diagram of Corporate Group



Business Performance and Financial Position

[Business Performance]

Business results for the Third Quarter to December 2003

This third-quarter period (covering the nine-month period from April to December 2003 and hereinafter referred to as “this period”) began with the Japanese economy, and the manufacturing sector in particular, at a standstill as it found itself in a period of sluggish export growth that lasted until the summer. From then on, however, real prospects for a gentle economic recovery emerged. Chief factors were an upturn in capital spending on the back of a sharp improvement in corporate earnings, and a rebound in exports thanks to better economic conditions overseas. The stock market got off to a turbulent start with the Nikkei Stock Average dropping to its lowest point since the collapse of the bubble economy in late April. After that, however, higher stock prices across the globe prompted foreign investors to start buying Japanese stocks, which ignited a sharp rebound here. The period from the summer into early autumn, in particular, saw stronger hopes for an economic recovery and receding concerns about the financial system trigger increasing optimism among domestic investors. This resulted in higher turnover and a sustained upward trend that lifted the Nikkei to its high for the year in mid-October. The bond market went into a heavy correction phase in mid-June as deflation fears around the world subsided, but a lull in stock price rises from early autumn onwards saw bond yields finish at more or less the level they started at.

Overseas, the pace of the US recovery gained momentum as the war in Iraq ended and policy measures - notably tax cuts - began to have an impact. European economies, too, also began to show signs of improvement, spurred on by a recovery in exports. Despite some short-lived correction phases, the underlying trend in stock markets in the US and Europe remained upward throughout this period. High US stock prices were the driving force, amid a growing feeling of confidence that business conditions and corporate earnings were improving. Rallying stock markets and receding deflation fears saw bond markets go through a correction phase over the summer, but expectations of continued low interest rates and a leveling off in prices kept bond prices relatively firm after that.

Against this background, our corporate group earned consolidated operating revenues of 83.317 billion yen (136.8% of that for the same period last year), an ordinary profit of 14.116 billion yen, and a net profit of 11.686 billion yen. A brief breakdown of these results follows:

1. Commissions and fees received

Commissions and fees received during this period totaled 46.472 billion yen (126.4%). A breakdown of this income follows:

(1) Brokerage commissions

The average daily turnover during this period in the sections 1 and 2 of the Tokyo Stock Exchange was 1.809 trillion yen (141.8%). Our company brokered the sale of 7.706 billion shares of stock (175.1%) worth 4.7576 trillion yen (151.6%), while our commissions on the same totaled 26.723 billion yen (160.7%). Commissions earned on bond brokering totaled 216 million yen (49.9%).

(2) Underwriting and selling fees

We lead managed public offerings of stock from 10 already-listed firms, were lead managers for 14 IPOs, and served as underwriters for 130 out of the 210 firms offering shares during this period. In total, we earned 2.925 billion yen (179.4%) in fees and commissions from underwriting and selling fresh equity.

In bonds, we lead managed or jointly lead managed 26 issues, and served as underwriters for a total of 272 issues. Our bond underwriting and selling fees and commissions amounted to 787 million yen (85.5%).

(3) Offering, selling, and other fees and commissions

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 prolonged ultra-low interest rates, this period witnessed a large, industry-wide, increase in the total balance of cash invested in income funds, and we therefore concentrated our efforts on marketing income funds that invest in foreign bonds. As a complement to our existing foreign government bond funds, we launched a new fund dubbed “IG Fund” that invests in investment-grade foreign corporate bonds, as well as an open-end income fund from DIAM (Daiichi Asset Management) named “Happy Clover” that purchases only very highly rated issues and pays out returns on a monthly basis. Among newly launched equity funds were the April, June, and October 2003 versions of a principal-secured Australian-dollar denominated fund that tracks the movement of the Nikkei 225 index; August and November 2003 versions of the Shinko Japan Unit; and a DIAM-managed open-end China-related equity fund nicknamed “Chinese Angel”. The sale of these products, alongside existing Japanese stock funds such as Shinko Japan Open and a small-cap stock fund nicknamed “Growing Up”, allowed us to respond effectively to the stock market rebound.

