



28 April 2004

Summary of Consolidated Financial Statements for the Financial Year Ended 31 March 2004

Listed company's name: **Shinko Securities Co., Ltd.** Listing stock exchanges: Tokyo, Osaka, and Nagoya
 Code No.: 8606 Location of head office: Tokyo
 (URL: <http://www.shinko-sec.co.jp/>)
 Representative: Takashi Kusama, President
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 These financial statements were approved at a meeting of the Board of Directors on 28 April 2004.
 These financial statements were not compiled in accordance with U.S. GAAP.

1. Summary of Business Results for the Financial Year Ended 31 March 2004 (1 April 2003 to 31 March 2004)

(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	%
Financial year to March 2004	114,967	(43.2)	110,483	(44.1)	20,391	()	22,643	()
Financial year to March 2003	80,303	(-18.3)	76,656	(-18.2)	-15,386	()	-14,113	()

	Net profit		Net profit per share	Net profit per share (diluted)	Return on Equity (ROE)	Ratio of current income to current expenses
	mil. yen	%	yen	yen	%	%
Financial year to March 2004	15,614	()	19.91		7.3	71.7
Financial year to March 2003	-32,307	()	-40.59		-14.5	52.4

(Note) 1. Investment profit or loss on equity method: Financial year to March 2004: 4 million yen
 Financial year to March 2003: -245 million yen
 2. Average number of shares outstanding (consolidated): Financial year to March 2004: 774,091,793
 Financial year to March 2003: 795,982,332
 3. There has been no change in the accounting methods used to compile these financial statements.
 4. Percentage figures for operating revenues, net operating revenues, operating profit, ordinary profit, and net profit represent the percentage increase (or decrease) on the previous year.

(2) Consolidated financial status

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	mil. yen	mil. yen	%	yen
Financial year to March 2004	2,443,667	227,376	9.3	293.49
Financial year to March 2003	2,155,425	203,154	9.4	262.45

(Note) Number of shares outstanding (consolidated): Financial year to March 2004: 774,043,431
 Financial year to March 2003: 774,081,700

(3) 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
Financial year to March 2004	1,758	-7,631	75,539	109,557
Financial year to March 2003	-50,627	-1,065	1,951	40,260

(4) 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

(5) Changes in scope of consolidation and application of the equity method:

Consolidation: No company was added or removed.

Equity method: No company was added or removed.

2. Forecast of consolidated business results for the full financial year ending 31 March 2005 (1 April 2004 - 31 March 2005):

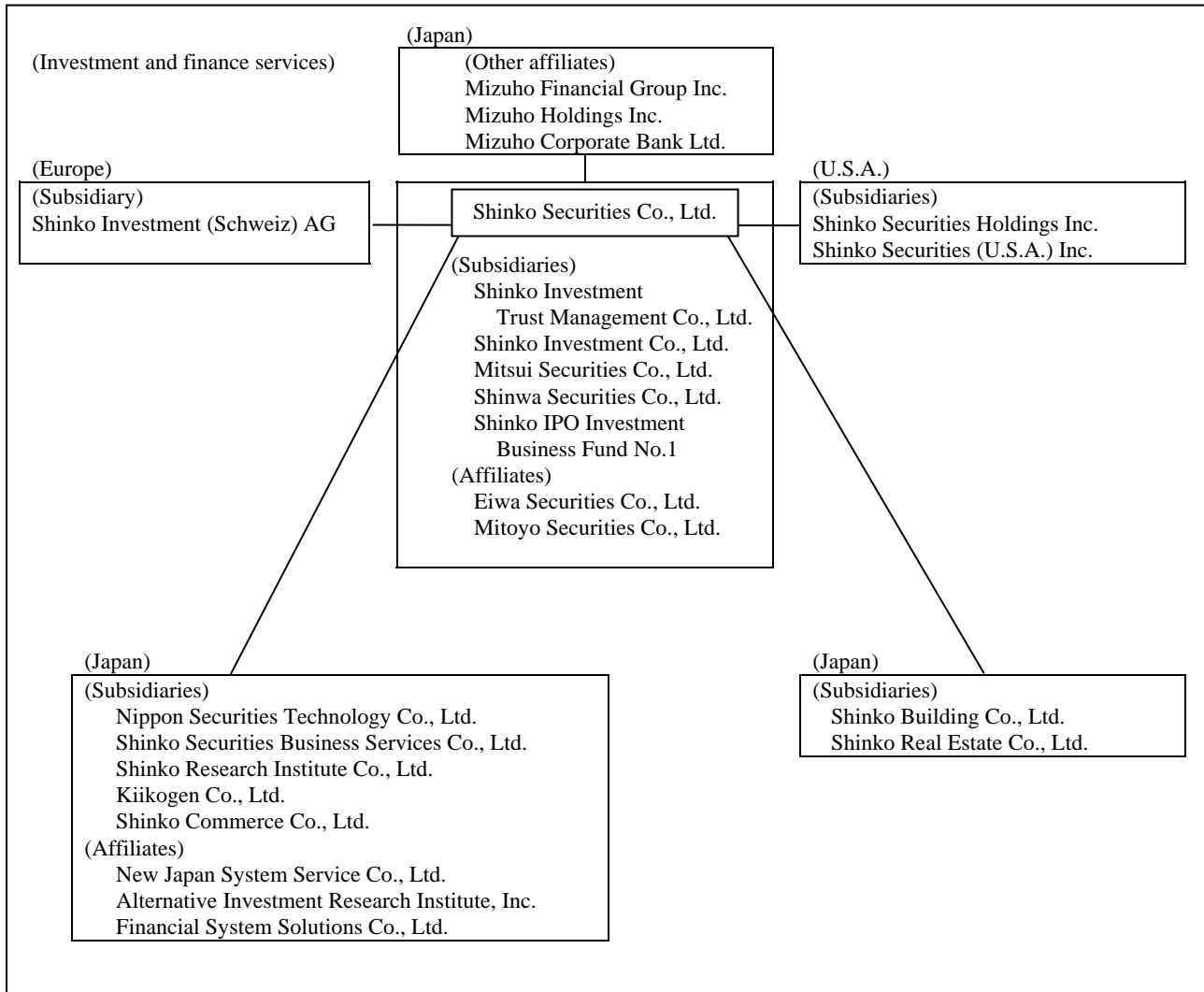
Because the main business activity of our corporate group is the buying and selling of securities, our earnings are strongly influenced by market conditions, etc. For this reason, we do not conduct forecasts of our business results.

