



26 July 2003

Summary of First-Quarter Business Results for the Financial Year Ending 31 March 2005 (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
 - 1) Adoption of simplified accounting procedures: None
 - 2) Changes in accounting policies from the latest consolidated fiscal year: None
 - 3) Changes in the scope of application of full consolidation or the equity method: None
2. Summary of First-Quarter Financial and Business Results for the Financial Year Ending 31 March 2005 (1 April 2004 - 30 June 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	%
First quarter to June 2004	31,990	(16.0)	30,775	(15.2)	5,190	(36.2)	7,112	(59.3)
First quarter to June 2003	27,566	(26.6)	26,711	(28.2)	3,810	()	4,463	()
Financial year to March 2004	114,967		110,483		20,391		22,643	

	Net profit		Net profit per share	Net profit per share (diluted)
	mil. yen	%	yen	yen
First quarter to June 2004	6,312	(59.2)	8.20	
First quarter to June 2003	3,965	()	5.12	
Financial year to March 2004	15,614		19.91	

- (Note) 1. Investment profit or loss on equity method: First quarter to 30 June 2004: 68 million yen
 First quarter to 30 June 2003: -5 million yen
 Financial year to 31 March 2004: 4 million yen
2. Average number of shares outstanding (consolidated): First quarter to 30 June 2004: 770,323,353
 First quarter to 30 June 2003: 774,071,718
 Financial year to 31 March 2004: 774,091,793
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
First quarter to June 2004	3,195,418	228,390	7.1	297.72
First quarter to June 2003	1,846,807	209,273	11.3	270.36
Financial year to March 2004	2,443,667	227,376	9.3	293.49

- (Note) Number of shares outstanding (consolidated): First quarter to 30 June 2004: 767,133,874
 First quarter to 30 June 2004: 774,063,085
 Financial year to 31 March 2004: 774,043,431

[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
First quarter to June 2004	-56,932	-2,698	18,023	67,995
First quarter to June 2003	26,274	-1,588	11,807	76,783
Financial year to March 2004	1,758	-7,631	75,539	109,557

(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 2005 (1 April 2004 - 31 March 2005):

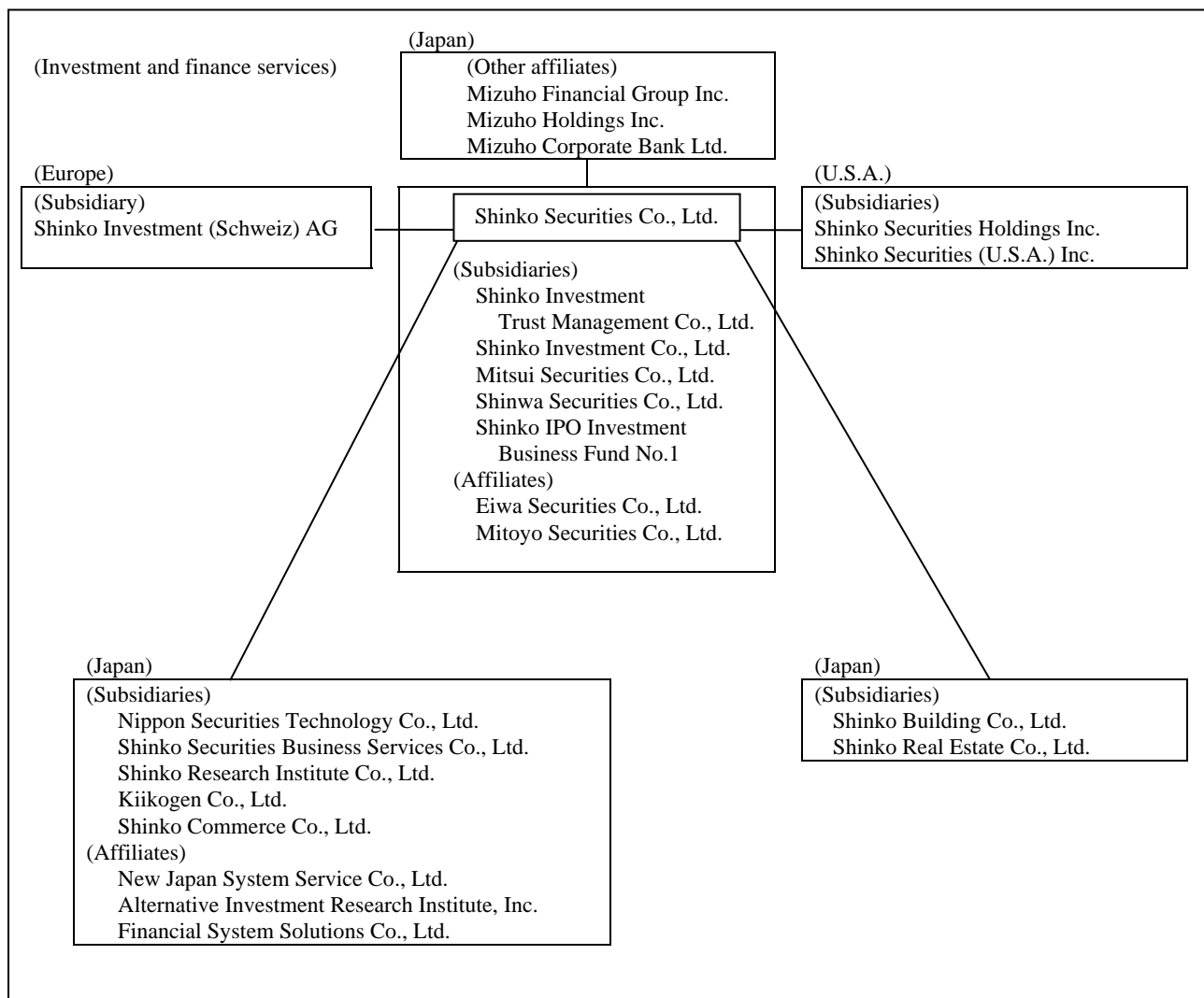
Because the main business activity of our corporate group is the buying and selling of securities, our earnings are strongly influenced by market conditions, etc. For this reason, we do not conduct forecasts of our business results.

