



Summary of First-Quarter Business Results for the Financial Year Ending 31 March 2008

25 July 2007

Listed company's name: **Shinko Securities Co., Ltd.** Listing stock exchanges: First Section of the Tokyo Stock Exchange, Osaka Securities Exchange, and Nagoya Stock Exchange

Code No.: 8606 URL: <http://www.shinko-sec.co.jp/>

Representative: Takashi Kusama, President

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

(Note) The amounts displayed below have been rounded off downwards to the nearest million yen

1. Consolidated results for the first quarter of the financial year ending 31 March 2008 (1 April 2007 to 30 June 2007)

(1) Consolidated results of business activities

(Percentages show year-on-year changes.)

	Operating revenues		Net operating revenues		Operating profit		Ordinary profit	
	mil. yen	%	mil. yen	%	mil. yen	%	mil. yen	%
First quarter to June 2007	44,549	(30.7)	40,243	(23.0)	10,427	(95.8)	11,304	(51.6)
First quarter to June 2006	34,074	(14.2)	32,716	(13.6)	5,326	(50.2)	7,456	(61.9)
Financial year to March 2007	146,794		136,319		23,786		29,056	

	Net profit		Net profit per share	Net profit per share (diluted)
	mil. yen	%	yen	yen
First quarter to June 2007	7,249	(42.2)	9.38	9.36
First quarter to June 2006	5,099	(-21.9)	6.62	6.60
Financial year to March 2007	21,935		28.45	28.38

(2) Consolidated financial status

	Total assets	Net assets	Equity ratio	Net assets per share
	mil. yen	mil. yen	%	yen
First quarter to June 2007	3,817,633	292,267	7.4	367.73
First quarter to June 2006	3,845,595	272,470	6.9	345.80
Financial year to March 2007	3,734,941	292,817	7.6	368.49

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash & cash equivalents balance at term end
	mil. yen	mil. yen	mil. yen	mil. yen
First quarter to June 2007	70,479	-1,241	-107,500	83,066
First quarter to June 2006	1,206	-3,867	-26,463	87,561
Financial year to March 2007	-37,990	-13,986	53,418	121,014

2. Forecast of consolidated business results for the full financial year ending 31 March 2008 (1 April 2007 – 31 March 2008)

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.

3. Other

- (1) Transfer of significant subsidiaries during the period (Transfer of specific subsidiaries involving changes in the scope of consolidation): None
(2) Adoption of simplified accounting procedures: None
(3) Changes in accounting policies from the latest consolidated fiscal year: None

(Reference) Summary of Non-consolidated Business Results

1. Non-consolidated results for the first quarter of the fiscal year ending 31 March 2008 (1 April 2007 to 30 June 2007)

(1) Non-consolidated results of business activities (Percentages show year-on-year changes.)

	Operating revenues		Net operating revenues		Operating profit		Ordinary profit	
	mil. yen	%	mil. yen	%	mil. yen	%	mil. yen	%
First quarter to June 2007	41,567	(33.0)	37,368	(24.7)	9,563	(121.4)	11,761	(83.3)
First quarter to June 2006	31,243	(10.9)	29,977	(9.9)	4,320	(22.2)	6,417	(42.4)
Financial year to march 2007	137,514		127,358		22,456		25,856	

	Net profit		Net profit per share	Net profit per share (diluted)
	mil. yen	%	yen	yen
First quarter to June 2007	8,452	(78.7)	10.94	10.92
First quarter to June 2006	4,731	(-29.3)	6.14	6.12
Financial year to march 2007	19,574		25.38	25.33

(2) Non-consolidated financial status

	Total assets	Net assets	Equity ratio	Net assets per share	Capital adequacy requirement ratio
	mil. yen	mil. yen	%	yen	%
First quarter to June 2007	3,771,599	274,868	7.3	355.57	411.0
First quarter to June 2006	3,801,348	258,794	6.8	335.81	401.5
Financial year to march 2007	3,689,766	274,465	7.4	355.09	427.5

2. Forecast of non-consolidated business results for the full financial year ending 31 March 2008 (1 April 2007 to 31 March 2008)

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

[Qualitative Information, Financial Statements, Etc]

