



## Summary of Third-Quarter Business Results for the Financial Year Ending 31 March 2006 (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  
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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: Yes
- 3) Changes in the scope of application of full consolidation or the equity method: Yes
  - Consolidation: 2 companies were added and 2 companies were removed.
  - Equity method: 1 company was added and 2 companies were removed.
  - Number of fully consolidated subsidiaries: 15
  - Number of equity-method affiliates: 4

### 2. Summary of Third-Quarter Business Results for the Financial Year Ending 31 March 2006 (1 April 2005 - 31 December 2005)

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

	Operating revenues		Net operating revenues		Operating profit		Ordinary profit	
	mil. yen	%	mil. yen	%	mil. yen	%	mil. yen	%
Third quarter to December 2005	109,275	(30.9)	105,959	(32.7)	25,825	(284.7)	28,368	(171.8)
Third quarter to December 2004	83,455	(0.2)	79,849	(-0.1)	6,712	(-46.2)	10,437	(-26.1)
Financial year to March 2005	113,052		108,350		10,170		14,220	

	Net profit		Net profit per share	Net profit per share (diluted)
	mil. yen	%	yen	yen
Third quarter to December 2005	25,941	(190.1)	33.65	33.61
Third quarter to December 2004	8,942	(-23.5)	11.64	—
Financial year to March 2005	7,737		9.85	—

(Note) 1. Investment profit or loss on equity method:

Third quarter to 31 December 2005: 188 million yen  
 Third quarter to 31 December 2004: 120 million yen  
 Financial year to 31 March 2005: 101 million yen

2. Average number of shares outstanding (consolidated):

Third quarter to 31 December 2005: 770,831,731  
 Third quarter to 31 December 2004: 768,118,672  
 Financial year to 31 March 2005: 768,152,743

3. Percentage figures for operating revenues, net operating revenues, operating profit, ordinary profit, and net profit represent the percentage increase or decrease on the same period last year.

#### (2) Consolidated financial status

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	mil. yen	mil. yen	%	yen
Third quarter to December 2005	2,910,890	262,400	9.0	340.46
Third quarter to December 2004	2,892,201	230,002	8.0	299.90
Financial year to March 2005	3,485,017	232,083	6.7	300.82

(Note) Number of shares outstanding (consolidated):

Third quarter to 31 December 2005: 770,725,972  
 Third quarter to 31 December 2004: 766,940,157  
 Financial year to 31 March 2005: 770,938,777

## [Consolidated cash flows]

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash & cash equivalents balance at term end
	mil. yen	mil. yen	mil. yen	mil. yen
Third quarter to December 2005	-67,107	-2,938	97,772	79,218
Third quarter to December 2004	-19,657	-9,625	23,306	103,581
Financial year to March 2005	-179,002	-14,270	135,322	51,656

3. Forecast of consolidated business results for the full financial year ending 31 March 2006  
(1 April 2005 - 31 March 2006)