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 Policy]1. Basic Business Policy

Our corporate group's main field of business is the securities industry and related areas. In this field we provide a full line of services as a general securities company having multiple, integrated departments. As a securities company in the Mizuho Financial Group, moreover, we aim to maximize the synergy between group members and their departments, thereby providing high-value added financial service to a wide range of customers, from retail to wholesale customers.

2. Basic Policy Regarding Profit Distribution

Our company's main goal is to maximize corporate value. Our basic policy with regard to profit distribution is to provide a variable dividend, based on the results in the period in question.

3. Medium- and Long-Term Business Strategy

Our company has finalized our Third Medium-Term Business Plan which came into effect from April of this year. Current signs suggest that Japan's long-term recession and deflationary spiral may be coming to an end. Our Medium-Term Business Plan will guide our efforts towards significant business expansions which capitalize on the movements in the equity market as investors attempt to pre-empt the economic upturn. The essence of the plan is outlined below.

- Third Medium Term-Business Plan (April 2004 - March 2006.)

(Medium Term-Business Policy)

- In order to firmly establish our position as the leading corporate group in the industry, it is essential for us to maximize the merits of our full range of services. We must expand our middle-retail customer base, pursue improvements in functionality and effectiveness in our corporate division, and further strengthen our products department which supports our customer departments.

(Basic Principles)

- Evolve into the Securities Company which best serves society.
 - Aim to provide the highest standards of product quality
 - Contribute to the vitality of the capital markets
 - Be a warmhearted organization

4. The Year's Business Goals and Their State of Achievement

In this financial year, which marks the final period of our Second Medium-Term Business Plan, we aimed to consolidate our basic principle to "build a business foundation on which stable profits can be obtained in any business environment" by expanding our sales base and reforming our profit structure. Our Retail Division, undertook a customer-focused "Sales Restructuring Project", through which they worked towards the provision of services, product and information relevant to each individual customer. The project achieved a diversification in our product portfolio and an increase in sales revenue, making progress in alleviating our dependence on stocks and moving towards a more stable profit structure. By reforming the style of our person-to-person sales, and strengthening the capabilities of our non person-to person channels, such as the Shinko Net Club Internet service and our call-center, we believe we have achieved synergies between these three support services. In addition, to make effective use of our sales base, and to provide group customers with a comprehensive range of high quality financial services, we have opened our first joint branch office with the premises of Mizuho Bank's Central Marunouchi branch in Tokyo.

Our Wholesale Division has aimed to build a profit structure which is not unduly affected by market fluctuations, and have concentrated their resources into the expansion of the investment banking business. In the underwriting business, our company group has maintained its position as the top lead manager and underwriter of IPOs in the three emerging equity markets. In addition we have also steadily expanded our share as an underwriter of public offerings. Further, in the bond market, we have maintained a high market share of underwritings for corporate bond issues aimed at individual investors, as our joint sales operation with Mizuho Securities has steadily increasing our presence, not just in the middle market where we have historically been strong, but also in the Wholesale Division. This has also played a significant role in providing products for the Retail Division.

In the Products Division, at the same time as aiming to increase profitability through the strengthening of trading and dealing operations, efforts have been made to respond rapidly to customers' needs for more diverse and advanced products through over-the-counter transactions such as options transactions and the lending and borrowing of stock certificates, and the appropriate provision of foreign bonds and publicly offered structured bonds.

Turning to cost reductions, the company has reduced personnel costs through soliciting voluntary early retirement, integrating four branch offices in close proximity to other branches, and consolidating various headquarter functions. In addition, we have taken other measures including starting the operation of a new system to improve operational efficiency, and the upgrading of our transaction settlement system. We have also achieved a certain degree of cost cutting efficiencies through revisions of our real estate and administrative expenses. Due to the above results achieved through the execution of various policies outlined in our Second Medium-Term Business Plan and the

upturn in the stock market, we intend to ask the scheduled Annual General Meeting of Shareholders to approve a five yen dividend. A five yen dividend corresponds to the target amount stated Second Medium Term Business Plan, which was one of the major management issues for this financial year.