1. Qualitative information on consolidated operating results

Overview of results for the first quarter

During the first quarter under review, elements of the Japanese economy, especially manufacturing, temporarily stalled in the first quarter under review because of a slowdown in exports and inventory adjustment in the high-tech sector. Still, capital expenditure remained firm and personal spending continued to stage a moderate recovery. The stock market continued to pick up from the global stock downturn experienced in the spring. The Nikkei Stock Average started above 17,000 points at the beginning of the term and continued to rise moderately, backed by a robust U.S. stock market and a weakening yen. In early June, the rise in stock prices was restrained on surging long-term interest rates both in Japan and abroad but the fall was limited. In late June, the Nikkei Index had risen to a post-recovery high of more than 18,200 points. At the end of the quarter, the index was above 18,100. In the bond market, the yield on the 10-year JGB remained in the high 1.6% range until mid-May, before temporarily climbing to the middle of the range between 1.9% and 2.0% in early June as long-term U.S. interest rates soared. Subsequently, the rise in the yield paused when confronted with weak economic indicators. However, the scope for declines was limited as speculation spread that the next rate hike would be brought forward by the Bank of Japan. At the end of the quarter, the yield was in the upper 1.8% range.

In the United States, while the adjustment phase of the housing market dragged on, improvements in inventory adjustments began to take hold. Personal spending remained firm, backed by the expansion of job opportunities despite rising gasoline prices. In Europe, a recovery resulting from increases in exports spread to domestic demand, including capital investment, and a sustainable economic expansion continued. In U.S. stock markets, prices of stocks, especially large-cap stocks, continued to rise against a backdrop of strong overseas economies. Although stock prices were depressed in association with the surge in long-term interest rates in early June, they recovered towards the end of the quarter. European stocks were strong, led by large-caps. In the bond market, long-term interest rates temporarily surged, as speculation of a lowering of rates in the United States receded, but interest rates steadied in both the United States and Europe towards the end of the quarter on expected inflation stability.

Under these circumstances, our corporate group earned consolidated operating revenues for this period of 44.549 billion yen (130.7% of that for the same period last year), an ordinary profit of 11.304 billion yen (151.6%), and a net profit of 7.249 billion yen (142.2%). A brief breakdown of these results follows:

(1) Commissions and fees received

Commissions and fees received during this period totaled 23.397 billion yen (100.4%). 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 3.0153 trillion yen (108.8%). Our company brokered the sale of 1.858 billion shares of stock (97.5%) worth 2.0804 trillion yen (35.6%), while our commissions on the same totaled 8.746 billion yen (83.7%). Commissions earned on bond brokering totaled 11 million yen (44.9%).

- Underwriting and selling fees

In the market for new issues, we underwrote the issue and sale of stocks for 18 newly listed companies, serving as lead manager for four of them. In addition, we underwrote the issue and sale of stocks for five listed companies, lead managing for two. As a consequence, the commissions the Group received for the underwriting and sale of stocks amounted to 1,016 million yen (72.0%).

In the bond issue market, we served as lead manager, or joint lead manager, for four municipal bonds and four general corporate bonds, and served as joint lead manager for one investment-and-loan agency bond. As a result, commissions for the underwriting and sale of bounds became 231 million yen (59.9%).

- Offering, selling, and other fees and commissions

The revenue mostly consisted of commissions and agency fees for offering and selling investment trusts.

In the field of frequent distributions investment trusts, which enjoy persistent demand from personal investors—a reflection of the prolonged period of low interest rates in Japan—we improved the quality and quantity of our product lineup, offering funds investing in domestic and foreign bonds, stocks, real-estate investment trusts, and other instruments.

As investment trusts relating to foreign stocks, we introduced INVESCO Global Equity Open and CROCI Global Sectors Fund, which are designed to benefit from the growth of the global economy.

As a result, commissions from the sale of investment trust reached 5.877 billion yen (131.5%), other fees and commissions totaled 7.499 billion yen (114.5%).

(2) Trading profits

The period saw us earn trading profits of 3.631 billion yen (295.8%) on equity trading, and 12.739 billion yen (182.2%) on the trading of bonds and other instruments. Total trading profits thus stood at 16.371 billion yen (199.1%).

(3) Financial profit/loss

Deducting financial expenses of 4.506 billion yen (247.3%) from financial revenues of 4.306 billion yen (317.1%) gives a financial profit of 200 million yen (43.2%).