Regarding funds that invest in domestic public and corporate bonds, we launched four new public and corporate bond unit trusts that are managed by Kogin Daiichi Life Asset Management and aimed at addressing the problem of declining returns from public bond investment trust.

These moves allowed us to earn handling commissions for offering and selling of 6.762 billion yen (111.2%), and

other fees and commissions of 9 billion yen (82.3%).

2. Trading profits

This period saw us earn trading profits of 10.987 billion yen (327.8%) on equity trading, and 24.174 billion yen (138.8%) on the trading of bonds, foreign currency and other instruments. Total trading profits thus stood at 35.162 billion yen (169.3%).

3. Financial balance

Deducting financial expenses from financial revenues gives a negative financial balance of 1.939 billion yen.

4. Selling, general and administrative expenses

Although there was an increase in systems development expenses paid to external contractors, lower transaction and real estate expenses pushed total SG&A expenses for this period down to 67.415 billion yen (96.3%).

5. Extraordinary profits and losses

We recorded extraordinary profits of 711 million yen on factors such as gains on the sale of investment securities. However, we recorded extraordinary losses of 772 million yen on valuation losses on investment securities holdings, and booked an amortized charge of 1.268 billion yen against a shortfall in reserves to cover retirement and severance pay obligations that was recognized following a change to accounting standards. Overall, we recorded an extraordinary loss of 1.461 million yen.

[Financial status]

Factors such as a reduction in holdings of trading products meant net cash provided in operating activities was 10.204 billion yen.

Net cash used in investing activities totaled 7.255 billion yen on factors such as an increase in systems investment.

Financing activities provided net cash of 64.055 billion yen on factors such as an increase in our issue of commercial paper.

As a result of these flows, the balance of cash and cash equivalents stood at 106.879 billion yen at the end of this period.

Consolidated Balance Sheets

(In millions of yen)

	Third quarter to 31 December 2003	Third quarter to 31 December 2002	Year-on-year increase/decrease	Financial year to 31 March 2003
Assets				
Current assets	2,424,183	1,655,934	768,249	2,016,757
Cash and due from banks	107,161	89,606	17,554	41,292
Fund deposits	45,792	33,987	11,804	34,019
Trading products	1,054,950	790,452	264,497	893,408
Trading securities, etc.	1,051,620	785,820	265,799	889,315
Derivative assets	3,330	4,632	-1,301	4,092
Trade date accrual	55,977		55,977	25,532
Investment securities for sale	3,567	5,264	-1,696	4,177
Margin transaction assets	69,785	34,561	35,223	38,082
Customers' loans receivable in margin transactions	62,883	27,906	34,976	29,481
Collateral for borrowed securities for margin transactions	6,902	6,654	247	8,600
Loans receivable secured by securities	1,070,057	682,596	387,461	958,609
Collateral for borrowed securities	1,068,057	670,596	397,460	958,609
Loans receivable in gensaki transactions	1,999	11,999	-9,999	
Advances	544	1,619	-1,075	1,013
Accounts for non-delivered securities and others		7	-7	4,356
Short-term loans receivable	133	153	-20	275
Securities	1,524		1,524	713
Deferred income tax assets	493	531	-38	528
Other current assets	14,350	17,173	-2,823	14,817
Allowance for bad debts	-154	-19	-135	-69
Fixed assets	148,266	146,997	1,269	138,668
Tangible fixed assets	51,145	55,480	-4,335	52,827
Intangible fixed assets	18,198	11,997	6,200	12,505
Investments and other assets	78,922	79,518	-596	73,335
Investment securities	52,746	46,764	5,982	45,426
Long-term deposits	15,758	17,342	-1,584	16,566
Deferred income tax assets	267	1,586	-1,318	273
Other investments	15,365	18,878	-3,512	16,140
Allowance for bad debts	-5,215	-5,052	-163	-5,071
Total assets	2,572,450	1,802,931	769,518	2,155,425