5. Our tasks to be solved

In the Japanese security market, the investing environment has become more favorable due to the rapid recovery in corporate earnings. In addition, due to developments in direct financing and the increasing numbers of banks introducing their clients to security firms with a view to going public, and systemic changes which have led to greater liquidity of individuals financial assets, it is expected that large amounts of capital will flow into the market, and the securities industry will expand further. In this business environment, in order that our customers can experience high levels of satisfaction from their involvement with securities markets, we carry out strict quality control over our products, staff, information and settlement systems. By providing customer will reliable high performance, we intend contribute to the vitality of the security markets and the regeneration on Japanese corporations and the Japanese economy, and continue to develop into a securities company with a prominent role in society.

6. Numerical Goals

Our Third Medium-Term Business Plan outlines the following targets: (1) ROE of over 10%; (2) An increase of over 15% in net operating revenue; (3) Profit margins that rank among the top group of companies in the industry; (4) Eight trillion yen of assets deposited by retail customers (as of the end of fiscal 2005); (5) 1.25 trillion yen of assets deposited through equity investment trust (as of the end of fiscal 2005)

7. Basic Approach to Corporate Governance and the State of Implementation of Related Measures

(Basic Approach to Corporate Governance)

We are aware that, in business management today, promptly dealing with changes in the business environment, and making decisions and undertaking organizational efforts that are both appropriate and timely, are what constitute the key to future corporate growth. Recognizing the importance of increasing managerial speed, of ensuring the transparency of corporate activities, and especially of increasing disclosure and accountability to shareholders, our company has undertaken various measures aimed to improve our corporate governance.

(The State of Implementation of Measures Related to Corporate Governance)

Our company is one that uses an auditor system. With regard to our current corporate governance system, we have two types of management decision making bodies: a board of directors, which is required by law; and a management committee, which is composed of the company's directors and those executive officers who are in charge of the company's main operations. Based on the "Board of Directors Rules," the board of directors makes decisions about legal matters and matters related to the administration of especially important operations. Based on the "Management Committee Regulations," the management committee discusses and decides on administrative matters other than those decided by the board of directors. In addition, there are four auditors (two from outside the company: an officer of an affiliated company, and an individual with experience as an officer of another company) who provide advice and suggestions to the board of directors.

At the end of this financial year (March 31, 2004) there were six directors, comprising of three representative directors and three directors who also serve as executive officers. There are no external directors.. Moreover, there are 27 executive officers (in addition to the three director/executive officers). Executive officers are appointed by the board of directors; their positions as executive officers are based on commissioning contracts; and their term of office, like that of directors, is, as a rule, two years. Under the control and supervision of the company president, executive officers administer those operations entrusted to them by decision of the board of directors. The titles of executive officers include Senior Managing Executive Officer, Managing Executive Director, and Executive Officer.

Introducing a system of executive officers has made it possible to greatly reduce the number of directors, which in turn has had the effect of invigorating debate on the Board of Directors and strengthening the Board's decision-making function and business oversight function. In addition, it has enabled executive officers to execute, with greater dispatch, the duties of which they are in charge.

8. Basic policies regarding our relationship with affiliated entities (parent company, etc.)

The Mizuho Bank owns 11.05% of the voting stock of the company; the Mizuho Corporate Bank also owns 11.05%; and the Mizuho Securities owns 5.28%. These three companies thus own a combined 27.39% of the voting stock. At the same time, the Mizuho Securities Company is a fully owned subsidiary of the Mizuho Corporate Bank; the Mizuho Corporate Bank and the Mizuho Bank are fully owned subsidiaries of Mizuho Holdings; and Mizuho Holdings is a fully owned subsidiary of the Mizuho Financial Group. Accordingly, of each the Mizuho Financial Group, Mizuho Holdings and the Mizuho Corporate Bank, our company is a consolidated company to which the equity method applies.

Our role in the Mizuho Financial Group is to utilize our strengths as a full-line securities company to contribute, through our ties with the Group, to the Group's underwriting strategy, product strategy, sales strategy, etc.; in addition, we contribute to the Group by cultivating customers and business ties outside the Group, thereby expanding the Group's customer base and strengthening its profit structure. In the area of personnel, we invite officers from affiliates to our company, and temporarily transfer mid-level managers of ours to affiliates, so as to improve our staff and thereby strengthen our administrative organization.

[Business Performance and Financial Position]

1. Business Performance

During the current financial year, the Japanese economy continued to recover slowly, supported by a rally in exports caused by economic recovery overseas, and an increase in capital investment brought about by improved corporate profits. In particular, since the beginning of the calendar year, the beneficial effects of improved business conditions at large corporations have spread to small and medium sized businesses, and the scope of economic recovery has widened. The stock market began the year in turbulent fashion, as in late April 2003 the Nikkei Stock Average falling to its lowest level since the end of the Bubble Economy. However, as concerns about the health of the financial system decreased and expectations of a recovery in the overall economy and in corporate profits grew, foreign investors lead a rebound in the market, and stock prices continued to rise through almost the entire financial year. As the end of the financial year approached, and expectations grew that Japan would break out of its deflationary spiral, market growth accelerated, centered around those stocks which rely heavily on Japanese domestic demand, bringing the Nikkei Stock Average up to within sight of 12,000 yen. In the bond market, stock price rises going into the summer and a fall in levels of anxiety about global deflation led to some negative price adjustments. However after adjustments to Japan's extremely low interest rates, activity in the bond markets continued, centered around Japanese domestic financial institutions, although movement was confined within a narrow range.