(4) Selling, general and administrative expenses

Because of increases in transaction expenses and office expenses, selling, general and administrative expenses amounted to 29.815 billion yen (108.9%).

(5) Extraordinary profits and losses

Among extraordinary profits, we posted a gain on liquidation of affiliates of 214 million yen and a profit from the sale of investment securities of 77 million yen. In extraordinary losses, we recorded a write-down of investment securities of 129 million yen and merger costs of 97 million yen. We consequently posted a net extraordinary profit of 19 million yen.

2. Qualitative information on consolidated financial position

Cash flows from operating activities were 70.479 billion yen, reflecting an increase in loans payable secured by securities and other factors.

Cash flows from investing activities were 1,241 million yen given factors including an increase in IT system investments.

Cash flows from financing activities were 107.5 billion yen due to a decrease in short-term loans payable and other factors.

As a result of these cash flows, cash and cash equivalents amounted to 83.066 billion yen at the end of the first quarter.

3. Others

(1) Transfer of significant subsidiaries during the period (Transfer of specific subsidiaries involving changes in the scope of consolidation)

Not applicable.

(2) Adoption of simplified accounting procedures

Not applicable.

(3) Changes in accounting policies from the latest consolidated fiscal year

Not applicable.

4. Quarterly consolidated balance sheets

Consolidated Balance Sheets

(In millions of yen)

	First quarter to 30 June 2006	First quarter to 30 June 2007	Year-on-year increase/decrease	Financial year to 31 March 2007
Assets				
Current assets	3,678,741	3,666,634	-12,106	3,569,189
Cash and due from banks	87,784	83,250	-4,534	121,197
Fund deposits	66,377	96,575	30,197	87,006
Trading products	1,633,850	1,331,766	-302,083	1,321,935
Trading securities, etc.	1,630,387	1,323,388	-306,998	1,316,064
Derivative assets	3,463	8,378	4,914	5,870
Trade date accrual	15,190	—	-15,190	—
Operating securities, etc.	2,157	19,142	16,985	8,766
Margin transaction assets	137,559	135,478	-2,081	114,021
Customers' loans receivable in margin transactions	131,723	111,047	-20,675	105,991
Collateral for borrowed securities for margin transactions	5,836	24,430	18,594	8,029
Loans receivable secured by securities	1,699,615	1,972,713	273,098	1,891,914
Collateral for borrowed securities	1,679,516	1,972,613	293,097	1,871,826
Loans receivable in gensaki transactions	20,099	100	-19,999	20,087
Advances	680	1,281	600	186
Accounts for non-delivered securities and others	3	21	17	173
Short-term loans receivable	160	200	39	174
Securities	1,603	8,806	7,203	5,501
Deferred income tax assets	3,141	1,813	-1,327	3,321
Other current assets	30,744	15,679	-15,065	15,095
Allowance for bad debts	-128	-95	32	-107
Fixed assets	166,854	150,998	-15,855	165,752
Tangible fixed assets	34,658	34,264	-394	34,497
Intangible fixed assets	32,150	34,045	1,894	35,098
Investments and other assets	100,045	82,689	-17,356	96,156
Investment securities	84,523	67,520	-17,002	81,027
Long-term deposits	11,933	11,678	-255	11,370
Deferred income tax assets	289	319	30	331
Other investments	8,633	7,471	-1,162	7,803
Allowance for bad debts	-5,334	-4,300	1,034	-4,376
Total assets	3,845,595	3,817,633	-27,962	3,734,941

(In millions of yen)

