



25 January 2004

## Summary of Business Results for the Third Quarter of the Financial Year Ending 31 March 2005 (Non-consolidated)

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  
 Contact: Akihiko Furuta, General Manager of Treasury Dept. at (03) 5203-6000

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 financial year: None
2. Summary of Third Quarter Business Results for the Financial Year Ending 31 March 2005 (1 April 2004 - 31 December 2004)

(1) Non-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 2004	78,692	(-0.6)	75,537	(-0.9)	5,467	(-53.0)	8,246	(-34.6)
Third quarter to December 2003	79,174	(39.5)	76,230	(39.7)	11,643	( )	12,607	( )
Financial year to March 2004	109,105		105,253		18,982		20,248	

	Net profit		Net profit per share
	mil. yen	%	yen
Third quarter to December 2004	7,371	(-35.3)	9.55
Third quarter to December 2003	11,394	( )	14.64
Financial year to March 2004	15,971		20.29

(Note) 1. Average number of shares outstanding (non-consolidated):  
 Third quarter to 31 December 2004: 772,177,721  
 Third quarter to 31 December 2003: 778,203,572  
 Financial year to 31 March 2004: 778,181,867

2. 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.

(3) Non-consolidated financial status

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share	Capital adequacy requirement ratio
	mil. yen	mil. yen	%	yen	%
Third quarter to December 2004	2,818,395	228,126	8.1	295.88	417.7
Third quarter to December 2003	2,506,862	219,295	8.7	281.82	454.2
Financial year to March 2004	2,383,125	226,913	9.5	291.39	459.6

(Note) 1. Number of shares outstanding (non-consolidated):  
 Third quarter to 31 December 2004: 770,999,206  
 Third quarter to 31 December 2003: 778,144,093  
 Financial year to 31 March 2004: 778,102,479

2. Number of treasury stocks:  
 Third quarter to 31 December 2004: 40,119,477  
 Third quarter to 31 December 2003: 32,974,590  
 Financial year to 31 March 2004: 33,016,204

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

Because the company's earnings are strongly influenced by market conditions, we do not conduct forecasts of our business results.

**Non-consolidated Balance Sheets**

(In millions of yen)

	Third quarter to 31 December 2004	Third quarter to 31 December 2003	Year-on-year increase/decrease	Financial year to 31 March 2004
<b>Assets</b>				
Current assets	2,706,751	2,405,948	300,803	2,277,074
Cash and due from banks	89,661	92,534	-2,873	97,468
Fund deposits	58,330	43,244	15,086	49,844
Trading products	1,119,164	1,052,997	66,167	847,678
Trading securities, etc.	1,115,558	1,049,666	65,892	844,546
Derivative assets	3,605	3,330	275	3,131
Trade date accrual	80,116	55,977	24,138	41,581
Margin transaction assets	70,282	67,029	3,253	81,584
Customers' loans receivable in margin transactions	59,491	60,309	-817	71,681
Collateral for borrowed securities for margin transactions	10,791	6,720	4,071	9,903
Loans receivable secured by securities	1,259,626	1,070,057	189,568	1,131,256
Collateral for borrowed securities	1,259,526	1,068,057	191,468	1,127,256
Loans receivable in gensaki transactions	100	1,999	-1,899	3,999
Advances	206	292	-85	919
Accounts for non-delivered securities and others				704
Short-term loans receivable	12,608	12,725	-117	12,874
Other current assets	16,929	11,264	5,664	13,409
Allowance for bad debts	-174	-175	1	-248
Fixed assets	111,643	100,914	10,729	106,050
Tangible fixed assets	5,925	6,132	-206	6,038
Intangible fixed assets	21,792	16,315	5,477	18,354
Investments and other assets	83,925	78,466	5,459	81,657
Investment securities	71,283	60,966	10,317	63,591
Long-term deposits	8,659	9,354	-695	9,238
Other investments	8,803	13,140	-4,336	13,592
Allowance for bad debts	-4,820	-4,994	174	-4,765
<b>Total assets</b>	<b>2,818,395</b>	<b>2,506,862</b>	<b>311,532</b>	<b>2,383,125</b>

(In millions of yen)