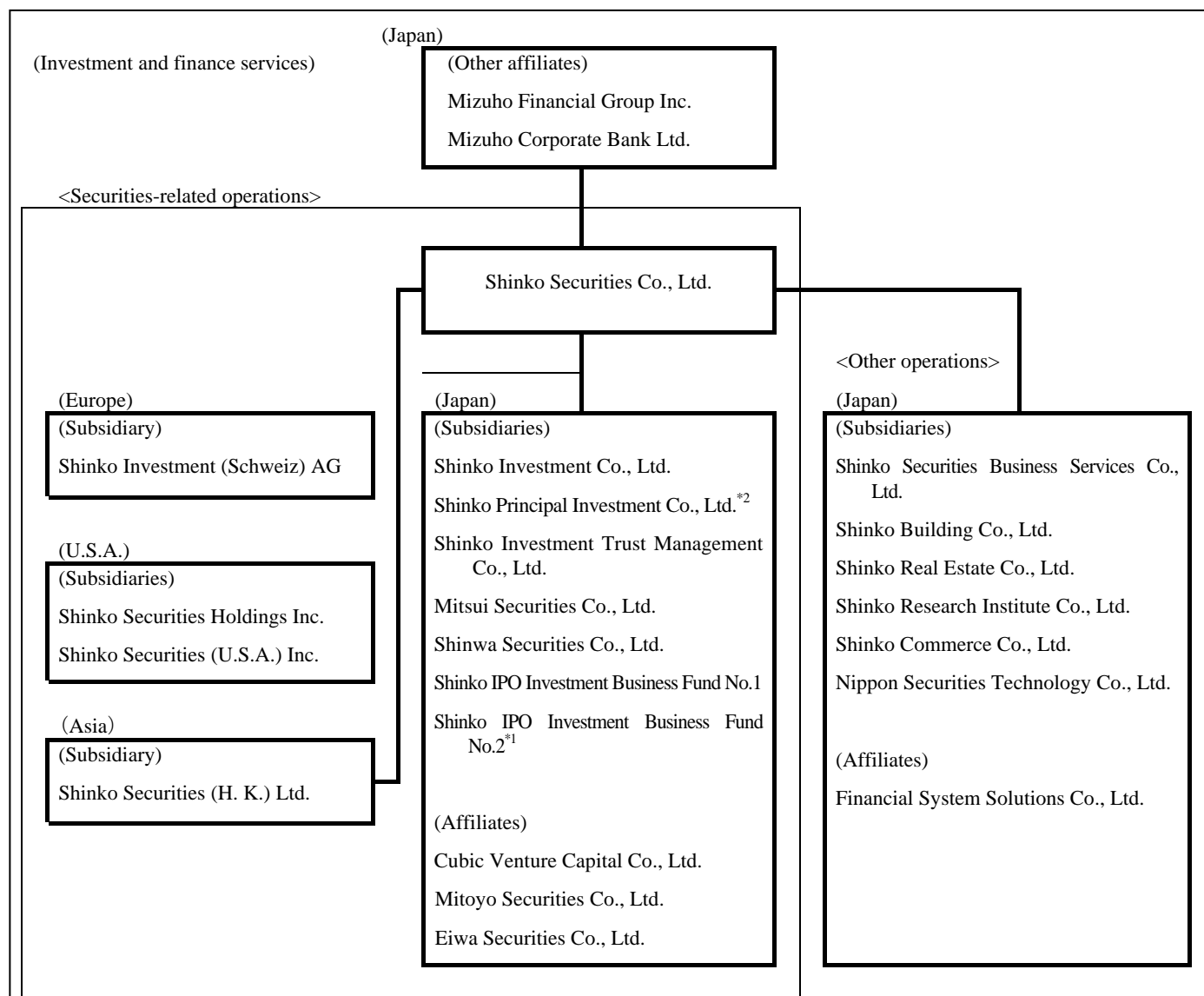
Because the main business activity of our corporate group is the buying and selling of securities, our earnings are strongly influenced by market conditions, etc. For this reason, we do not conduct forecasts of our business results.

Our Corporate Group

Our corporate group is composed of 17 subsidiaries and 4 affiliates. The business activities of our company and of 11 of the subsidiaries and 3 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 Funds No. 1 and No. 2, are consolidated companies, and the equity method is applied for all of our affiliated companies.

## Organizational Diagram of Corporate Group



\*1 Shinko IPO Investment Business Fund No. 2 was established on 17 May 2005.

\*2 Shinko Principal Investment Co., Ltd. was established on 1 July 2005.

**[Business Performance and Financial Position]**

## 1. Business Performance

In the first three quarters of the current financial year (the nine months from April 2005 to December 2005; hereafter referred to as the “period”), the Japanese economy gained further distance from its previous holding pattern. Thus, domestic demand, including personal spending and capital investment, generally continued to make a firm recovery; since early autumn, moreover, a round of inventory adjustments has been under way in the high-tech field and exports have been on the rebound. In the equity markets, the start of the period saw the Nikkei Stock Average fall below 10,900 yen in response to, among other things, the sudden drop in U.S. markets; in summer, however, stock prices turned upwards, spurred by various factors: a declaration by the national government and the Bank of Japan in early August that the economy had emerged from its holding pattern; the overwhelming victory by the ruling party in the September general elections; the perception that Japanese stocks were undervalued; etc. Subsequently, after a brief period of adjustment in October, stock prices resumed their upward trend, which continued, along with an increase in sales volume, until the end of the period, which the Nikkei Average finished at over 16,100 yen. In the bond market, a bullish situation prevailed amid a favorable supply-and-demand environment during the first half of the period; however, a softening trend set in during summer, when the stock market turned upwards. The yield on 10-year government bonds thus rose above 1.6% in October-November, due in part to expectations that the Bank of Japan would eliminate its quantitative easing policy; but the yield then regained its equilibrium, falling below 1.5% by period’s end.

Meanwhile, overseas, the U.S. economy, despite concerns about the effects of high oil prices and hurricane damage, continued to move steadily ahead, thanks mainly to consumer spending and capital investment. At the same time, the European economies saw a resurgence in external demand, spurred by a cheaper euro. In U.S. equity markets, an upward trend continued throughout the summer, sustained by solid corporate profits; in October, concerns about high oil prices exerted a downward pressure; but then oil prices themselves fell, alleviating anxiety about the future, so that stock prices trended upwards for the remainder of the period, which they finished in high-price territory. At the same time, European equity markets continued along a positive course, impelled by stronger expectations for corporate performance that arose from the cheaper euro. With U.S. interest rates continuing to be raised at a deliberate pace, bond markets in both the U.S. and Europe, despite some temporary adjustments, remained on essentially solid footing throughout the period, bolstered by a tendency to avoid risk to investment capital.