	Third quarter to 31 December 2003	Third quarter to 31 December 2002	Year-on-year increase/decrease	Financial year to 31 March 2003
Liabilities				
Current liabilities	2,284,187	1,513,618	770,568	1,886,637
Trading products	904,359	433,421	470,937	422,353
Trading securities, etc.	898,677	429,986	468,691	418,645
Derivative liabilities	5,681	3,435	2,245	3,707
Trade date accrual		24,928	-24,928	
Margin transaction liabilities	26,756	18,782	7,973	20,662
Customers' loans payable for margin transactions	20,710	11,403	9,306	15,506
Collateral for loaned securities for margin transactions	6,045	7,378	-1,333	5,155
Loans payable secured by securities	1,118,362	885,586	232,776	1,272,302
Amounts receivable on loan transactions	868,024	558,678	309,346	949,296
Loans payable in gensaki transactions	250,338	326,908	-76,570	323,006
Deposits received	35,566	26,928	8,637	32,563
Received margins	13,519	7,473	6,046	7,284
Accounts for non-received securities and others	9	1	8	4,356
Short-term loans payable	147,640	96,445	51,195	111,310
Commercial paper	30,000	13,500	16,500	2,000
Income taxes payable	616	682	-66	1,205
Deferred tax liabilities		12	-12	8
Reserve for bonus	1,657	1,517	140	2,294
Other current liabilities	5,699	4,337	1,361	10,294
Fixed liabilities	62,163	61,719	443	59,773
Long-term loans payable	36,522	38,352	-1,830	36,732
Deferred tax liabilities	3,952	617	3,335	643
Reserves for retirement benefits	16,545	16,575	-30	17,084
Other fixed liabilities	5,141	6,173	-1,031	5,312
Statutory reserve	833	978	-144	978
Total liabilities	2,347,185	1,576,317	770,867	1,947,389
Minority interest	5,157	5,311	-154	4,881
Shareholders' equity				
Common stock	125,167	125,167		125,167
Capital surplus	82,086	111,407	-29,321	111,407
Earned surplus	12,570	-11,851	24,421	-28,439
Difference in valuation of securities	6,171	364	5,807	834
Foreign exchange translation adjustment	217	281	-63	286
Treasury stock	-6,106	-4,067	-2,038	-6,102
Total shareholders' equity	220,107	221,302	-1,195	203,154
Total liabilities, minority interest, and shareholders' equity	2,572,450	1,802,931	769,518	2,155,425

Consolidated Statement of Income

(In millions of yen)

	Third quarter from 1 April 2003 to 31 December 2003	Third quarter from 1 April 2002 to 31 December 2002	% change from same period last year	Financial year from 1 April 2002 to 31 March 2003
Operating revenues	83,317	60,910	136.8	80,303
Commissions and fees received	46,472	36,752	126.4	45,634
Trading profit or loss	35,162	20,765	169.3	30,142
Trading profit or loss on investment securities for sale	198	83	237.0	56
Financial revenues	1,484	3,308	44.9	4,469
Financial expenses	3,424	2,774	123.4	3,646
Net operating revenues	79,893	58,135	137.4	76,656
Selling, general and administrative expenses	67,415	70,008	96.3	92,043
Transaction expenses	9,111	10,054	90.6	12,922
Personnel expenses	36,672	37,011	99.1	48,239
Real estate expenses	11,052	12,648	87.4	16,838
Office expenses	3,855	2,649	145.5	4,229
Depreciation	4,150	4,381	94.7	5,952
Taxes and dues	416	606	68.7	709
Others	2,156	2,655	81.2	3,150
Operating profit	12,478	-11,872		-15,386
Non-operating revenues	3,876	4,146	93.5	5,722
Investment profit on equity method	20			
Others	3,855	4,146	93.0	5,722
Non-operating expenses	2,237	2,598	86.1	4,449
Investment loss on equity method		270		245
Others	2,237	2,328	96.1	4,203
Ordinary profit	14,116	-10,324		-14,113
Extraordinary profits	1,433	510	280.7	916
Extraordinary losses	2,895	5,050	57.3	17,131
Net profit before taxes, etc.	12,655	-14,863		-30,328
Income taxes	691	795	86.9	1,483
Adjustment amount for income taxes	38	76	50.8	933
Minority interest	238	64	367.8	-438
Net profit	11,686	-15,800		-32,307