	Third quarter to 31 December 2004	Third quarter to 31 December 2003	Year-on-year increase/decrease	Financial year to 31 March 2004
<b>Liabilities</b>				
Current liabilities	2,533,647	2,234,409	299,237	2,100,143
Trading products	1,066,941	904,359	162,582	796,913
Trading securities, etc.	1,060,742	898,677	162,064	790,762
Derivative liabilities	6,199	5,681	517	6,150
Margin transaction liabilities	23,807	25,890	-2,082	52,173
Customers' loans payable for margin transactions	17,958	20,003	-2,045	44,185
Collateral for loaned securities for margin transactions	5,849	5,886	-36	7,988
Loans payable secured by securities	1,190,260	1,118,362	71,898	1,043,968
Amounts receivable on loan transactions	991,848	868,024	123,823	815,928
Loans payable in gensaki transactions	198,412	250,338	-51,925	228,040
Deposits received	52,543	32,715	19,828	38,805
Received margins	12,381	12,639	-258	14,035
Accounts for non-received securities and others	84	9	75	704
Short-term loans payable	147,710	102,960	44,750	126,010
Commercial paper	32,000	30,000	2,000	18,500
Income taxes payable	540	97	442	153
Reserve for bonus	1,500	1,450	50	3,290
Other current liabilities	5,878	5,925	-47	5,588
Fixed liabilities	55,601	52,343	3,257	55,040
Long-term loans payable	34,250	33,000	1,250	34,250
Deferred tax liabilities	5,337	3,912	1,424	4,972
Reserves for retirement benefits	15,994	15,411	583	15,799
Other fixed liabilities	19	19	0	19
Statutory reserve	1,020	814	206	1,027
<b>Total liabilities</b>	<b>2,590,269</b>	<b>2,287,566</b>	<b>302,702</b>	<b>2,156,211</b>
<b>Shareholders' equity</b>				
Common stock	125,167	125,167		125,167
Capital surplus	82,089	82,086	3	82,087
Capital reserve	51,407	51,407		51,407
Other capital surplus	30,681	30,678	3	30,679
Marginal profit from reduction in capital reserve	30,677	30,677		30,677
Gain/loss on disposal of treasury stock	4	1	3	2
Earned surplus	19,269	11,394	7,874	15,971
Unappropriated earned surplus	19,269	11,394	7,874	15,971
Difference in valuation of securities	9,157	5,703	3,454	8,758
Treasury stock	-7,557	-5,055	-2,501	-5,071
<b>Total shareholders' equity</b>	<b>228,126</b>	<b>219,295</b>	<b>8,830</b>	<b>226,913</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,818,395</b>	<b>2,506,862</b>	<b>311,532</b>	<b>2,383,125</b>

**Non-consolidated Statement of Income**

(In millions of yen)

	Third quarter from 1 April 2004 to 31 December 2004	Third quarter from 1 April 2003 to 31 December 2003	% change from same period last year	Financial year from 1 April 2003 to 31 March 2004
Operating revenues	78,692	79,174	99.4	109,105
Commissions and fees received	53,588	42,766	125.3	60,585
Trading profit or loss	23,077	35,082	65.8	46,747
Financial revenues	2,025	1,326	152.8	1,773
Financial expenses	3,154	2,944	107.2	3,851
Net operating revenues	75,537	76,230	99.1	105,253
Selling, general and administrative expenses	70,069	64,587	108.5	86,271
Transaction expenses	9,471	8,384	113.0	11,174
Personnel expenses	32,516	31,723	102.5	42,296
Real estate expenses	10,555	10,645	99.2	14,157
Office expenses	10,340	8,931	115.8	12,178
Depreciation	4,445	2,917	152.4	3,899
Taxes and dues	808	316	255.1	396
Others	1,932	1,668	115.9	2,169
Operating profit	5,467	11,643	47.0	18,982
Non-operating revenues	3,060	1,356	225.6	1,858
Non-operating expenses	282	392	71.8	591
Ordinary profit	8,246	12,607	65.4	20,248
Extraordinary profits	767	1,205	63.7	2,096
Extraordinary losses	1,542	2,322	66.4	6,221
Net profit before taxes, etc.	7,471	11,490	65.0	16,123
Income taxes	100	96	104.2	152
Net profit	7,371	11,394	64.7	15,971
Profit brought forward	11,897			
Unappropriated earned surplus	19,269	11,394	169.1	15,971

## [About the Non-consolidated Financial Statements]

These non-consolidated financial statements follow the provisions of Ministry of Finance (MoF) Ordinance No.38 (1977) entitled “The Rules for Terms, Formats, and Preparation Method of Interim Financial Statements” and also comply with the provisions stipulated in Articles 38 and 57 of said ordinance. In addition, they are compiled in accordance with Prime Ministerial and MoF Ordinance No.32 (1998) entitled “Cabinet Office Ordinance for Securities Companies” and the resolution entitled “The Unification of Securities Business Accounting” adopted by the Japan Securities Dealers Association on 14 November 1974.

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

## 1. Valuation method for securities

- (1) Valuation method for securities classed as trading products (securities held for trading purpose):  
Securities and derivative contracts classed as trading products are recorded at present market value.
- (2) Valuation method for securities not classed as trading products:
  - 1) Shares of subsidiaries and affiliates  
The cost method by the moving-average method is used.
  - 2) Other securities
    - a) Securities, etc. that have market values:  
The present market value is recorded on the non-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.
    - b) Securities, etc. that have no market values  
Valued mainly using the moving-average cost method.