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.

1. Organizational Diagram of Corporate Group



Business Performance and Financial Position

[Business Performance]

Business Results for the First Quarter to June 2004

In the first quarter of the financial year (the three months from April 2004 to June 2004, hereafter referred to as the “current period”) the Japanese economy showed increasing signs of recovery, led by an increase in domestic demand, with consumer spending improving as exports led a recovery in corporate profits, which had a beneficial effect on the household sector. In addition, the scope of the recovery spread out from large-scale manufacturers to non-manufacturing industry and small and medium-sized businesses. In the equity markets, high expectations of economic recovery from the start of the current period led to an acceleration in the pace of stock market gains, accompanied by high trading volume, as investors both inside and outside Japan bought into the market. Towards the end of April, the Nikkei Stock Average reached 12,163, its highest mark since the start of the year. However, between the end of April and mid-May, overseas stock markets fell as investors began to anticipate the application of restrictive monetary policy in the United States and China. In addition, as overseas investors began selling to realize profits, imbalances of demand and supply forced downward adjustments. However, towards the end of the current period, the strength of the economy and solid corporate earnings prevented further downwards movement, and increased purchases by foreign investors saw the market start to rise again. In the bond market, movement within a narrow range continued until the middle of the current period, reflecting the impact of movements in the equity markets, but towards the end of the current period revised increased anticipation of an end to the deflationary spiral led the market to consider that quantitative adjustments may be made to the current loose monetary policy, causing the yield on 10-year Japanese government bonds to increase significantly, encroaching towards 2%.

Meanwhile, in overseas markets, the U.S. economy continued to recover as employment rose buoyed by increases in consumer spending and capital investment. In addition, in European markets, although domestic demand has been sluggish, exports have led a slow recovery. In U.S. equity markets, although the overall economic situation and corporate earnings continued to be favorable, increased market expectations of interest rate rises limited upward stock movements, confining movement to a narrow range throughout the current period. In the bond market, stronger market expectations of interest rate rises led to some large adjustments leading up to the middle of the current period. Bonds were weak over the period as a whole as investors also reacted to movements in commodity prices.