Under these circumstances, our corporate group earned consolidated operating revenues for this period of 109.275 billion yen (130.9% of that for the same period last year), an ordinary profit of 28.368 billion yen (271.8%), and a net profit of 25.941 billion yen (290.1%). A brief breakdown of these results follows:

## (1) Commissions and fees received

Commissions and fees received during this period totaled 72.283 billion yen (124.8%). A breakdown of this income follows:

## - Brokerage commissions

The average daily turnover during the period in the sections 1 and 2 of the Tokyo Stock Exchange was 2.0711 trillion yen (155.1%). Our company brokered the sale of 8.912 billion shares of stock (144.7%) worth 8.0188 trillion yen (145.7%), while our commissions on the same totaled 41.101 billion yen (137.4%). Commissions earned on bond brokering totaled 84 million yen (50.9%).

## - Underwriting and selling fees

In the market for stock issues, our company underwrote the offering and sale of shares issued by 74 newly floated companies during the current period, serving as lead manager in 13 of these cases. Moreover, we underwrote and sold secondary issues of stock for 57 public companies, serving as lead manager in 4 cases. As a result, our commissions from underwriting and selling stock reached 4.6 billion yen (71.9%).

In the bond market, our company served as lead manager for 10 bond issues from financial investment institutions, electric power companies, and general companies. As a result, our commissions from underwriting and selling bonds totaled 655 million yen (76.7%).

## - 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 the area of distributed investment trusts, for which there is strong demand among individual investors due to Japan’s long-continuing super-low interest rates, we strengthened our lineup of products by newly offering the “Shinko Pictet World Income Equity Fund (Monthly Distributions)” (managed by Shinko Investment Trust), a distributed investment trust that primarily invests in foreign equities with a high dividend yield. Moreover, based on the inducement that a complete payoff will be made, we offered, as investment trusts that aim for an absolute return,

“U.S. Dollar Denominated Capital Preservation Strategy Matrix 10 (2005-05),” a foreign investment trust that invests in hedge funds, and the “STB Market Neutral Fund” (managed by STB Asset Management).

Furthermore, in the area of domestic equity investment trusts, we introduced “Shinko Japan Income Stock Fund (Quarterly)” and “Shinko Japan Open II” (managed by Shinko Investment Trust) and in the area of foreign equity investment trusts, we introduced the “Invesco Eastern European Enlargement Stock Fund” (managed by Invesco Investment Trust), which invests in Eastern Europe, an area expected to have the same high growth rate as China and India. Thus, we strengthened our lineup of equity funds.

Moreover, we offered investors new opportunities for investment. Specifically, we introduced two investment trusts related to commodities, in which investor interest has been rising as commodity market conditions have improved: “Energy- and Food-Related Fund” (managed by Tokio Marine Asset Management); and a foreign investment trust, “Australian Dollar Denominated, Guaranteed Principal Type of Commodity Basket Reference Fund (2005-11).”

As a result, commissions from the sale of investment trusts reached 11.942 billion yen (135.0%) Other fees and commissions totaled 13.848 billion yen (118.3%).

#### (2) Trading profits

The period saw us earn trading profits of 11.953 billion yen (155.2%) on equity trading, and 21.091 billion yen (137.1%) on the trading of bonds and other instruments. Total trading profits thus stood at 33.045 billion yen (143.1%).

#### (3) Financial profit/loss

Deducting financial expenses of 3.741 billion yen (172%) from financial revenues of 3.315 billion yen (92%) gives a financial profit of 425 million yen.

#### (4) Selling, general and administrative expenses

During the period, transaction costs increased due to the vitality of the equities markets, while depreciation, etc., from system development also increased. As a result, selling, general and administrative expenses reached 80.133 billion yen (109.6%).

#### (5) Extraordinary profits and losses

As extraordinary profit, we recorded 1.479 billion yen from the sale of investment securities and 1.8 billion yen in software licensing fees. On the negative side, we recorded an extraordinary loss of 408 million yen. Thus, overall, we posted an extraordinary profit of 3.758 billion yen.

### 2. Financial position

Net cash used in operating activities was 67.107 billion yen due to such factors as an increase in margin transaction assets and deposits received and a decrease in loans secured by stocks and bonds.

Net cash used in investment activities totaled 2.938 billion yen due to such factors as an increase in IT system investments.

Net cash provided in financing activities was 97.772 billion yen due to such factors as an increase in short-term loans payable and our issue of commercial paper.