	First quarter to 30 June 2006	First quarter to 30 June 2007	Year-on-year increase/decrease	Financial year to 31 March 2007
Liabilities				
Current liabilities	3,488,065	3,438,852	-49,213	3,354,918
Trading products	1,409,236	1,027,828	-381,408	1,140,368
Trading securities, etc.	1,406,157	1,025,067	-381,090	1,137,898
Derivative liabilities	3,078	2,761	-317	2,469
Trade date accrual	—	8,625	8,625	32,703
Margin transaction liabilities	66,929	45,259	-21,670	59,990
Customers' loans payable for margin transactions	63,817	40,756	-23,060	55,766
Collateral for loaned securities for margin transactions	3,112	4,502	1,390	4,224
Loans payable secured by securities	1,462,858	1,794,302	331,443	1,481,385
Amounts receivable on loan transactions	1,378,846	1,564,455	185,608	1,370,140
Loans payable in gensaki transactions	84,011	229,846	145,834	111,244
Deposits received	63,423	70,096	6,672	56,041
Received margins	25,017	46,532	21,514	40,750
Accounts for non-received securities and others	26	5,049	5,022	—
Short-term loans payable	355,270	298,080	-57,190	399,908
Commercial paper	88,600	121,000	32,400	117,200
Income taxes payable	666	2,330	1,664	8,410
Deferred tax liabilities	—	7	7	41
Reserve for bonus	2,776	3,319	542	6,507
Allowance for directors' bonus	—	—	—	344
Reserve for point service	—	549	549	401
Reserve for business reorganization loss	—	33	33	33
Other current liabilities	13,260	15,839	2,579	10,830
Fixed liabilities	83,889	85,541	1,651	86,289
Corporate bonds	33,000	33,000	—	33,000
Long-term loans payable	26,050	30,700	4,650	30,700
Deferred tax liabilities	12,528	13,594	1,065	12,661
Reserves for retirement benefits	9,810	5,359	-4,451	6,373
Reserve for directors' retirement benefits	—	677	677	732
Reserve for executive officers' retirement benefits	—	696	696	859
Other fixed liabilities	2,499	1,512	-986	1,962
Statutory reserve	1,169	972	-197	916
Total liabilities	3,573,124	3,525,366	-47,758	3,442,124
Net Assets				
Shareholders' equity	245,740	261,296	15,556	263,305
Common stock	125,167	125,167	—	125,167
Capital surplus	82,544	82,920	375	82,900
Earned surplus	45,740	60,550	14,809	62,576
Treasury stock	-7,712	-7,341	371	-7,339
Valuation and translation adjustments	20,746	22,967	2,220	21,511
Net unrealized gains on other securities, net of taxes	20,294	21,882	1,587	20,702
Foreign currency translation adjustment	451	1,085	633	808
Minority interest	5,984	8,003	2,019	8,000
Total net assets	272,470	292,267	19,796	292,817
Total liabilities and net assets	3,845,595	3,817,633	-27,962	3,734,941

Consolidated Statement of Income

(In millions of yen)

	First quarter from 1 April 2006 to 30 June 2006	First quarter from 1 April 2007 to 30 June 2007	Year-on-year comparison		Financial year from 1 April 2006 to 31 March 2007
			Change	Ratio (%)	
Operating revenues	34,074	44,549	10,475	130.7	146,794
Commissions and fees received	23,311	23,397	85	100.4	91,115
Trading profit or loss	8,221	16,371	8,149	199.1	42,104
Operating securities profit or loss	718	274	-444	38.2	270
Financial revenues	1,822	4,506	2,684	247.3	13,303
Financial expenses	1,357	4,306	2,948	317.1	10,474
Net operating revenues	32,716	40,243	7,527	123.0	136,319
Selling, general and administrative expenses	27,390	29,815	2,425	108.9	112,532
Transaction expenses	3,715	4,309	593	116.0	16,498
Personnel expenses	14,550	15,052	502	103.5	56,964
Real estate expenses	3,610	3,871	261	107.2	14,746
Office expenses	1,614	2,136	521	132.3	8,219
Depreciation	2,670	3,079	409	115.3	10,892
Taxes and dues	402	463	60	115.1	1,333
Others	825	902	76	109.2	3,877
Operating profit	5,326	10,427	5,101	195.8	23,786
Non-operating revenues	2,434	1,276	-1,158	52.4	6,424
Investment profit on equity method	32	21	-11	64.3	5
Others	2,402	1,255	-1,146	52.3	6,418
Non-operating expenses	304	400	96	131.6	1,154
Ordinary profit	7,456	11,304	3,847	151.6	29,056
Extraordinary profits	265	328	62	123.6	6,310
Extraordinary losses	31	309	277	974.1	1,749
Net profit before taxes, etc.	7,690	11,323	3,632	147.2	33,617
Income taxes	242	2,361	2,119	973.7	9,543
Adjustment amount for income taxes	2,207	1,522	-684	69.0	1,927
Minority interest	141	189	48	134.1	211
Net profit	5,099	7,249	2,149	142.2	21,935