Under these circumstances, our corporate group earned consolidated operating revenues for the period of 31.99 billion yen (116.0% of that for the same period last year), an ordinary profit of 7.112 billion yen (159.3%), and a net profit of 6.312 billion yen (159.2%). A brief breakdown of these results follows:

1. Commissions and fees received

Commissions and fees received during the current period totaled 22.614 billion yen (180.6%). A breakdown of this income follows:

(1) Brokerage commissions

The average daily turnover during the current period in the sections 1 and 2 of the Tokyo Stock Exchange was 1.5913 trillion yen (201.4%). Our company brokered the sale of 2.557 billion shares of stock (106.8%) worth 2.4722 trillion yen (218.4%), while our commissions on the same totaled 13.956 billion yen (226.7%). Commissions earned on bond brokering totaled 64 million yen (61.3%).

(2) Underwriting and selling fees

In the market for stock issues, our company underwrote the offering and sale of shares issued by 19 newly public companies, serving as lead manager in five of these cases. In addition, we underwrote the public offering and selling of stock from 23 public companies, serving as lead manager in one of these cases. As a result, income from commission on underwriting and selling was 1.377 billion yen (207.9%).

In the bond market, our company served as lead manager for two issues of government guaranteed bonds and one issue of local government bonds, and three issues of corporate bonds (the latter including cases where our company was joint lead manager.) As a result, income from the underwriting and selling fees for bonds was 307 million (103.8%).

(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.

As extremely low interest rates remain in place, distributed investment trusts have become increasingly attractive to individual investors. In addition to our current products in this market, which focus on foreign government bonds, we have introduced the new Shinko J-REIT open (managed by Shinko Investment Trust Management Co., Ltd.), an investment trust which concentrates on Japanese Real Estate, thereby further strengthening our line up of distributed investment trust products.

Furthermore, our line-up of equity investment trusts investing in both domestic and overseas stocks have been bolstered by the addition of the open-type investment trust “Growing Covers”, which focuses on new growth stocks, (managed by Yasuda Asset Management Co., Ltd.) and the unit type trust “Real China 2004-5” (managed by Shinko Investment Trust Management Co., Ltd.). The above products will combine with our existing line-up to strengthen our sales of equity investment trusts. As a result, the volume of investment trusts offered and sold in the current period reached 819.2 billion, (172.3%), and commissions from selling and offering of investment trusts reach 2.966 billion yen (122.3%) Other fees and commissions totaled 3.925 billion yen (137.4%).

2. Trading profits

The current period saw us earn trading profits of 2.876 billion yen (76.6%) on equity trading, and 5.658 billion yen (55.1%) on the trading of bonds, foreign currency and other instruments. Total trading profits thus stood at 8.535 billion yen (60.9%).

3. Financial balance

Deducting financial expenses from financial revenues gives a negative financial balance for the current period of 409 million yen.

4. Sales and general administrative expenses

Although real estate expenses decreased, transaction expenses, personnel expenses and administrative expenses all increased, resulting in total selling and general administrative expenses of 25.584 billion yen (111.7%).

5. Extraordinary profits and losses

We recorded extraordinary profits of 6 million yen on factors such as reversal of reserve for securities transaction liabilities. However, we recorded extraordinary losses, including loss from write-down of investment securities of 78 million yen, and re-amortization of future retirement and severance pay obligations in line with a change to accounting standards of 422 million yen. Overall, we recorded an extraordinary loss of 529 million yen.

[Financial status]

Factors such as a increase in holdings of trading products meant net cash used in operating activities was 56.932 billion yen.

Net cash used in investing activities totaled 2.698 billion yen on factors such as an increase in investment in new system.

Factors such as an increase in our issue of commercial paper meant financing activities provided net cash of 18.023 billion yen.

As a result of these flows, the balance of cash and cash equivalents stood at 67.995 billion yen at the end of the current period.