As a result of these flows, the balance of cash and cash equivalents stood at 79.218 billion yen at the end of the period.

**Consolidated Balance Sheets**

(In millions of yen)

	Third quarter to 31 December 2005	Third quarter to 31 December 2004	Year-on-year increase/decrease	Financial year to 31 March 2005
<b>Assets</b>				
Current assets	2,747,293	2,738,997	8,296	3,330,329
Cash and due from banks	82,936	103,806	-20,869	51,881
Fund deposits	83,199	61,780	21,418	64,812
Trading products	1,083,295	1,120,707	-37,412	1,376,233
Trading securities, etc.	1,080,432	1,117,101	-36,669	1,370,448
Derivative assets	2,863	3,605	-742	5,785
Trade date accrual	—	80,118	-80,118	—
Investment securities for sale	2,315	2,663	-348	2,452
Margin transaction assets	137,935	73,200	64,734	86,420
Customers' loans receivable in margin transactions	122,408	62,165	60,243	77,742
Collateral for borrowed securities for margin transactions	15,526	11,035	4,491	8,678
Loans receivable secured by securities	1,323,410	1,259,626	63,784	1,724,082
Collateral for borrowed securities	1,323,310	1,259,526	63,784	1,713,952
Loans receivable in gensaki transactions	100	100	—	10,130
Advances	670	14,611	-13,941	561
Accounts for non-delivered securities and others	75	—	75	—
Short-term loans receivable	114	80	34	218
Securities	1,906	1,000	906	2,026
Deferred income tax assets	2,689	413	2,276	155
Other current assets	29,061	21,140	7,921	21,672
Allowance for bad debts	-316	-150	-165	-188
Fixed assets	163,597	153,203	10,393	154,687
Tangible fixed assets	38,714	45,385	-6,671	43,038
Intangible fixed assets	26,301	23,385	2,916	26,802
Investments and other assets	98,581	84,432	14,148	84,846
Investment securities	81,953	64,539	17,414	65,687
Long-term deposits	12,773	15,181	-2,408	13,929
Deferred income tax assets	295	216	79	264
Other investments	8,946	9,520	-574	9,875
Allowance for bad debts	-5,386	-5,025	-361	-4,909
<b>Total assets</b>	<b>2,910,890</b>	<b>2,892,201</b>	<b>18,689</b>	<b>3,485,017</b>

(Shinko Securities)  
(In millions of yen)

	Third quarter to 31 December 2005	Third quarter to 31 December 2004	Year-on-year increase/decrease	Financial year to 31 March 2005
<b>Liabilities</b>				
Current liabilities	2,572,461	2,594,203	-21,741	3,175,427
Trading products	918,709	1,066,941	-148,232	1,220,685
Trading securities, etc.	914,911	1,060,742	-145,830	1,218,474
Derivative liabilities	3,797	6,199	-2,401	2,210
Trade date accrual	10,788	—	10,788	14,132
Margin transaction liabilities	54,444	25,327	29,116	56,119
Customers' loans payable for margin transactions	46,757	19,239	27,518	51,280
Collateral for loaned securities for margin transactions	7,686	6,088	1,597	4,839
Loans payable secured by securities	1,041,815	1,188,241	-146,425	1,475,857
Amounts receivable on loan transactions	898,979	991,848	-92,869	1,302,482
Loans payable in gensaki transactions	142,835	196,392	-53,556	173,375
Deposits received	76,845	70,643	6,201	56,108
Received margins	21,816	12,876	8,940	14,392
Accounts for non-received securities and others	0	84	-84	0
Short-term loans payable	343,840	189,107	154,732	265,905
Commercial paper	83,300	32,000	51,300	57,200
Income taxes payable	8,258	677	7,580	919
Reserve for bonus	2,898	1,779	1,118	3,857
Reserve for business reorganization loss	—	—	—	1,683
Other current liabilities	9,745	6,522	3,222	8,565
Fixed liabilities	69,177	61,588	7,589	71,027
Long-term loans payable	41,050	34,250	6,800	42,550
Deferred tax liabilities	12,723	5,434	7,289	6,580
Reserves for retirement benefits	11,630	16,989	-5,358	17,184
Other fixed liabilities	3,772	4,914	-1,141	4,712
Statutory reserve	1,047	1,047	-0	1,049
<b>Total liabilities</b>	<b>2,642,686</b>	<b>2,656,838</b>	<b>-14,152</b>	<b>3,247,504</b>
<b>Minority interest</b>	<b>5,803</b>	<b>5,359</b>	<b>443</b>	<b>5,428</b>
<b>Shareholders' equity</b>				
Common stock	125,167	125,167	—	125,167
Capital surplus	82,543	82,089	453	82,541
Earned surplus	41,324	21,379	19,945	20,174
Difference in valuation of securities	20,598	9,723	10,874	11,491
Foreign exchange translation adjustment	429	250	179	283
Treasury stock	-7,661	-8,607	945	-7,575
<b>Total shareholders' equity</b>	<b>262,400</b>	<b>230,002</b>	<b>32,398</b>	<b>232,083</b>
<b>Total liabilities, minority interest, and shareholders' equity</b>	<b>2,910,890</b>	<b>2,892,201</b>	<b>18,689</b>	<b>3,485,017</b>