Outside Japan, the speed of economic recovery in the U.S. accelerated as of the middle of this financial year, centered around growth in consumption and capital investment, as the war in Iraq ended and the effects of government policy became more pronounced. The European economy also gradually began to show signs of recovery, spurred on by a rally in exports. The U.S and European stock markets continued to show solid growth, led by U.S. stocks, as the war in Iraq ended and expectations mounted of a recovery in the overall economy and corporate profits. However, from the beginning of the calendar year, as concerns about international terrorism increased and investors began to worry about the recovery of the U.S. job market, the market suffered some downward adjustments. In the bond market, although there was also some brief negative movements in the U.S., the continuing underlying stability of minimum prices and the expected longevity of low interest rate policies prevented further downward movement.

Against this background, our corporate group earned consolidated operating revenues of 114.967 billion yen (143.2% of the previous year), an ordinary profit of 22.643 billion yen, and a net profit of 15.614 billion yen. A brief breakdown of these results follows:

(1) Commissions and fees received

Commissions and fees received during this year totaled 65.896 billion yen (144.4%). A breakdown of this income follows:

- Brokerage commissions

The average daily turnover during this year in the sections 1 and 2 of the Tokyo Stock Exchange was 1.1579 trillion yen (157.2%). Our company brokered the sale of 10.381 billion shares of stock (172.4%) worth 6.8086 trillion yen (171.6%), while our commissions on the same totaled 37.878 billion yen (186.1%). Commissions earned on bond brokering totaled 263 million yen (51.2%).

- Underwriting and selling fees

In this financial year, we underwrote the offering and sale of shares issued by 85 newly floated companies. We lead managed 19 of these cases. We were also served as an underwriter for the offering and selling of stock from 99 already-listed firms, and were lead manager for 17 of these firms. As a result, income for underwriting and selling fees was 4.315 billion yen (190.2% of that for the previous year).

Regarding bonds, while we continued to concentrate our efforts in underwriting government guaranteed bonds and municipal bonds, we also lead managed issues of two issues of FILP institution bonds and 13 issues of industrial bonds. As a result, income from underwriting and selling fees for bonds totaled 1.003 billion yen (81.7%).

- 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.

In this financial year, against the background of the long-term application of an extremely low interest rate policy, distributed investment trusts increased at all securities companies (including banks selling securities). In this climate, our company also began to concentrate our efforts in the distributed investment trust market, launching a new fund dubbed the "IG Fund" that invests in investment-grade foreign corporate bonds, an open-end income fund from DIAM named "Happy Clover" that purchases only very highly rated issues and pays out returns on a monthly basis and the "Australia Real Estate Investment Trust Portfolio" a fund denominated in Australian dollars.

Regarding equity products, we also launched closed-end type investment trust funds including an Australian-dollar denominated fund that partially tracks the movement of the Nikkei 225 index, and a fund of Japanese stocks managed by Shinko Investment Trust Management Co., Ltd, and open-end investment funds including a DIAM-managed open-end China-related equity fund nicknamed "Chinese Angel", and an open-end fund dealing in small-cap stocks nicknamed "Nami-monogatari". The sale of these products, alongside existing stock funds such as a small-cap stock fund nicknamed "Growing Up", and "Shinko China Open" allowed us to provide products which meet the demands of current market conditions.

Regarding domestic public and corporate bonds investment trust, 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 and corporate bond funds.

These moves allowed us to earn handling commissions for offering and selling of 9.437 billion yen (112.0%), and other fees and commissions of 12.924 billion yen (101.7%).

(2) Trading profits

This year saw us earn trading profits of 15.55 billion yen (329.2%) on equity trading, and 31.281 billion yen (123.1%) on the trading of bonds, foreign currency and other instruments. Total trading profits thus stood at 46.831 billion yen (155.4%).

(3) Financial balance

Deducting financial expenses of 4.483 billion yen (123.0%) from financial revenues of 1.93 billion yen (43.2%) gives a negative financial balance of 2.552 billion yen.

(4) Sales and general administrative expenses

Although expenses for personnel expenses including expenses for performance related pay, and expenses for outsourcing system development increased, transaction related costs and real estate related cost decreased, reducing sales and general administrative expenses for this financial year to 90.092 billion yen (97.9%).

(5) Extraordinary profits and losses

We recorded extraordinary profits of 1.763 billion yen on factors such as gains on the sale of investment securities. However, we recorded extraordinary losses, including loss from sale of fixed assets of 3.789 billion yen, and write-down of investment securities holdings of 1.374 billion yen. Overall, we recorded an extraordinary loss of 6.226 billion yen.

2. Financial status

Factors such as a reduction in holdings of trading products meant net cash provided in operating activities was 1.758 billion yen.

Net cash used in investing activities totaled 7.631 billion yen on factors such as an increase in investment in new system.

Financing activities provided net cash of 75.539 billion yen on factors such as an increase in short-term loans proceeded from call money.

As a result of these flows, the balance of cash and cash equivalents stood at 109.557 billion yen at the end of this year.