Consolidated Balance Sheets

(In millions of yen)

	First quarter to 30 June 2004	First quarter to 30 June 2003	Year-on-year increase/decrease	Financial year to 31 March 2004
Assets				
Current assets	3,044,240	1,705,748	1,338,491	2,294,581
Cash and due from banks	68,215	77,815	-9,600	109,778
Fund deposits	71,550	35,911	35,638	53,044
Trading products	1,477,598	891,283	586,314	849,695
Trading securities, etc.	1,471,303	884,572	586,731	846,563
Derivative assets	6,295	6,711	-416	3,131
Trade date accrual				41,581
Investment securities for sale	3,052	4,178	-1,125	3,250
Margin transaction assets	100,530	41,424	59,105	84,724
Customers' loans receivable in margin transactions	90,034	32,801	57,232	74,512
Collateral for borrowed securities for margin transactions	10,495	8,623	1,872	10,211
Loans receivable secured by securities	1,297,735	633,555	664,180	1,131,256
Collateral for borrowed securities	1,287,635	632,555	655,080	1,127,256
Loans receivable in gensaki transactions	10,099	999	9,099	3,999
Advances	1,457	1,241	216	1,535
Accounts for non-delivered securities and others		3,589	-3,589	704
Short-term loans receivable	225	254	-28	279
Securities	1,503	1,787	-283	1,513
Deferred income tax assets	453	531	-78	518
Other current assets	22,125	14,249	7,875	16,918
Allowance for bad debts	-208	-74	-133	-221
Fixed assets	151,177	141,058	10,119	149,085
Tangible fixed assets	45,918	52,474	-6,555	46,737
Intangible fixed assets	20,495	13,882	6,613	20,180
Investments and other assets	84,763	74,701	10,061	82,167
Investment securities	57,757	47,259	10,498	55,537
Long-term deposits	15,554	16,313	-759	15,542
Deferred income tax assets	233	273	-39	223
Other investments	16,020	16,065	-45	15,859
Allowance for bad debts	-4,801	-5,209	407	-4,995
Total assets	3,195,418	1,846,807	1,348,610	2,443,667

(In millions of yen)

	First quarter to 30 June 2004	First quarter to 30 June 2003	Year-on-year increase/decrease	Financial year to 31 March 2004
Liabilities				
Current liabilities	2,897,422	1,572,432	1,324,989	2,147,366
Trading products	1,113,279	414,218	699,060	796,913
Trading securities, etc.	1,109,075	409,760	699,314	790,762
Derivative liabilities	4,203	4,458	-254	6,150
Trade date accrual	41,918	25,118	16,800	
Margin transaction liabilities	34,864	21,198	13,665	53,627
Customers' loans payable for margin transactions	27,907	13,694	14,212	45,351
Collateral for loaned securities for margin transactions	6,957	7,504	-547	8,275
Loans payable secured by securities	1,396,019	937,018	459,001	1,038,972
Amounts receivable on loan transactions	1,066,493	687,486	379,006	815,928
Loans payable in gensaki transactions	329,526	249,531	79,994	223,043
Deposits received	69,123	31,903	37,219	42,726
Received margins	17,361	9,057	8,303	14,834
Accounts for non-received securities and others	33	3,655	-3,622	704
Short-term loans payable	178,942	108,130	70,812	171,367
Commercial paper	35,300	17,000	18,300	18,500
Income taxes payable	286	162	123	431
Deferred tax liabilities	5	15	-10	9
Reserve for bonus	2,232	1,279	952	3,727
Other current liabilities	8,055	3,673	4,382	5,552
Fixed liabilities	63,368	59,339	4,029	62,744
Long-term loans payable	35,765	36,752	-987	35,795
Deferred tax liabilities	5,786	1,944	3,841	5,037
Reserves for retirement benefits	16,851	15,293	1,557	16,750
Other fixed liabilities	4,965	5,348	-382	5,160
Statutory reserve	1,046	833	212	1,052
Total liabilities	2,961,837	1,632,606	1,329,230	2,211,163
Minority interest	5,190	4,926	263	5,127
Shareholders' equity				
Common stock	125,167	125,167		125,167
Capital surplus	82,087	80,184	1,903	82,087
Earned surplus	18,749	6,749	12,000	16,497
Difference in valuation of securities	10,661	2,992	7,669	9,540
Foreign exchange translation adjustment	265	286	-20	204
Treasury stock	-8,541	-6,105	-2,435	-6,121
Total shareholders' equity	228,390	209,273	19,116	227,376
Total liabilities, minority interest, and shareholders'	3,195,418	1,846,807	1,348,610	2,443,667

Consolidated Statement of Income

(In millions of yen)