Consolidated Statement of Shareholders' Equity

First quarter from 1 April 2006 to 30 June 2006

(In millions of yen)

	Shareholders' equity					Valuation and translation adjustments			Minority interests	Total net assets
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total	Net unrealized gains on other securities, net of taxes	Foreign currency translation adjustment	Total valuation and translation adjustments		
Balance as of 31 March 2006	125,167	82,544	50,322	-7,696	250,336	24,713	422	25,135	6,103	281,575
Amounts of changes during the period										
Distribution of surplus *			-9,248		-9,248					-9,248
Officer's bonus *			-432		-432					-432
Net profit			5,099		5,099					5,099
Acquisition of treasury stocks				-16	-16					-16
Disposal of treasury stock		0		0	0					0
Net amount of change during the period for non-stockholder-capital items						-4,418	29	-4,389	-118	-4,508
Total amount of change during the period	—	0	-4,581	-16	-4,596	-4,418	29	-4,389	-118	-9,104
Balance as of 30 June 2006	125,167	82,544	45,740	-7,712	245,740	20,294	451	20,746	5,984	272,470

* This is a profit distribution item decided at the regular shareholders' meeting held in June 2006.

First quarter from 1 April 2007 to 30 June 2007

(In millions of yen)

	Shareholders' equity					Valuation and translation adjustments			Minority interests	Total net assets
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total	Net unrealized gains on other securities, net of taxes	Foreign currency translation adjustment	Total valuation and translation adjustments		
Balance as of 31 March 2007	125,167	82,900	62,576	-7,339	263,305	20,702	808	21,511	8,000	292,817
Amounts of changes during the period										
Distribution of surplus			-9,275		-9,275					-9,275
Net profit			7,249		7,249					7,249
Acquisition of treasury stocks				-29	-29					-29
Disposal of treasury stock		19		26	46					46
Net amount of change during the period for non-stockholder-capital items						1,179	276	1,456	3	1,459
Total amount of change during the period	—	19	-2,026	-2	-2,009	1,179	276	1,456	3	-549
Balance as of 30 June 2007	125,167	82,920	60,550	-7,341	261,296	21,882	1,085	22,967	8,003	292,267

Financial Year Ended 1 April 2006 to 31 March 2007

(In millions of yen)

	Shareholders' equity					Valuation and translation adjustments			Minority interests	Total net assets
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total	Net unrealized gains on other securities, net of taxes	Foreign currency translation adjustment	Total valuation and translation adjustments		
Balance as of 31 March 2006	125,167	82,544	50,322	-7,696	250,336	24,713	422	25,135	6,103	281,575
Amounts of changes during the period										
Distribution of surplus *			-9,248		-9,248					-9,248
Officer's bonus *			-432		-432					-432
Net profit			21,935		21,935					21,935
Acquisition of treasury stocks				-123	-123					-123
Disposal of treasury stock		356		481	837					837
Net amount of change during the period for non-stockholder-capital items						-4,010	386	-3,624	1,897	-1,727
Total amount of change during the period	—	356	12,254	357	12,968	-4,010	386	-3,624	1,897	11,241
Balance as of 31 March 2007	125,167	82,900	62,576	-7,339	263,305	20,702	808	21,511	8,000	292,817

* This is a profit distribution item decided at the regular shareholders' meeting held in June 2006.

Consolidated Cash Flow Statement

(In millions of yen)