Consolidated Balance Sheets

(In millions of yen)

	Financial year to 31 March 2004	Financial year to 31 March 2003	Year-on-year increase/decrease
Assets			
Current assets	2,294,581	2,016,757	277,824
Cash and due from banks	109,778	41,292	68,486
Fund deposits	53,044	34,019	19,024
Trading products	849,695	893,408	-43,712
Trading securities, etc.	846,563	889,315	-42,751
Derivative assets	3,131	4,092	-960
Trade date accrual	41,581	25,532	16,049
Investment securities for sale	3,250	4,177	-926
Margin transaction assets	84,724	38,082	46,642
Customers' loans receivable in margin transactions	74,512	29,481	45,031
Collateral for borrowed securities for margin transactions	10,211	8,600	1,610
Loans receivable secured by securities	1,131,256	958,609	172,646
Collateral for borrowed securities	1,127,256	958,609	168,646
Loans receivable in gensaki transactions	3,999		3,999
Advance money	1,535	1,013	522
Cash paid for offering, etc.	2,122	1,448	674
Short-term deposits	1,742	2,097	-354
Accounts for non-delivered securities and others	704	4,356	-3,651
Short-term loans receivable	279	275	3
Securities	1,513	713	799
Accrued revenues	6,131	4,577	1,554
Deferred income tax assets	518	528	-10
Other current assets	6,921	6,695	226
Allowance for bad debts	-221	-69	-151
Fixed assets	149,085	138,668	10,417
Tangible fixed assets	46,737	52,827	-6,089
Buildings	19,146	21,227	-2,080
Furniture and fixtures	3,878	4,101	-223
Land	23,711	27,497	-3,785
Intangible fixed assets	20,180	12,505	7,675
Software	13,747	10,772	2,974
Phone right, etc.	6,433	1,732	4,700
Investments and other assets	82,167	73,335	8,831
Investment securities	55,537	45,426	10,110
Long-term deposits	15,542	16,566	-1,023
Deferred income tax assets	223	273	-49
Other investments	15,859	16,140	-280
Allowance for bad debts	-4,995	-5,071	75
Total assets	2,443,667	2,155,425	288,241

(In millions of yen)

	Financial year to 31 March 2004	Financial year to 31 March 2003	Year-on-year increase/decrease
Liabilities			
Current liabilities	2,147,366	1,886,637	260,729
Trading products	796,913	422,353	374,560
Trading securities, etc.	790,762	418,645	372,116
Derivative liabilities	6,150	3,707	2,443
Margin transaction liabilities	53,627	20,662	32,964
Customers' loans payable for margin transactions	45,351	15,506	29,844
Collateral for loaned securities for margin transactions	8,275	5,155	3,119
Loans payable secured by securities	1,038,972	1,272,302	-233,330
Amounts receivable on loan transactions	815,928	949,296	-133,367
Loans payable in gensaki transactions	223,043	323,006	-99,963
Deposits received	42,726	32,563	10,162
Received margins	14,834	7,284	7,550
Accounts for non-received securities and others	704	4,356	-3,652
Short-term loans payable	171,367	111,310	60,057
Commercial paper	18,500	2,000	16,500
Accrued liability	1,292	6,643	-5,351
Income taxes payable	431	1,205	-773
Deferred tax liabilities	9	8	0
Reserve for bonus	3,727	2,294	1,432
Other current liabilities	4,259	3,651	608
Fixed liabilities	62,744	59,773	2,970
Long-term loans payable	35,795	36,732	-937
Deferred tax liabilities	5,037	643	4,394
Reserves for retirement benefits	16,750	17,084	-333
Other fixed liabilities	5,160	5,312	-152
Statutory reserve	1,052	978	74
Reserve for securities transaction liabilities	1,052	978	74
Total liabilities	2,211,163	1,947,389	263,774
Minority interest	5,127	4,881	245
Shareholders' equity			
Common stock	125,167	125,167	
Capital surplus	82,087	111,407	-29,320
Earned surplus	16,497	-28,439	44,937
Difference in valuation of securities	9,540	834	8,706
Foreign exchange translation adjustment	204	286	-81
Treasury stock	-6,121	-6,102	-19
Total shareholders' equity	227,376	203,154	24,222
Total liabilities, minority interest, and shareholders'	2,443,667	2,155,425	288,241

Consolidated Statement of Income

(In millions of yen)

	Financial year from 1 April 2003 to 31 March 2004	Financial year from 1 April 2002 to 31 March 2003	% change from previous year
Operating revenues	114,967	80,303	143.2
Commissions and fees received	65,896	45,634	144.4
Trading profit or loss	46,831	30,142	155.4
Trading profit or loss on investment securities for sale	308	56	547.1
Financial revenues	1,930	4,469	43.2
Financial expenses	4,483	3,646	123.0
Net operating revenues	110,483	76,656	144.1
Sales and general administrative expenses	90,092	92,043	97.9
Transaction expenses	12,189	12,922	94.3
Personnel expenses	48,965	48,239	101.5
Real estate expenses	14,651	16,838	87.0
Office expenses	5,394	4,229	127.5
Depreciation	5,518	5,952	92.7
Taxes and dues	521	709	73.6
Others	2,850	3,150	90.5
Operating profit	20,391	-15,386	
Non-operating revenues	5,236	5,722	91.5
Investment profit on equity method	4		
Others	5,231	5,722	91.4
Non-operating expenses	2,984	4,449	67.1
Investment loss on equity method		245	
Others	2,984	4,203	71.0
Ordinary profit	22,643	-14,113	
Extraordinary profits	2,339	916	255.4
Extraordinary losses	8,566	17,131	50.0
Net profit before taxes, etc.	16,416	-30,328	
Income taxes	607	1,483	40.9
Adjustment amount for income taxes	54	933	5.9
Minority interest	139	-438	
Net profit	15,614	-32,307	