## 2. Depreciation methods used for fixed assets

- (1) Tangible fixed assets  
The fixed-percentage method is mainly used.  
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. Accounting standards for 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 (8.277 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.

## 4. Handling of 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.

## 5. Method of 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.

## 6. Accounting for consumption tax, etc.

The tax exclusion method is applied.

## [Notes on non-consolidated balance sheets]

	Third quarter to 31 December 2004	Third quarter to 31 December 2003	Financial year to 31 March 2004 (In millions of yen)
1. Accumulated depreciation of tangible fixed assets	6,307	6,028	6,173
2. Guarantee obligations (guarantee exercise anticipated)	35,195 (35,068)	39,665 (39,489)	38,669 (38,514)

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 2004	Third quarter to 31 December 2003	Financial year to 31 March 2004 (In millions of yen)
	42,500	38,500	42,500

## [Notes on non-consolidated statement of income]

	Third quarter from 1 April 2004 to 31 December 2004	Third quarter from 1 April 2003 to 31 December 2003	Financial year from 1 April 2003 to 31 March 2004 (In millions of yen)
Extraordinary profits			
Profit from sale of investment securities	761	498	1,531
Profit from recovery of bad debts		565	565
Reversal from reserve for securities transaction liabilities	6	142	
Extraordinary losses			
Loss from sale of fixed assets	10	109	115
Loss from disposition of fixed assets	81	264	293
Loss from sale of investment securities	17	122	122
Write-down of investment securities	138	337	394
Write-down of shares of affiliates			2,473
Write-down of golf club memberships	11	3	1
Re-amortization of future retirement and severance pay obligations in line with a change to accounting standards	1,241	1,241	1,655
System change costs			814
Expenses incurred through merging or eliminating branches		228	247
Provision of reserve for securities transaction liabilities			70
Provision of allowance for bad debts	41	15	32

## Data on Non-consolidated Settlement of Accounts

### 1. Commissions and fees received

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

	Third quarter from 1 April 2004 to 31 December 2004	Third quarter from 1 April 2003 to 31 December 2003	% change from same period last year	Financial year from 1 April 2003 to 31 March 2004
Brokerage commissions	29,018	25,756	112.7	36,526
(Equities)	(28,815)	(25,487)	(113.1)	(36,191)
(Bonds)	(165)	(214)	(77.3)	(260)
Underwriting & selling fees	7,251	3,713	195.3	5,317
(Equities)	(6,397)	(2,925)	(218.7)	(4,314)
(Bonds)	(853)	(787)	(108.4)	(1,003)
Offering & selling fees and commissions	8,724	6,693	130.3	9,337
Other fees and commissions	8,594	6,602	130.2	9,403
<b>Total</b>	<b>53,588</b>	<b>42,766</b>	<b>125.3</b>	<b>60,585</b>

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

	Third quarter from 1 April 2004 to 31 December 2004	Third quarter from 1 April 2003 to 31 December 2003	% change from same period last year	Financial year from 1 April 2003 to 31 March 2004
Equities	35,422	29,005	122.1	41,124
Bonds	2,220	2,301	96.5	3,094
Beneficiary securities	12,319	9,762	126.2	13,468
Others	3,626	1,697	213.6	2,898
<b>Total</b>	<b>53,588</b>	<b>42,766</b>	<b>125.3</b>	<b>60,585</b>

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

	Third quarter from 1 April 2004 to 31 December 2004	Third quarter from 1 April 2003 to 31 December 2003	% change from same period last year	Financial year from 1 April 2003 to 31 March 2004
Equities, etc.	7,709	10,923	70.6	15,487
Bonds, exchange, etc.	15,367	24,159	63.6	31,260
(Bonds, etc.)	(15,756)	(23,992)	(65.7)	(30,923)
(Exchange, etc.)	(-388)	(166)	( )	(336)
<b>Total</b>	<b>23,077</b>	<b>35,082</b>	<b>65.8</b>	<b>46,747</b>

## 3. Volume of equity trading (except for futures contracts) (In millions of shares/millions of yen)

	Third quarter from 1 April 2004 to 31 December 2004		Third quarter from 1 April 2003 to 31 December 2003		% change from same period last year		Financial year from 1 April 2003 to 31 March 2004	
	No. of shares	Total value	No. of shares	Total value	No. of shares	Total value	No. of shares	Total value
Total	8,111	7,226,916	9,212	6,513,262	88.0	111.0	12,699	9,256,454
(Dealing)	(1,952)	(1,724,568)	(1,505)	(1,755,658)	(129.7)	(98.2)	(2,317)	(2,447,759)
(Brokerage)	(6,158)	(5,502,347)	(7,706)	(4,757,603)	(79.9)	(115.7)	(10,381)	(6,808,694)
Brokerage ratio	75.9%	76.1%	83.7%	73.0%			81.7%	73.6%
Shares of total for TSE	1.12%	1.09%	1.55%	1.20%			1.52%	1.21%