	First quarter from 1 April 2006 to 30 June 2006	First quarter from 1 April 2007 to 30 June 2007	Financial year from 1 April 2006 to 31 March 2007
I. Cash flows from operating activities			
Net profit before taxes, etc.	7,690	11,323	33,617
Depreciation	2,670	3,079	10,892
Adjustment for extraordinary profit and loss			
Profit from sale on fixed assets	—	—	-17
Loss from sale or disposition of fixed assets	19	25	445
Profit from sale on investment securities	—	-77	-4,941
Write-down and loss from sale of investment securities	—	129	321
Loss from change in IT system	—	—	296
Software licensing fee	—	—	-859
Provision of reserve for past directors' retirement benefits	—	—	478
Business reorganization loss	—	—	136
Provision (reversal) of reserve for securities transaction liabilities	12	56	-241
Reversal of allowance for bad debts	—	—	-180
Interest income and dividends receivable	-2,832	-2,217	-14,473
Interest cost	1,357	1,357	10,474
Investment profit/loss on equity method	-32	-21	-5
Increase/decrease in loans receivable	72	-23	97
Increase/decrease in money held as customers' trust	24,445	-9,595	3,780
Increase/decrease in advances and deposits received	761	12,959	-6,126
Increase/decrease in trading products	-183,008	-145,146	-94,572
Increase/decrease in margin transaction assets	17,124	-21,456	40,662
Increase/decrease in margin transaction liabilities	-31,830	-14,731	-38,769
Increase/decrease in loans receivable secured by securities	32,135	-80,798	-160,163
Increase/decrease in loans payable secured by securities	146,194	312,916	164,721
Increase/decrease in allowance for bad debts	-238	-31	-1,006
Increase/decrease in reserve for bonus	-4,313	-3,532	-238
Increase/decrease in reserves for retirement benefits	-1,016	-1,232	-2,861
Others	6,776	15,280	33,187
Subtotal	15,988	78,265	-25,343
Interest and dividends received	1,845	1,979	14,338
Interest paid	-1,072	-1,122	-10,358
Income taxes, etc. paid	-15,556	-8,642	-16,627
Cash flow from operating activities	1,206	70,479	-37,990
II. Cash flows from investing activities			
Payments for purchases of investment securities	-2,585	-1,297	-10,985
Proceeds from the sale of investment securities	842	1,904	11,840
Payments for purchases of tangible fixed assets	-155	-110	-1,406
Proceeds from the sale of tangible fixed assets	—	—	53
Payments for purchases of intangible fixed assets	-2,426	-1,573	-13,383
Proceeds from sale of intangible fixed assets	—	—	700
Proceeds from return on long-term deposits	130	—	694
Others	327	-164	-1,498
Cash flow from investing activities	-3,867	-1,241	-13,986
III. Cash flows from financing activities			
Increase/decrease in short-term loans payable	-34,420	-101,828	16,368
Increase/decrease in commercial paper	4,400	3,800	33,000
Proceeds from issue of corporate bonds	12,982	—	12,982
Proceeds from long-term loans payable	—	—	15,000
Payments for long-term loans payable	—	—	-16,500
Payments for acquiring treasury stocks	-16	-29	-123
Proceeds from sale of treasury stocks	—	46	837
Dividend paid	-9,248	-9,275	-9,248
Proceed from issuing stock to minority shareholders	—	—	1,263
Dividend paid to minority shareholders	-161	-213	-161
Cash flow from financing activities	-26,463	-107,500	53,418
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-838	314	175
V. Increase/decrease in cash and cash equivalents	-29,963	-37,948	1,617
VI. Balance of cash and cash equivalents at start of period	117,524	121,014	117,524
VII. Increase in cash and cash equivalents resulting from new consolidation	—	—	1,872
VIII. Balance of cash and cash equivalents at end of period	87,561	83,066	121,014

[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 (21 subsidiaries)

Major subsidiaries

Shinko Securities Business Services Co., Ltd.

Shinko Investment Co., Ltd.

Shinko Investment Trust Management Co., Ltd.

Nippon Securities Technology Co., Ltd.

(2) Non-consolidated subsidiaries (0 subsidiaries)

None

2. Matters concerning the application of equity method

Equity-method affiliates (3 affiliates)

CUBIC Venture Capital Co., Ltd.

Mitoyo Securities Co., Ltd.

Eiwa Securities Co., Ltd.

Non-equity-method affiliates (1 affiliate)

Misawa Kyoei KK

3. Matters concerning the period of consolidated subsidiaries

We consolidated the results of 16 consolidated subsidiaries using their quarterly results for the same period as the parent company’s accounting period. For five consolidated subsidiaries with accounting dates different from that of the parent company, financial statements as of the closing date of the first quarter are used.

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.

Moreover, with regard to contributions to limited liability unions of the investment industry and similar unions (according to Article 2, Paragraph 2 of the Securities and Exchange Law, such contributions are regarded as negotiable securities), we use, as the acquisition price, the value of our holdings of union assets as designated on the union's most recent statement of accounts that we are able to obtain as of the day-stipulated in the union contract – on which the latest statement of accounts is reported. We post the amounts of profits and losses resulting from the operations of the unions in accordance with our equity.