Consolidated Statement of Earned Surplus

(In millions of yen)

	Financial year from 1 April 2003 to 31 March 2004	Financial year from 1 April 2002 to 31 March 2003
Capital surplus		
Balance of capital surplus at start of year	111,407	118,805
Increase in capital surplus	2	
Gain/loss on disposal of treasury stock	2	
Decrease in capital surplus	29,322	7,397
Offset by capital reserve	29,322	7,397
Balance of capital surplus at end of year	82,087	111,407
Earned surplus		
Balance of earned surplus at start of year	-28,439	-3,487
Increase in earned surplus	44,937	7,397
Offset by capital reserve	29,322	7,397
Net profit	15,614	
Decrease in earned surplus		32,349
Net profit		-32,307
Reduction in earned surplus outside the scope of the equity method		42
Balance of earned surplus at end of year	16,497	-28,439

Consolidated Cash Flow Statement

(In millions of yen)

	Financial year from 1 April 2003 to 31 March 2004	Financial year from 1 April 2002 to 31 March 2003
I Cash flows from operating activities		
Net profit before taxes, etc.	16,416	-30,328
Depreciation	5,518	5,952
Adjustment for extraordinary profit and loss		
Profit from sale on fixed assets	-11	-25
Loss from sale or disposition of fixed assets	4,172	2,374
Profit from sale on investment securities	-1,763	-535
Write-down and loss from sale of investment securities	1,516	5,569
Write-down of golf club memberships	1	33
Write-down of other investments		402
Re-amortization of future retirement and severance pay obligations in line with a change to accounting standards	1,690	1,690
System Change Costs	814	-
Expenses incurred through merging or eliminating branches	247	668
Special retirement allowance		6,262
Provision (reversal) of reserve for securities transaction liabilities	74	-355
Provision of allowance for bad debts	49	128
Interest income and dividends receivable	-2,572	-4,982
Interest cost	4,483	3,646
Investment profit/loss on equity method	-4	245
Increase/decrease in loans receivable	-22	267
Increase/decrease in money held as customers' trust	-19,019	13,090
Increase/decrease in advances and deposits received	9,639	2,491
Increase/decrease in trading products	402,936	-105,912
Increase/decrease in margin transaction assets	-46,642	14,708
Increase/decrease in margin transaction liabilities	32,964	-10,669
Increase/decrease in loans receivable secured by securities	-172,646	-483,742
Increase/decrease in loans payable secured by securities	-233,330	532,696
Increase/decrease in allowance for bad debts	279	315
Increase/decrease in reserve for bonus	1,432	-1,901
Increase/decrease in reserves for retirement benefits	-2,024	423
Others	7,182	-3,010
Subtotal	11,382	-50,494
Interest and dividends received	2,541	4,433
Interest paid	-4,521	-3,685
Income taxes, etc. paid	-1,381	-881
Special retirement benefits	-6,262	-
Cash flow from operating activities	1,758	-50,627
II Cash flows from investing activities		
Payments for purchases of investment securities	-2,489	-2,853
Proceeds from the sale of investment securities	5,154	2,879
Payments for purchases of tangible fixed assets	-346	-1,267
Proceeds from the sale of tangible fixed assets	936	1,052
Payments for purchases of intangible fixed assets	-11,804	-5,511
Proceeds from sale of intangible fixed assets	199	27
Revenue by return on long-term deposits	1,023	1,335
Others	-305	3,272
Cash flow from investing activities	-7,631	-1,065
III Cash flows from financing activities		
Increase/decrease in short-term loans payable	71,620	16,350
Proceeds from long-term loans payable	11,000	19,000
Payments for long-term loans payable	-7,000	-27,039
Payments for acquiring treasury stocks	-51	-4,762
Dividend paid to minority shareholders	-29	-1,596
Cash flow from financing activities	75,539	1,951
IV Effect of foreign exchange rate changes on cash and cash equivalents	-370	-233
V Increase/decrease in cash and cash equivalents	69,296	-49,974
VI Balance of cash and cash equivalents at start of year	40,260	90,235
VII Balance of Cash and cash equivalents at end of year	109,557	40,260

[Consolidated financial statements]

These consolidated financial statements follow the provisions of Ministry of Finance (MoF) Ordinance No.28 (1976) entitled “The Rules for Terms, Formats, and Preparation Method of Consolidated Financial Statements” and also comply with the provisions stipulated in Articles 46 and 68 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

The closing date of consolidated subsidiaries coincides with the consolidated closing date.

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 (up to 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 this obligation to this year.

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 year was charged to this year.

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 year 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 year 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. Valuation of assets and liabilities of consolidated subsidiaries

The valuation of asset and liabilities of consolidated subsidiaries is carried out entirely on a mark-to-market basis.

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 statement of earned surplus 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 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]

	Financial year to 31 March 2004	Financial year to 31 March 2003 (In millions of yen)
1. Accumulated depreciation of tangible fixed assets	23,129	20,989
2. Guarantee obligations (guarantee exercise anticipated)	2,786 (2,632)	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”.