	First quarter from 1 April 2004 to 30 June 2004	First quarter from 1 April 2003 to 30 June 2003	% change from same period last year	Financial year from 1 April 2003 to 31 March 2004
Operating revenues	31,990	27,566	116.0	114,967
Commissions and fees received	22,614	12,518	180.6	65,896
Trading profit or loss	8,535	14,020	60.9	46,831
Trading profit or loss on investment securities for sale	34	21	160.7	308
Financial revenues	805	1,004	80.2	1,930
Financial expenses	1,215	854	142.2	4,483
Net operating revenues	30,775	26,711	115.2	110,483
Sales, and general administrative expenses	25,584	22,901	111.7	90,092
Transaction expenses	3,246	2,910	111.5	12,189
Personnel expenses	14,280	12,547	113.8	48,965
Real estate expenses	3,869	4,250	91.0	14,651
Office expenses	1,452	845	171.7	5,394
Depreciation	1,580	1,398	113.1	5,518
Taxes and dues	419	238	175.4	521
Others	735	709	103.6	2,850
Operating profit	5,190	3,810	136.2	20,391
Non-operating revenues	2,511	1,387	181.0	5,236
Investment profit on equity method	68			4
Others	2,442	1,387	176.0	5,231
Non-operating expenses	589	734	80.3	2,984
Investment loss on equity method		5		
Others	589	728	80.9	2,984
Ordinary profit	7,112	4,463	159.3	22,643
Extraordinary profits	11	270	4.2	2,339
Extraordinary losses	541	596	90.8	8,566
Net profit before taxes, etc.	6,582	4,137	159.1	16,416
Income taxes	113	153	73.7	607
Adjustment amount for income taxes	57			54
Minority interest	99	18	536.5	139
Net profit	6,312	3,965	159.2	15,614

Consolidated Statement of Earned Surplus

(In millions of yen)

	First quarter from 1 April 2004 to 30 June 2004	First quarter from 1 April 2003 to 30 June 2003	Financial year from 1 April 2003 to 31 March 2004
Capital surplus			
Balance of capital surplus at start of period	82,087	111,407	111,407
Increase in capital surplus	0		2
Gain/loss on disposal of treasury stock	0		2
Decrease in capital surplus		31,222	29,322
Offset by capital reserve		31,222	29,322
Balance of capital surplus at end of period	82,087	80,184	82,087
Earned Surplus			
Balance of earned surplus at start of period	16,497	-28,439	-28,439
Increase in earned surplus	6,312	35,188	44,937
Offset by capital reserve		31,222	29,322
Net profit	6,312	3,965	15,614
Decrease in earned surplus	4,061		
Dividend	3,865		
Officer's bonus	195		
Balance of earned surplus at end of period	18,749	6,749	16,497

Consolidated Cash Flow Statement

(In millions of yen)