(2) Depreciation methods used for significant depreciable assets

1) Tangible fixed assets

Both our company and domestic consolidated subsidiaries use mainly fixed-percentage depreciation.

However, buildings acquired after 1 April 1998 (excluding the equipment, etc. they contain) are depreciated using the straight-line (fixed amount) method.

2) Intangible fixed assets and long-term prepaid expenses

The straight-line method is used.

Moreover, software for our own use is depreciated using a straight-line method with the fixed amount of depreciation being determined by the duration of its potential internal use (up to 5 years).

(3) 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) Reserve for point service

To prepare for the cost burden for use of the Shinko Point Service in the future, the expected required amount is calculated for this term based on the usage rate.

Shinko Point Service commenced from October of 2006; and, the rational usage rate cannot be calculated: therefore, the amount reported for the end of this period is the amount equivalent to the total calculated; therefore, the amount reported for the end of this period is the amount equivalent to the total points given out to customers.

4) Reserve for business reorganization loss

In line with the commencement of closing procedures for Shinko Securities (Europe), the estimated amount of the cost burden involving office closing will be posted.

5) Reserves for retirement benefits

To prepare for the payment of employee pensions, the difference between the value of such obligations and the total value of our pension assets at the end of the period 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.

6) Reserve for directors' retirement benefits

In preparation for the payment of retirement benefits for directors, the necessary funds at the end of the first quarter are appropriated under the internal regulations.

7) Reserve for executive officers' retirement benefits

In preparation for the payment of retirement benefits for executive officers, the necessary funds at the end of the first quarter are appropriated under the internal regulations.

(4) Standards for translating significant assets or liabilities denominated in foreign currencies into Japanese yen

Foreign currency denominated claims and obligations are translated into Japanese yen at the spot rate prevailing on the closing day of the year. 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 net assets under the heading "Foreign currency translation adjustment".

(5) 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.

(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 practices]

In association with change in the Corporation Tax Law in FY 2007, the Audit Treatment of Depreciation (Japanese Institute of Certified Public Accountants, Auditing and Assurance Practice Committee Report No. 81, April 25, 2007) should be applied to fiscal years ending after April 1, 2007. Hence, we apply the audit treatment and treat assets acquired after April 1, 2007 in the manner stipulated by the revised Corporation Tax Law. The influence of the change on profit and loss is minor.

[Notes on consolidated balance sheets]

	First quarter to 30 June 2006	First quarter to 30 June 2007	Financial year to 31 March 2007 (In millions of yen)
1. Cumulated depreciation of tangible fixed assets	16,645	16,952	16,751
2. Guarantee obligations (guarantee exercise anticipated)	1,157 (1,062)	986 (906)	1,037 (952)

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 corporate bonds and borrowings

Among our corporate bonds and long-term borrowings (including those that mature within one year), there are the following subordinated obligations (corporate bonds and 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 2006	First quarter to 30 June 2007	Financial year to 31 March 2007 (In millions of yen)
Corporate bonds	13,000	13,000	13,000
Long-term borrowings (incl. those that mature within 1 year)	41,550	40,050	40,050

[Notes on consolidated statement of income]

Breakdown of extraordinary profits and losses

	First quarter to 30 June 2006	First quarter to 30 June 2007	Financial year to 31 March 2007 (In millions of yen)
Extraordinary profits			
Profit from sale of fixed assets	—	—	17
Profit from sale of investment securities	—	77	4,941
Software licensing fees	—	—	859
Gain on liquidation of affiliates	—	214	—
Reversal from reserve for securities transaction liabilities	—	—	241
Reversal from allowance for bad debts	265	36	251
Extraordinary losses			
Loss from sale of fixed assets	—	3	59
Loss from disposition of fixed assets	19	22	385
Loss from sale of investment securities	—	—	27
Write-down of investment securities	—	129	293
Loss from change in IT system	—	—	296
Provision of reserve for past directors' retirement benefits	—	—	478
Provision of reserve for business reorganization loss	—	—	136
Merger costs	—	97	—
Provision of reserve for securities transaction liabilities	12	56	—
Provision of allowance for bad debts	—	—	70

Data on Consolidated Settlement of Accounts

1. Commissions and fees received

(1) Breakdown by account

(In millions of yen)