Consolidated Statement of Earned Surplus

(In millions of yen)

	Third quarter from 1 April 2003 to 31 December 2003	Third quarter from 1 April 2002 to 31 December 2002	Financial year from 1 April 2002 to 31 March 2003
Capital surplus			
Balance of capital surplus at start of period	111,407	118,805	118,805
Increase in capital surplus	1		
Gain/loss on disposal of treasury stock	1		
Decrease in capital surplus	29,322	7,397	7,397
Offset by capital reserve	29,322	7,397	7,397
Balance of capital surplus at end of period	82,086	111,407	111,407
Earned Surplus			
Balance of earned surplus at start of period	-28,439	-3,487	-3,487
Increase in earned surplus	41,009	7,436	7,397
Offset by capital reserve	29,322	7,397	7,397
Net profit	11,686		
Increase in earned surplus outside the scope of the equity method		38	
Decrease in earned surplus		15,800	32,349
Net profit		-15,800	-32,307
Reduction in earned surplus outside the scope of the equity method			42
Balance of earned surplus at end of period	12,570	-11,851	-28,439

Consolidated Cash Flow Statement

(In millions of yen)

	Third quarter from 1 April 2003 to 31 December 2003	Financial year from 1 April 2002 to 31 March 2003
I Cash flows from operating activities		
Net profit before taxes, etc.	12,655	-30,328
Depreciation	4,150	5,952
Adjustment for extraordinary profit and loss		
Profit from sale on fixed assets	-11	-25
Loss from sale or disposition of fixed assets	484	2,374
Profit from sale on investment securities	-711	-535
Write-down and loss from sale of investment securities	894	5,569
Write-down of golf club memberships	3	33
Write-down of other investments	-	402
Re-amortization of future retirement and severance pay obligations in line with a change to accounting standards	1,268	1,690
Expenses incurred through merging or eliminating branches	228	668
Special retirement allowance	-	6,262
Profit from recovery of bad debts	-565	-
Reversal from reserve for securities transaction liabilities	-144	-355
Addition to allowance for bad debts	15	128
Interest income and dividends receivable	-2,001	-4,982
Interest cost	3,424	3,646
Investment profit/loss on equity method	-20	245
Increase/decrease in loans receivable	171	267
Increase/decrease in money held as customers' trust	-11,750	13,090
Increase/decrease in advances and deposits received	3,471	2,491
Increase/decrease in trading products	290,763	-105,912
Increase/decrease in margin transaction assets	-31,703	14,708
Increase/decrease in margin transaction liabilities	6,093	-10,669
Increase/decrease in loans receivable secured by securities	-111,447	-483,742
Increase/decrease in loans payable secured by securities	-153,940	532,696
Increase/decrease in allowance for bad debts	310	315
Increase/decrease in reserve for bonus	-637	-1,901
Increase/decrease in reserves for retirement benefits	-1,806	423
Others	3,917	-3,010
Subtotal	13,112	-50,494
Interest and dividends received	1,595	4,433
Interest paid	-3,222	-3,685
Income taxes, etc. paid	-1,281	-881
Cash flow from operating activities	10,204	-50,627
II Cash flows from investing activities		
Payments for purchases of investment securities	-2,477	-2,853
Proceeds from the sale of investment securities	2,548	2,879
Payments for purchases of tangible fixed assets	-234	-1,267
Proceeds from the sale of tangible fixed assets	413	1,052
Payments for purchases of intangible fixed assets	-8,754	-5,511
Proceeds from sale of intangible fixed assets	53	27
Revenue by return on long-term deposits	808	1,335
Others	386	3,272
Cash flow from investing activities	-7,255	-1,065
III Cash flows from financing activities		
Increase/decrease in short-term loans payable	65,985	16,350
Proceeds from long-term loans payable	-	19,000
Payments for long-term loans payable	-1,865	-27,039
Payments for acquiring treasury stocks	-35	-4,762
Dividend paid to minority shareholders	-29	-1,596
Cash flow from financing activities	64,055	1,951
IV Effect of foreign exchange rate changes on cash and cash equivalents	-385	-233
V Increase/decrease in cash and cash equivalents	66,618	-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	106,879	40,260