**Consolidated Statement of Income**

(In millions of yen)

	Third quarter from 1 April 2005 to 31 December 2005	Third quarter from 1 April 2004 to 31 December 2004	% change from same period last year	Financial year from 1 April 2004 to 31 March 2005
Operating revenues	109,275	83,455	130.9	113,052
Commissions and fees received	72,283	57,910	124.8	79,008
Trading profit or loss	33,045	23,084	143.1	30,814
Trading profit or loss on investment securities for sale	204	285	71.8	398
Financial revenues	3,741	2,174	172.0	2,830
Financial expenses	3,315	3,606	92.0	4,701
Net operating revenues	105,959	79,849	132.7	108,350
Selling, general and administrative expenses	80,133	73,136	109.6	98,179
Transaction expenses	11,286	10,408	108.4	13,949
Personnel expenses	41,186	38,090	108.1	50,675
Real estate expenses	11,150	10,977	101.6	14,373
Office expenses	4,660	4,648	100.2	6,492
Depreciation	7,899	5,626	140.4	7,913
Taxes and dues	993	949	104.6	1,196
Others	2,956	2,436	121.3	3,579
Operating profit	25,825	6,712	384.7	10,170
Non-operating revenues	4,183	5,651	74.0	6,689
Investment profit on equity method	188	120	156.6	101
Others	3,994	5,530	72.2	6,588
Non-operating expenses	1,639	1,926	85.1	2,639
Ordinary profit	28,368	10,437	271.8	14,220
Extraordinary profits	4,166	1,124	370.5	1,679
Extraordinary losses	408	1,817	22.5	7,127
Net profit before taxes, etc.	32,127	9,744	329.7	8,771
Income taxes	8,356	356	2,344.6	446
Adjustment amount for income taxes	-2,562	113	—	321
Minority interest	390	332	117.7	266
Net profit	25,941	8,942	290.1	7,737



**Consolidated Statement of Earned Surplus**

(In millions of yen)

	Third quarter from 1 April 2005 to 31 December 2005	Third quarter from 1 April 2004 to 31 December 2004	Financial year from 1 April 2004 to 31 March 2005
<b>Capital Surplus</b>			
Balance of capital surplus at start of period	82,541	82,087	82,087
Increase in capital surplus	1	2	454
Gain/loss on disposal of treasury stock	1	2	454
Balance of capital surplus at end of period	82,543	82,089	82,541
<b>Earned Surplus</b>			
Balance of earned surplus at start of period	20,174	16,497	16,497
Increase in earned surplus	25,941	8,942	7,737
Net profit	25,941	8,942	7,737
Decrease in earned surplus	4,791	4,061	4,061
Dividend	4,625	3,865	3,865
Officer's bonus	165	195	195
Decrease in earned surplus due to exclusion from consolidation and from application of equity method	0	—	—
Balance of earned surplus at end of period	41,324	21,379	20,174

**Consolidated Cash Flow Statement**

(In millions of yen)