## 4. Volume of underwriting, offering, and selling (In millions of shares/millions of yen)

		Third quarter from 1 April 2004 to 31 December 2004	Third quarter from 1 April 2003 to 31 December 2003	% change from same period last year	Financial year from 1 April 2003 to 31 March 2004
Underwritten	Equities (No. of shares)	43	42	101.5	59
	Equities (Total value)	122,176	61,983	197.1	89,824
	Bonds (Total at face value)	1,466,993	1,348,325	108.8	1,977,618
	Commercial paper, foreign instruments, etc. (Total at face value)	646,000	875,213	73.8	1,146,313
Offered and sold*	Equities (No. of shares)	43	43	100.4	60
	Equities (Total value)	128,167	68,791	186.3	97,813
	Bonds (Total at face value)	1,645,603	1,503,944	109.4	2,195,424
	Beneficiary certificates (Total at face value)	1,916,191	1,597,789	119.9	2,236,125
	Commercial paper, foreign instruments, etc. (Total at face value)	646,000	875,213	73.8	1,146,313

\* Includes volume sold and volume privately placed.

## 5. Capital adequacy requirement ratio (In millions of shares/millions of yen)

		As of 31 December 2004	As of 31 December 2003	As of 31 March 2004
Basic items	Total capital (A)	218,969	213,592	214,081
Supplemental items	Difference in valuation (valuation revenues) of other securities, etc.	9,157	5,703	8,758
	Reserve for securities transaction liabilities, etc.	1,020	814	1,027
	Allowance for bad debts	174	175	248
	Subordinated short-term debt	42,500	38,500	42,500
Total (B)		52,852	45,192	52,534
Deducted assets (C)		78,911	74,161	76,099
Shareholders' equity after deduction (A)+(B)-(C) (D)		192,910	184,623	190,516
Amount equivalent to risk	Amount equivalent to market risk	17,443	13,343	13,443
	Amount equivalent to customer risk	6,776	6,977	7,507
	Amount equivalent to fundamental risk	21,956	20,321	20,499
	Total (E)	46,176	40,642	41,450
Capital adequacy requirement ratio (D)/(E)*100		417.7%	454.2%	459.6%



(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	26,151	29,931	30,420	24,987	23,284
Commissions and fees received	15,823	17,819	21,121	16,883	15,583
Brokerage commissions	9,705	10,769	13,559	8,265	7,192
(Equities)	(9,637)	(10,703)	(13,478)	(8,215)	(7,121)
(Bonds)	(48)	(46)	(63)	(39)	(62)
Underwriting & selling fees	1,607	1,604	1,684	2,776	2,790
(Equities)	(1,340)	(1,389)	(1,377)	(2,551)	(2,469)
(Bonds)	(267)	(215)	(307)	(225)	(321)
Offering & selling fees and commissions	2,334	2,643	2,934	2,912	2,878
Other fees and commissions	2,175	2,801	2,943	2,928	2,722
Trading profit or loss	9,892	11,664	8,544	7,521	7,011
Equities, etc.	3,687	4,564	2,889	2,205	2,615
Bonds, exchange, etc.	6,205	7,100	5,655	5,316	4,395
(Bonds, etc.)	(6,379)	(6,930)	(5,540)	(6,178)	(4,037)
(Exchange, etc.)	(-174)	(169)	(115)	(-862)	(357)
Financial revenues	435	447	754	581	689
Financial expenses	1,345	907	1,053	1,128	972
Net operating revenues	24,805	29,023	29,367	23,858	22,311
Selling, general and administrative expenses	21,746	21,684	24,416	23,642	22,010
Transaction expenses	2,920	2,789	2,952	3,205	3,313
Personnel expenses	10,836	10,573	12,199	10,821	9,495
Real estate expenses	3,460	3,511	3,504	3,648	3,401
Office expenses	3,115	3,247	3,579	3,447	3,313
Depreciation	941	982	1,192	1,667	1,585
Taxes and dues	77	79	320	230	258
Others	395	501	668	621	642
Operating profit	3,059	7,338	4,950	216	300
Non-operating revenues	288	501	1,700	345	1,015
Non-operating expenses	161	198	23	114	144
Ordinary profit	3,186	7,641	6,628	446	1,171
Extraordinary profits	4	890	8	582	176
Extraordinary losses	842	3,899	529	499	513
Net profit before taxes, etc.	2,348	4,632	6,107	529	834
Income taxes	31	56	37	35	27
Net profit	2,317	4,576	6,070	494	807