[Consolidated financial statements]

These consolidated financial statements 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 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 Co., Ltd.
Shinko Investment Trust Management 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

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

3. Matters concerning the period 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 method for significant assets

1) Valuation method for securities classed as trading products (securities held for trading purpose):

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

2) Valuation method for securities not classed as trading products:

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

a) Bonds that are to be held to 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 sheets 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 significant depreciable assets

1) Tangible fixed assets

Both our company and domestic consolidated 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.

Moreover, 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 (5 years).

(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) Accounting standards for significant reserves and allowances

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

To prepare for the payment of bonuses to employees, we calculated the estimated value of future payments and charged an appropriate portion of this obligation to this period.

3) Reserves for retirement benefits

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 this period was charged to this period.

The difference at the change in the accounting method (8.454 billion yen) will be amortized in straight-line method over 5 years, and the amount appropriated to this 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 this 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 translating significant 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 translation 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 translation losses or gains are recorded in the capital account under the heading "Foreign exchange translation adjustment".

(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. Scope of cash and cash equivalents included in the consolidated cash flow statement

The cash movements recorded in the consolidated cash flow statement 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]

	Third quarter to 31 December 2003	Third quarter to 31 December 2002	Financial year to 31 March 2003 (In millions of yen)
1. Accumulated depreciation of tangible fixed assets	23,366	22,363	20,989
2. Guarantee obligations (guarantee exercise anticipated)	2,838 (2,662)	3,756 (3,497)	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”.

	Third quarter to 31 December 2003	Third quarter to 31 December 2002	Financial year to 31 March 2003 (In millions of yen)
	38,500	41,000	38,500

[Notes on consolidated statement of income]

	Third quarter from 1 April 2003 to 31 December 2003	Third quarter from 1 April 2002 to 31 December 2002	Financial year from 1 April 2002 to 31 March 2003 (In millions of yen)
Extraordinary profits			
Profit from sale of fixed assets	11	14	25
Profit from sale of investment securities	711	140	535
Profit from recovery of bad debts	565		
Reversal from reserve for securities transaction liabilities	144	355	355
Extraordinary losses			
Loss from sale of fixed assets	163	472	1,607
Loss from disposition of fixed assets	320	224	766
Loss from sale of investment securities	122	31	330
Write-down of investment securities	772	2,777	5,239
Write-down of golf club memberships	3		33
Write-down of other investments			402
Re-amortization of future retirement and severance pay obligations in line with a change to accounting standards	1,268	1,268	1,690
Expenses incurred through merging or eliminating branches	228	262	668
Special retirement allowance			6,262
Addition to allowance for bad debts	15	13	128

Data on Consolidated Settlement of Accounts

1. Commissions and fees received

(1) Breakdown for each account

(In millions of yen)

	Third quarter from 1 April 2003 to 31 December 2003	Third quarter from 1 April 2002 to 31 December 2002	% change from same period last year	Financial year from 1 April 2002 to 31 March 2003
Brokerage commissions	26,995	17,172	157.2	20,998
(Equities)	(26,723)	(16,625)	(160.7)	(20,354)
(Bonds)	(216)	(433)	(49.9)	(514)
Underwriting & selling fees	3,713	2,552	145.5	3,496
(Equities)	(2,925)	(1,630)	(179.4)	(2,268)
(Bonds)	(787)	(921)	(85.5)	(1,227)
Offering & selling fees and commissions	6,762	6,084	111.2	8,429
Other fees and commissions	9,000	10,942	82.3	12,710
Total	46,472	36,752	126.4	45,634

(2) Breakdown for each product

(In millions of yen)