	Financial year to 31 March 2004	Financial year to 31 March 2003 (In millions of yen)
	42,500	38,500
4. Securities related to affiliates are indicated below.		
	Financial year to 31 March 2004	Financial year to 31 March 2003 (In millions of yen)
Investment securities (shares)	2,117	2,112
Other investments (contribution)	3,635	3,376

[Notes on consolidated statement of income]

	Financial year from 1 April 2003 to 31 March 2004	Financial year from 1 April 2002 to 31 March 2003 (In millions of yen)
Extraordinary profits		
Profit from sale of fixed assets	11	25
Profit from sale of investment securities	1,763	535
Profit from recovery of bad debts	565	
Reversal from reserve for securities transaction liabilities		355
Extraordinary losses		
Loss from sale of fixed assets	3,789	1,607
Loss from disposition of fixed assets	383	766
Loss from sale of investment securities	141	330
Write-down of investment securities	1,374	5,239
Write-down of golf club memberships	1	33
Write-down of other investments		402
Re-amortization of future retirement and severance pay obligations in line with a change to accounting standards	1,690	1,690
System change costs	814	
Expenses incurred through merging or eliminating branches	247	668
Special retirement allowance		6,262
Provision of reserve for securities transaction liabilities	74	
Provision of allowance for bad debts	49	128

[Notes to the consolidated cash flow statement]

Relationship between the balance of cash and cash equivalents at the end of this financial year and balances of account items recorded on the consolidated balance sheets

	Financial year to 31 March 2004	Financial year to 31 March 2003 (In millions of yen)
Cash and due from banks	109,778	41,292
Fixed deposits for periods exceeding 3 months	- 221	- 1,031
Cash and cash equivalents	109,557	40,260

Segment Information

1. Business segment information

This corporate group is carrying out global business activities mainly for securities, which include (1) selling and buying securities, (2) intermediation of brokerage of selling and buying securities, etc., (3) underwriting and selling securities, (4) handling the offering and selling of securities, and (5) handling the private offering of securities. These business activities involve providing financial and other services. We earn profit based on these business activities combined with such services. Therefore, the segment information on business types is omitted because our corporate group's business activities all come under the single business segment of "investment and financial services."

2. Geographical segment information

For this financial year and the previous financial year, the segment information on locations is omitted because each of the total operating revenue and assets of consolidated companies in Japan exceeds 90% of those in all segments.

3. Overseas gross sales (operating revenues)

For this financial year and the previous financial year, the overseas operating revenue is omitted because it is less than 10% of the consolidated operating revenues.

Data on Consolidated Settlement of Accounts

1. Commissions and fees received

(1) Breakdown for each account (In millions of yen)

	Financial year from 1 April 2003 to 31 March 2004	Financial year from 1 April 2002 to 31 March 2003	% change from previous year
Brokerage commissions	38,216	20,998	182.0
(Equities)	(37,878)	(20,354)	(186.1)
(Bonds)	(263)	(514)	(51.2)
Underwriting & selling fees	5,318	3,496	152.1
(Equities)	(4,315)	(2,268)	(190.2)
(Bonds)	(1,003)	(1,227)	(81.7)
Offering & selling fees and commissions	9,437	8,429	112.0
Other fees and commissions	12,924	12,710	101.7
Total	65,896	45,634	144.4

(2) Breakdown for each product (In millions of yen)

	Financial year from 1 April 2003 to 31 March 2004	Financial year from 1 April 2002 to 31 March 2003	% change from previous year
Equities	42,834	23,492	182.3
Bonds	3,100	3,154	98.3
Beneficiary securities	16,763	16,437	102.0
Others	3,198	2,550	125.4
Total	65,896	45,634	144.4

2. Trading profit or loss (In millions of yen)

	Financial year from 1 April 2003 to 31 March 2004	Financial year from 1 April 2002 to 31 March 2003	% change from previous year
Equities, etc.	15,550	4,723	329.2
Bonds, exchange, etc.	31,281	25,418	123.1
(Bonds, etc.)	(30,945)	(25,623)	(120.8)
(Exchange, etc.)	(336)	(-204)	()
Total	46,831	30,142	155.4

(Reference)

Quarterly Changes in Consolidated Statement of Income

(In millions of yen)