	First quarter from 1 April 2004 to 30 June 2004	First quarter from 1 April 2003 to 30 June 2003	Financial year from 1 April 2003 to 31 March 2004
I Cash flows from operating activities			
Net profit before taxes, etc.	6,582	4,137	16,416
Depreciation	1,580	1,398	5,518
Adjustment for extraordinary profit and loss			
Profit from sale on fixed assets			-11
Loss from sale or disposition of fixed assets	25	30	4,172
Profit from sale on investment securities	-4	-125	-1,763
Write-down and loss from sale of investment securities	92	142	1,516
Write-down of golf club memberships			1
Re-amortization of future retirement and severance pay obligations in line with a change to accounting standards	422	422	1,690
System change costs			814
Expenses incurred through merging or eliminating branches			247
Reversal (provision) of reserve for securities transaction liabilities	-6	-144	74
Provision of allowance for bad debts			49
Interest income and dividends receivable	-1,208	-1,277	-2,572
Interest cost	1,215	854	4,483
Investment profit/loss on equity method	-68	5	-4
Increase/decrease in loans receivable	70	33	-22
Increase/decrease in money held as customers' trust	-18,355	-1,850	-19,019
Increase/decrease in advances and deposits received	26,474	-888	9,639
Increase/decrease in trading products	-227,018	44,639	402,936
Increase/decrease in margin transaction assets	-15,806	-3,342	-46,642
Increase/decrease in margin transaction liabilities	-18,762	536	32,964
Increase/decrease in loans receivable secured by securities	-166,478	325,054	-172,646
Increase/decrease in loans payable secured by securities	357,047	-335,284	-233,330
Increase/decrease in allowance for bad debts	-190	143	279
Increase/decrease in reserve for bonus	-1,494	-1,015	1,432
Increase/decrease in reserves for retirement benefits	-321	-2,213	-2,024
Others	-445	-4,256	7,182
Subtotal	-56,647	27,001	11,382
Interest and dividends received	1,174	1,093	2,541
Interest paid	-1,199	-623	-4,521
Income taxes, etc. paid	-259	-1,196	-1,381
Special retirement benefits			-6,262
Cash flow from operating activities	-56,932	26,274	1,758
II Cash flows from investing activities			
Payments for purchases of investment securities	-1,409	-35	-2,489
Proceeds from the sale of investment securities	21	596	5,154
Payments for purchases of tangible fixed assets	-116	-67	-346
Proceeds from the sale of tangible fixed assets	534		936
Payments for purchases of intangible fixed assets	-1,446	-2,300	-11,804
Proceeds from sale of intangible fixed assets	0		199
Increase/decrease in long-term deposits	-11	252	1,023
Others	-271	-34	-305
Cash flow from investing activities	-2,698	-1,588	-7,631
III Cash flows from financing activities			
Increase/decrease in short-term loans payable	24,345	13,545	71,620
Proceeds from long-term loans payable		50	11,000
Payments for long-term loans payable		-1,755	-7,000
Payments for acquiring treasury stocks	-2,419	-2	-51
Dividend paid	-3,865		
Dividend paid to minority shareholders	-36	-29	-29
Cash flow from financing activities	18,023	11,807	75,539
IV Effect of foreign exchange rate changes on cash and cash equivalents	45	29	-370
V Increase/decrease in cash and cash equivalents	-41,561	36,522	69,296
VI Balance of cash and cash equivalents at start of period	109,557	40,260	40,260
VII Balance of cash and cash equivalents at end of period	67,995	76,783	109,557

[About the consolidated financial statements for the first quarter]

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 Interim 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 our 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.

(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 the current 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 the current period was charged to the current 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 the current 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 current 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]

	First quarter to 30 June 2004	First quarter to 30 June 2003	Financial year to 31 March 2004 (In millions of yen)
1. Accumulated depreciation of tangible fixed assets	23,273	21,370	23,129
2. Guarantee obligations (guarantee exercise anticipated)	2,630 (2,496)	3,023 (2,839)	2,786 (2,632)

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 Adequacy of Securities Companies”.

	First quarter to 30 June 2004	First quarter to 30 June 2003	Financial year to 31 March 2004 (In millions of yen)
	42,500	38,500	42,500

[Notes on consolidated income statement]

	First quarter from 1 April 2004 to 30 June 2004	First quarter from 1 April 2003 to 30 June 2003	Financial year from 1 April 2003 to 31 March 2004 (In millions of yen)
Extraordinary profits			
Profit from sale of fixed assets			11
Profit from sale of investment securities	4	125	1,763
Profit from recovery of bad debts			565
Reversal from reserve for securities transaction liabilities	6	144	
Extraordinary losses			
Loss from sale of fixed assets	1		3,789
Loss from disposition of fixed assets	24	30	383
Loss from sale of investment securities	14	120	141
Write-down of investment securities	78	21	1,374
Write-down of golf club memberships			1
Re-amortization of future retirement and severance pay obligations in line with a change to accounting standards	422	422	1,690
System change costs			814
Expenses incurred through merging or eliminating branches			247
Provision of reserve for securities transaction liabilities			74
Provision of allowance for bad debts			49

Data Concerning Business Results for the First Quarter

1. Commissions and fees received

(1) Breakdown by account (In millions of yen)

	First quarter from 1 April 2004 to 30 June 2004	First quarter from 1 April 2003 to 30 June 2003	% change from same period last year	Financial year from 1 April 2003 to 31 March 2004
Brokerage commissions	14,037	6,276	223.6	38,216
(Equities)	(13,956)	(6,157)	(226.7)	(37,878)
(Bonds)	(64)	(104)	(61.3)	(263)
Underwriting & selling fees	1,684	958	175.7	5,318
(Equities)	(1,377)	(662)	(207.9)	(4,315)
(Bonds)	(307)	(296)	(103.8)	(1,003)
Offering & selling fees and commissions	2,966	2,426	122.3	9,437
Other fees and commissions	3,925	2,856	137.4	12,924
Total	22,614	12,518	180.6	65,896