	Third quarter from 1 April 2003 to 31 December 2003	Third quarter from 1 April 2002 to 31 December 2002	% change from same period last year	Financial year from 1 April 2002 to 31 March 2003
Equities	30,254	18,917	159.9	23,492
Bonds	2,305	2,230	103.4	3,154
Beneficiary securities	11,957	13,230	90.4	16,437
Others	1,954	2,374	82.3	2,550
Total	46,472	36,752	126.4	45,634

2. Trading profit or loss

(In millions of yen)

	Third quarter from 1 April 2003 to 31 December 2003	Third quarter from 1 April 2002 to 31 December 2002	% change from same period last year	Financial year from 1 April 2002 to 31 March 2003
Equities, etc.	10,987	3,351	327.8	4,723
Bonds, exchange, etc.	24,174	17,414	138.8	25,418
(Bonds, etc.)	(24,008)	(16,649)	(144.2)	(25,623)
(Exchange, etc.)	(166)	(765)	(21.8)	(-204)
Total	35,162	20,765	169.3	30,142

(Reference)

Quarterly Changes in Consolidated Statement of Income

(In millions of yen)

	Third quarter of previous financial year	Fourth quarter of previous financial year	First quarter of current financial year	Second quarter of current financial year	Third quarter of current financial year
Operating revenues	20,502	19,392	27,566	28,200	27,551
Commissions and fees received	12,552	8,882	12,518	16,792	17,160
Brokerage commissions	5,683	3,825	6,276	10,604	10,114
(Equities)	(5,523)	(3,729)	(6,157)	(10,520)	(10,045)
(Bonds)	(127)	(80)	(104)	(63)	(49)
Underwriting & selling fees	753	943	958	1,147	1,607
(Equities)	(391)	(637)	(662)	(922)	(1,340)
(Bonds)	(361)	(306)	(296)	(224)	(267)
Offering & selling fees and commissions	2,266	2,345	2,426	1,975	2,360
Other fees and commissions	3,848	1,767	2,856	3,065	3,077
Trading profit or loss	6,523	9,376	14,020	11,245	9,896
Equities, etc.	838	1,372	3,753	3,542	3,690
Bonds, exchange, etc.	5,684	8,004	10,267	7,702	6,205
(Bonds, etc.)	(5,977)	(8,974)	(11,030)	(6,597)	(6,379)
(Exchange, etc.)	(-293)	(-970)	(-763)	(1,104)	(-174)
Trading profit or loss on investment securities for sale	2	-27	21	191	-14
Financial revenues	1,424	1,161	1,004	-29	508
Financial expenses	865	871	854	1,072	1,496
Net operating revenues	19,637	18,521	26,711	27,127	26,054
Selling, general and administrative expenses	22,038	22,035	22,901	21,940	22,572
Transaction expenses	3,175	2,868	2,910	3,035	3,165
Personnel expenses	11,860	11,228	12,547	11,565	12,559
Real estate expenses	3,983	4,189	4,250	3,342	3,459
Office expenses	804	1,579	845	1,625	1,383
Depreciation	1,482	1,571	1,398	1,421	1,330
Taxes and dues	114	103	238	92	85
Others	617	494	709	858	587
Operating profit	-2,400	-3,513	3,810	5,186	3,481
Non-operating revenues	1,166	1,575	1,387	1,402	1,086
Investment profit on equity method					20
Others	1,166	1,575	1,387	1,402	1,065
Non-operating expenses	652	1,851	734	917	585
Investment loss on equity method	1	-24	5	25	-30
Others	651	1,875	728	892	616
Ordinary profit	-1,886	-3,789	4,463	5,670	3,982
Extraordinary profits	16	405	270	949	214
Extraordinary losses	2,101	12,081	596	1,340	958
Net profit before taxes, etc.	-3,971	-15,464	4,137	5,279	3,237
Income taxes	180	688	153	173	364
Adjustment amount for income taxes	55	857		24	14
Minority interest	72	-503	18	81	138
Net profit	-4,280	-16,507	3,965	5,000	2,721