	Third quarter from 1 April 2005 to 31 December 2005	Third quarter from 1 April 2004 to 31 December 2004	Financial year from 1 April 2004 to 31 March 2005
<b>I Cash flows from operating activities</b>			
Net profit before taxes, etc.	32,127	9,744	8,771
Depreciation	7,899	5,626	7,913
Adjustment for extraordinary profit and loss			
Profit from sale on fixed assets	-225	—	—
Loss from sale or disposition of fixed assets	137	99	608
Write-down of fixed assets	—	—	2,242
Loss from assets impairment	165	—	—
Profit from sale on investment securities	-1,479	-1,119	-1,675
Write-down and loss from sale of investment securities	81	396	575
Write-down of golf club memberships	2	11	8
Software licensing fee	-1,800	—	—
Re-amortization of future retirement and severance pay obligations in line with a change to accounting standards	—	1,268	1,690
Profit from switchover of retirement benefits payment system	344	—	—
Provision (reversal) of reserve for business reorganization loss	-316	—	1,683
Irregular depreciation expense	—	—	222
Reversal of reserve for securities transaction liabilities	-1	-5	-3
Provision of allowance for bad debts	21	41	96
Interest income and dividends receivable	-4,556	-2,827	-3,558
Interest cost	3,315	3,606	4,701
Investment profit/loss on equity method	-188	-120	-101
Increase/decrease in loans receivable	123	225	90
Increase/decrease in money held as customers' trust	-18,227	-8,580	-11,619
Increase/decrease in advances and deposits received	20,637	14,841	14,356
Increase/decrease in trading products	-11,357	-37,980	-45,503
Increase/decrease in margin transaction assets	-51,514	11,523	-1,696
Increase/decrease in margin transaction liabilities	-1,675	-28,299	2,492
Increase/decrease in loans receivable secured by securities	400,671	-128,369	-592,825
Increase/decrease in loans payable secured by securities	-434,042	149,268	436,885
Increase/decrease in allowance for bad debts	660	3	-109
Increase/decrease in reserve for bonus	-958	-1,947	129
Increase/decrease in reserves for retirement benefits	-5,554	-1,029	-1,256
Others	-1,363	-3,958	-711
Subtotal	-67,073	-17,580	-176,593
Interest and dividends received	4,630	1,856	2,809
Interest paid	-3,048	-3,336	-4,604
Income taxes, etc. paid	-1,615	-597	-614
Cash flow from operating activities	-67,107	-19,657	-179,002
<b>II Cash flows from investing activities</b>			
Payments for purchases of investment securities	-6,524	-5,325	-6,626
Proceeds from the sale of investment securities	6,054	4,171	6,480
Payments for purchases of tangible fixed assets	-814	-430	-712
Proceeds from the sale of tangible fixed assets	727	537	538
Payments for purchases of intangible fixed assets	-6,003	-7,399	-13,576
Proceeds from sale of intangible fixed assets	—	0	0
Proceeds from return on long-term deposits	1,155	360	1,613
Proceeds from acquiring stock of subsidiaries upon a change in scope of consolidation	84	—	—
Others	2,380	-1,539	-1,988
Cash flow from investing activities	-2,938	-9,625	-14,270
<b>III Cash flows from financing activities</b>			
Increase/decrease in short-term loans payable	76,435	29,695	131,692
Proceeds from long-term loans payable	—	—	18,050
Increase/decrease in commercial paper	26,100	—	—
Payments for long-term loans payable	—	—	-9,750
Payments for acquiring treasury stocks	-86	-2,485	-2,502
Proceeds from sale of treasury stocks	—	—	1,735
Dividend paid	-4,625	-3,865	-3,865
Proceeds from issuing stock to a small number of shareholders	30	—	—
Dividend paid to minority shareholders	-80	-36	-36
Cash flow from financing activities	97,772	23,306	135,322
<b>IV Effect of foreign exchange rate changes on cash and cash equivalents</b>	228	0	50
<b>V Increase/decrease in cash and cash equivalents</b>	27,955	-5,975	-57,900
<b>VI Balance of cash and cash equivalents at start of period</b>	51,656	109,557	109,557
<b>VII Decrease in cash and cash equivalents resulting from exclusion from consolidation</b>	-392	—	—
<b>VIII Balance of cash and cash equivalents at end of period</b>	79,218	103,581	51,656

[About the consolidated financial statements]

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

[Basic Important Matters for Preparation of Consolidated Financial Statements]

1. Matters regarding the scope of consolidation

(1) Consolidated subsidiaries (15 subsidiaries)

Major subsidiaries

Shinko Securities Business Services Co., Ltd.  
Shinko Investment Co., Ltd.  
Shinko Investment Trust Management Co., Ltd.  
Nippon Securities Technology Co., Ltd.  
(Newly added) Alternative Investment Research Institute, Inc.  
Shinko Principal Investment Co., Ltd.  
(Removed) Kiirogen Co., Ltd.  
Alternative Investment Research Institute, Inc.

(2) Non-consolidated subsidiaries (2 subsidiaries)

Shinko IPO Investment Business Fund No.1  
Shinko IPO Investment Business Fund No.2

2. Matters concerning the application of equity method

Equity-method affiliates (4 affiliates)

Mitoyo Securities Co., Ltd.  
Eiwa Securities Co., Ltd.  
Financial System Solutions Co., Ltd.  
Cubic Venture Capital Co., Ltd.  
(Newly added) Cubic Venture Capital Co., Ltd.  
(Removed) Alternative Investment Research Institute, Inc.  
New Japan System Service Co., Ltd.

3. Matters concerning the period of consolidated subsidiaries

With regard to our consolidated subsidiaries, we use and consolidate their financial statements from 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 mainly the moving-average cost method.