	Fourth quarter of previous financial year	First quarter of current financial year	Second quarter of current financial year	Third quarter of current financial year	Fourth quarter of current financial year
Operating revenues	19,392	27,566	28,200	27,551	31,649
Commissions and fees received	8,882	12,518	16,792	17,160	19,423
Brokerage commissions	3,825	6,276	10,604	10,114	11,221
(Equities)	(3,729)	(6,157)	(10,520)	(10,045)	(11,154)
(Bonds)	(80)	(104)	(63)	(49)	(46)
Underwriting & selling fees	943	958	1,147	1,607	1,604
(Equities)	(637)	(662)	(922)	(1,340)	(1,389)
(Bonds)	(306)	(296)	(224)	(267)	(215)
Offering & selling fees and commissions	2,345	2,426	1,975	2,360	2,674
Other fees and commissions	1,767	2,856	3,065	3,077	3,923
Trading profit or loss	9,376	14,020	11,245	9,896	11,669
Equities, etc.	1,372	3,753	3,542	3,690	4,562
Bonds, exchange, etc.	8,004	10,267	7,702	6,205	7,107
(Bonds, etc.)	(8,974)	(11,030)	(6,597)	(6,379)	(6,937)
(Exchange, etc.)	(-970)	(-763)	(1,104)	(-174)	(169)
Profit or loss on investment securities for sale	-27	21	191	-14	109
Financial revenues	1,161	1,004	-29	508	446
Financial expenses	871	854	1,072	1,496	1,059
Net operating revenues	18,521	26,711	27,127	26,054	30,589
Selling, general and administrative expenses	22,035	22,901	21,940	22,572	22,676
Transaction expenses	2,868	2,910	3,035	3,165	3,077
Personnel expenses	11,228	12,547	11,565	12,559	12,293
Real estate expenses	4,189	4,250	3,342	3,459	3,598
Office expenses	1,579	845	1,625	1,383	1,538
Depreciation	1,571	1,398	1,421	1,330	1,368
Taxes and dues	103	238	92	85	105
Others	494	709	858	587	694
Operating profit	-3,513	3,810	5,186	3,481	7,913
Non-operating revenues	1,575	1,387	1,402	1,086	1,360
Investment profit on equity method				20	-16
Others	1,575	1,387	1,402	1,065	1,376
Non-operating expenses	1,851	734	917	585	746
Investment loss on equity method	-24	5	25	-30	
Others	1,875	728	892	616	746
Ordinary profit	-3,789	4,463	5,670	3,982	8,526
Extraordinary profits	405	270	949	214	906
Extraordinary losses	12,081	596	1,340	958	5,671
Net profit before taxes, etc.	-15,464	4,137	5,279	3,237	3,761
Income taxes	688	153	173	364	-84
Adjustment amount for income taxes	857		24	14	15
Minority interest	-503	18	81	138	-98
Net profit	-16,507	3,965	5,000	2,721	3,927

Market or Fair Values of Securities and Derivatives

1. Trading-related

(1) Market values of trading securities, etc (securities for purchase and sale)

(In millions of yen)

Type	As of 31 March 2004		As of 31 March 2003	
	Assets	Liabilities	Assets	Liabilities
Equities and warrants	40,091	9,129	17,519	7,944
Bonds	787,545	781,326	787,506	410,688
CP and CD	17,098		79,750	
Beneficiary securities, etc.	1,829	306	4,539	11

(2) Notional amounts and market values of derivative contracts

(In millions of yen)

Type	As of 31 March 2004				As of 31 March 2003			
	Assets		Liabilities		Assets		Liabilities	
	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value
Options contracts	251,034	793	238,380	2,658	49,149	922	18,856	51
Forward exchange contracts	37,239	393	12,066	101	18,816	103	39,280	297
Futures/forward contracts	54,844	170	88,699	1,507	29,020	158	86,317	174
Swap contracts	81,976	1,774	109,108	1,882	81,954	2,908	111,854	3,184

Note: Deemed settlement values of forward exchange and futures contracts are recorded in the fair value column.

2. Non-trading-related

(1) Bonds with readily determinable market values that are to be held to maturity

(In millions of yen)

Type	As of 31 March 2004			As of 31 March 2003		
	Value on consolidated balance sheets	Market value	Balance	Value on consolidated balance sheets	Market value	Balance
Market value higher than value recorded on consolidated balance sheets	3,772	3,777	5	2,970	2,976	6
Governmental / local bonds						
Corporate bonds	3,772	3,777	5	2,970	2,976	6
Others						
Market value lower than or equal to value recorded on consolidated balance sheets	704	703	- 0	301	301	-0
Governmental / local bonds						
Corporate bonds	704	703	- 0	301	301	-0
Others						

(2) Other securities with readily determinable market values

(In millions of yen)

Type	As of 31 March 2004			As of 31 March 2003		
	Acquisition cost	Value on consolidated balance sheets	Balance	Acquisition cost	Value on consolidated balance sheets	Balance
Market value higher than value recorded on consolidated balance sheets	20,405 (12)	35,771 (35)	15,366 (22)	10,310 (82)	14,575 (103)	4,265 (21)
Equities	18,697 (12)	33,220 (35)	14,523 (22)	10,310 (82)	14,575 (103)	4,265 (21)
Bonds						
Governmental/local bonds						
Corporate bonds						
Others						
Others	1,708	2,551	842			
Market value lower than or equal to value recorded on consolidated balance sheets	5,598	4,918	-679	18,634	15,705	-2,928
Equities	3,489	2,905	-583	14,371	11,564	-2,806
Bonds						
Governmental/local bonds						
Corporate bonds						
Others						
Others	2,108	2,013	-95	4,262	4,140	-121

(Note) Figures in brackets refer to investment securities for sale. Investment securities for sale are recorded under "Current assets".

(3) Securities without readily determinable market values and their recorded values on the consolidated balance sheets

(In millions of yen)

Type	As of 31 March 2004	As of 31 March 2003
	Value on consolidated balance sheets	Value on consolidated balance sheets
Bonds to be held to maturity		9
Governmental /local bonds		9
Corporate bonds		
Others		
Other securities	13,013 (3,215)	14,642 (4,073)
Equities	11,970 (3,167)	13,300 (3,981)
(Unlisted equities)		
Bonds	47 (47)	341 (92)
(Unlisted bonds)		
Others	999	999

(Note) Figures in brackets refer to investment securities for sale. Investment securities for sale are recorded under "Current assets".