(2) Breakdown by instrument (In millions of yen)

	First quarter from 1 April 2004 to 30 June 2004	First quarter from 1 April 2003 to 30 June 2003	% change from same period last year	Financial year from 1 April 2003 to 31 March 2004
Equities	15,442	7,004	220.5	42,834
Bonds	762	782	97.5	3,100
Beneficiary securities	5,092	4,068	125.2	16,763
Others	1,316	663	198.5	3,198
Total	22,614	12,518	180.6	65,896

2. Trading profits (In millions of yen)

	First quarter from 1 April 2004 to 30 June 2004	First quarter from 1 April 2003 to 30 June 2003	% change from same period last year	Financial year from 1 April 2003 to 31 March 2004
Equities, etc.	2,876	3,753	76.6	15,550
Bonds, exchange, etc.	5,658	10,267	55.1	31,281
(Bonds, etc.)	(5,543)	(11,030)	(50.3)	(30,945)
(Exchange, etc.)	(115)	(- 763)	()	(336)
Total	8,535	14,020	60.9	46,831

(Reference)

Quarterly Changes in Consolidated Statement of Income

(In millions of 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	27,566	28,200	27,551	31,649	31,990
Commissions and fees received	12,518	16,792	17,160	19,423	22,614
Brokerage commissions	6,276	10,604	10,114	11,221	14,037
(Equities)	(6,157)	(10,520)	(10,045)	(11,154)	(13,956)
(Bonds)	(104)	(63)	(49)	(46)	(64)
Underwriting & selling fees	958	1,147	1,607	1,604	1,684
(Equities)	(662)	(922)	(1,340)	(1,389)	(1,377)
(Bonds)	(296)	(224)	(267)	(215)	(307)
Offering & selling fees and Other fees and commissions	2,426	1,975	2,360	2,674	2,966
2,856	3,065	3,077	3,923	3,925	
Trading profit or loss	14,020	11,245	9,896	11,669	8,535
Equities, etc.	3,753	3,542	3,690	4,562	2,876
Bonds, exchange, etc.	10,267	7,702	6,205	7,107	5,658
(Bonds, etc.)	(11,030)	(6,597)	(6,379)	(6,937)	(5,543)
(Exchange, etc.)	(-763)	(1,104)	(-174)	(169)	(115)
Trading profit or loss on investment securities for sale	21	191	-14	109	34
Financial revenues	1,004	-29	508	446	805
Financial expenses	854	1,072	1,496	1,059	1,215
Net operating revenues	26,711	27,127	26,054	30,589	30,775
Sales and general administrative expenses	22,901	21,940	22,572	22,676	25,584
Transaction expenses	2,910	3,035	3,165	3,077	3,246
Personnel expenses	12,547	11,565	12,559	12,293	14,280
Real estate expenses	4,250	3,342	3,459	3,598	3,869
Office expenses	845	1,625	1,383	1,538	1,452
Depreciation	1,398	1,421	1,330	1,368	1,580
Taxes and dues	238	92	85	105	419
Others	709	858	587	694	735
Operating profit	3,810	5,186	3,481	7,913	5,190
Non-operating revenues	1,387	1,402	1,086	1,360	2,511
Investment profit on equity method			20	-16	68
Others	1,387	1,402	1,065	1,376	2,442
Non-operating expenses	734	917	585	746	589
Investment loss on equity method	5	25	-30		
Others	728	892	616	746	589
Ordinary profit	4,463	5,670	3,982	8,526	7,112
Extraordinary profits	270	949	214	906	11
Extraordinary losses	596	1,340	958	5,671	541
Net profit before taxes, etc.	4,137	5,279	3,237	3,761	6,582
Income taxes	153	173	364	-84	113
Adjustment amount for income taxes		24	14	15	57
Minority interest	18	81	138	-98	99
Net profit	3,965	5,000	2,721	3,927	6,312