- (2) Depreciation methods used for significant depreciable assets
- 1) Tangible fixed assets
 

Both our company and domestic consolidated subsidiaries use mainly fixed-percentage depreciation. However, buildings acquired after 1 April 1998 (excluding the equipment, etc. they contain) are depreciated using the straight-line (fixed amount) method.
  - 2) Intangible fixed assets and long-term prepaid expenses
 

The straight-line method is used. Moreover, software for our own use is depreciated using a straight-line method with the fixed amount of depreciation being determined by the duration of its potential internal use (5 years).
- (3) Handling of significant lease transaction
- In the case of finance leases where ownership is not deemed to have passed to the lessee, normal accounting procedures for leases are followed.
- (4) Accounting standards for significant reserves and allowances
- 1) Allowance for bad debts
 

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

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

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

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

(Additional information)

In December 2005, our company and certain of its consolidated subsidiaries changed part of their respective systems for lump-sum retirement grants to a fixed contribution pension system by applying "Accounting for Transfers between Retirement Benefit Plans" (Financial Accounting Standards Implementation Guidance No.1).

The amount affected by this change, 344 million yen, was recorded under special profit as "Profit from switchover of retirement benefits payment system."
- (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 closing day of the period. 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.

<Change in Accounting Method>

1. Starting from the period, we compiled these financial statements in accordance with "Accounting Standards Related to the Impairment of Fixed Assets" ("Written Opinion About the Establishment of Accounting Standards Related to the Impairment of Fixed Assets" (issued by the Business Accounting Deliberation Council on 9 August 2002)) and "Implementation Guidance for Accounting Standard for Impairment of Fixed Assets" (Financial Accounting Standards Implementation Guidance No. 6, issued by the Business Accounting Deliberation Council on 31 October 2003.) As a result, our net profit for the current period, prior to adjustments

for taxes, etc., decreased by 165 million yen.

Moreover, the total amount of loss from asset impairment was directly deducted from the values of the corresponding assets.

2. In the past, our company and the group's domestic consolidated subsidiaries recorded their dividends, from stocks with a market price, in the financial year containing the day on which dividend payment was received. Beginning with the period, however, we switched to a method in which, on the day after the final sales day provided for by the dividend right of the stock in question (hereafter referred to as the "succeeding day"), we estimate and record the uncollected dividends based on the publicly announced prospective dividend amount per share.

Given the growing number of companies that are increasing or restoring their dividends as their business results recover, we undertook this change because recording dividends on the subsequent day makes it possible to minimize the time between the point when we evaluate a stock with a market price that will be evaluated according to the price at the end of the period, and the point when we learn of the actual dividend income, and therefore to calculate the period's profit and loss more appropriately.

Due to the use of this new method for the current period, operating profit increased 24 million yen, and ordinary profit and net profit before taxes, etc., both increased 42 million yen, over what they would have been with the previous method.

[Notes on consolidated balance sheets]

	Third quarter to 31 December 2005	Third quarter to 31 December 2004	Financial year to 31 March 2005 (In millions of yen)
1. Accumulated depreciation of tangible fixed assets	22,589	23,773	23,547
2. Guarantee obligations (guarantee exercise anticipated)	1,276 (1,161)	1,557 (1,430)	1,542 (1,416)

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".

	Third quarter to 31 December 2005	Third quarter to 31 December 2004	Financial year to 31 March 2005 (In millions of yen)
	51,000	42,500	50,800

[Notes on consolidated statement of income]

	Third quarter from 1 April 2005 to 31 December 2005	Third quarter from 1 April 2004 to 31 December 2004	Financial year from 1 April 2004 to 31 March 2005
Extraordinary profits			(In millions of yen)
Profit from sale of fixed assets	225	—	—
Profit from sale of investment securities	1,479	1,119	1,675
Software licensing fees	1,800	—	—
Profit from switchover of retirement benefits payment system	344	—	—
Reversal from reserve for securities transaction liabilities	1	5	3
Reversal from allowance for bad debts	316	—	—
Extraordinary losses			
Loss from sale of fixed assets	—	11	13
Loss from disposition of fixed assets	137	87	594
Write-down of fixed assets	—	—	2,242
Loss from asset impairment	165	—	—
Loss from sale of investment securities	11	118	141
Write-down of investment securities	69	278	433
Write-down of golf club memberships	2	11	8
Re-amortization of future retirement and severance pay obligations in line with a change to accounting standards	—	1,268	1,690
Irregular depreciation expense	—	—	222
Provision of reserve for business reorganization loss	—	—	1,683
Provision of allowance for bad debts	21	41	96

Data on Consolidated Settlement of Accounts

## 1. Commissions and fees received

(1) Breakdown by account				(In millions of yen)
	Third quarter from 1 April 2005 to 31 December 2005	Third quarter from 1 April 2004 to 31 December 2004	% change from same period last year	Financial year from 1 April 2004 to 31 March 2005
Brokerage commissions	41,236	30,113	136.9	41,042
(Equities)	(41,101)	(29,909)	(137.4)	(40,798)
(Bonds)	(84)	(166)	(50.9)	(197)
Underwriting & selling fees	5,256	7,251	72.5	9,358
(Equities)	(4,600)	(6,397)	(71.9)	(8,277)
(Bonds)	(655)	(853)	(76.7)	(1,081)
Offering & selling fees and commissions	11,942	8,843	135.0	12,593
Other fees and commissions	13,848	11,702	118.3	16,014
<b>Total</b>	<b>72,283</b>	<b>57,910</b>	<b>124.8</b>	<b>79,008</b>

(2) Breakdown by instrument				(In millions of yen)
	Third quarter from 1 April 2005 to 31 December 2005	Third quarter from 1 April 2004 to 31 December 2004	% change from same period last year	Financial year from 1 April 2004 to 31 March 2005
Equities	46,029	36,535	126.0	49,622
Bonds	1,622	2,235	72.6	3,013
Beneficiary securities	19,800	15,236	130.0	20,944
Others	4,831	3,903	123.8	5,427
<b>Total</b>	<b>72,283</b>	<b>57,910</b>	<b>124.8</b>	<b>79,008</b>

2. Trading profits				(In millions of yen)
	Third quarter from 1 April 2005 to 31 December 2005	Third quarter from 1 April 2004 to 31 December 2004	% change from same period last year	Financial year from 1 April 2004 to 31 March 2005
Equities, etc.	11,953	7,700	155.2	10,036
Bonds, exchange, etc.	21,091	15,383	137.1	20,777
(Bonds, etc.)	(23,087)	(15,772)	(146.4)	(21,348)
(Exchange, etc.)	(-1,996)	(-388)	(—)	(-570)
<b>Total</b>	<b>33,045</b>	<b>23,084</b>	<b>143.1</b>	<b>30,814</b>

(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	24,989	29,596	29,845	35,999	43,429
Commissions and fees received	17,099	21,097	18,526	22,975	30,781
Brokerage commissions	7,516	10,929	9,312	12,937	18,986
(Equities)	(7,445)	(10,889)	(9,278)	(12,887)	(18,936)
(Bonds)	(62)	(31)	(20)	(29)	(35)
Underwriting & selling fees	2,790	2,106	965	2,002	2,288
(Equities)	(2,469)	(1,879)	(773)	(1,823)	(2,004)
(Bonds)	(321)	(227)	(192)	(179)	(283)
Offering & selling fees and commissions	2,924	3,750	4,081	3,410	4,450
Other fees and commissions	3,867	4,311	4,167	4,625	5,055
Trading profit or loss	7,031	7,729	9,763	11,749	11,532
Equities, etc.	2,631	2,335	3,995	4,289	3,668
Bonds, exchange, etc.	4,400	5,393	5,767	7,460	7,863
(Bonds, etc.)	(4,042)	(5,575)	(6,596)	(8,360)	(8,130)
(Exchange, etc.)	(357)	(-181)	(-829)	(-900)	(-266)
Trading profit or loss on investment securities for sale	123	113	101	107	-3
Financial revenues	734	655	1,454	1,167	1,120
Financial expenses	1,114	1,095	1,037	1,174	1,104
Net operating revenues	23,874	28,501	28,808	34,825	42,324
Selling, general and administrative expenses	22,821	25,043	25,262	26,953	27,917
Transaction expenses	3,607	3,540	3,623	3,856	3,806
Personnel expenses	11,245	12,585	12,642	13,334	15,210
Real estate expenses	3,460	3,396	3,755	4,033	3,361
Office expenses	1,387	1,843	1,664	1,486	1,509
Depreciation	1,989	2,287	2,419	2,732	2,748
Taxes and dues	275	247	409	275	309
Others	855	1,143	747	1,236	972
Operating profit	1,053	3,458	3,546	7,871	14,407
Non-operating revenues	1,913	1,038	1,643	1,458	1,081
Investment profit on equity method	26	-19	7	46	134
Others	1,886	1,057	1,636	1,411	946
Non-operating expenses	654	713	585	656	397
Ordinary profit	2,311	3,783	4,604	8,673	15,090
Extraordinary profits	507	554	2,300	728	1,137
Extraordinary losses	604	5,310	188	176	43
Net profit before taxes, etc.	2,214	-973	6,716	9,225	16,185
Income taxes	124	90	85	2,363	5,907
Adjustment amount for income taxes	27	207	39	-2,453	-148
Minority interest	166	-66	60	75	255
Net profit	1,896	-1,204	6,530	9,240	10,171