	First quarter from 1 April 2006 to 30 June 2006	First quarter from 1 April 2007 to 30 June 2007	Year-on-year comparison		Financial year from 1 April 2006 to 31 March 2007
			Change	Ratio (%)	
Brokerage commissions	10,494	8,772	-1,722	83.6	36,876
(Equities)	(10,451)	(8,746)	(-1,705)	(83.7)	(36,692)
(Bonds)	(26)	(11)	(-14)	(44.9)	(117)
Underwriting & selling fees	1,799	1,248	-550	69.4	8,235
(Equities)	(1,412)	(1,016)	(-395)	(72.0)	(7,098)
(Bonds)	(387)	(231)	(-155)	(59.9)	(1,119)
Offering & selling fees and commissions	4,470	5,877	1,407	131.5	19,143
Other fees and commissions	6,547	7,499	951	114.5	26,860
Total	23,311	23,397	85	100.4	91,115

(2) Breakdown by instrument

(In millions of yen)

	First quarter from 1 April 2006 to 30 June 2006	First quarter from 1 April 2007 to 30 June 2007	Year-on-year comparison		Financial year from 1 April 2006 to 31 March 2007
			Change	Ratio (%)	
Equities	12,139	9,816	-2,322	80.9	44,374
Bonds	683	492	-190	72.1	2,082
Beneficiary securities	7,971	10,654	2,682	133.7	34,610
Others	2,517	2,433	- 84	96.7	10,047
Total	23,311	23,397	85	100.4	91,115

2. Trading profits

(In millions of yen)

	First quarter from 1 April 2006 to 30 June 2006	First quarter from 1 April 2007 to 30 June 2007	Year-on-year comparison		Financial year from 1 April 2006 to 31 March 2007
			Change	Ratio (%)	
Equities	1,227	3,631	2,404	295.8	8,019
Bonds, others	6,993	12,739	5,745	182.2	34,084
(Bonds)	(6,268)	(16,731)	(10,462)	(266.9)	(37,279)
(Others)	(724)	(-3,991)	(-4,716)	(—)	(-3,195)
Total	8,221	16,371	8,149	199.1	42,104

(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	34,074	31,929	37,878	42,911	44,549
Commissions and fees received	23,311	20,378	22,811	24,613	23,397
Brokerage commissions	10,494	7,668	8,681	10,031	8,772
(Equities)	(10,451)	(7,602)	(8,641)	(9,996)	(8,746)
(Bonds)	(26)	(54)	(21)	(15)	(11)
Underwriting & selling fees	1,799	2,040	2,237	2,157	1,248
(Equities)	(1,412)	(1,778)	(1,971)	(1,936)	(1,016)
(Bonds)	(387)	(261)	(266)	(204)	(231)
Offering & selling fees and commissions	4,470	4,496	4,604	5,571	5,877
Other fees and commissions	6,547	6,172	7,288	6,851	7,499
Trading profit or loss	8,221	8,128	11,470	14,284	16,371
Equities	1,227	765	3,234	2,791	3,631
Bonds, others	6,993	7,362	8,235	11,492	12,739
(Bonds)	(6,268)	(8,996)	(10,411)	(11,602)	(16,731)
(Others)	(724)	(-1,634)	(-2,175)	(-109)	(-3,991)
Operating securities profit or loss	718	-61	76	-462	274
Financial revenues	1,822	3,484	3,519	4,477	4,506
Financial expenses	1,357	2,660	2,969	3,486	4,306
Net operating revenues	32,716	29,268	34,909	39,425	40,243
Selling, general and administrative expenses	27,390	26,676	28,121	30,344	29,815
Transaction expenses	3,715	4,154	4,329	4,297	4,309
Personnel expenses	14,550	13,133	13,881	15,399	15,052
Real estate expenses	3,610	3,716	3,654	3,765	3,871
Office expenses	1,614	2,077	2,237	2,289	2,136
Depreciation	2,670	2,235	2,899	3,087	3,079
Taxes and dues	402	300	286	343	463
Others	825	1,058	832	1,161	902
Operating profit	5,326	2,591	6,787	9,080	10,427
Non-operating revenues	2,434	1,448	1,110	1,430	1,276
Investment profit on equity method	32	-2	40	-65	21
Others	2,402	1,450	1,069	1,496	1,255
Non-operating expenses	304	570	210	69	400
Ordinary profit	7,456	3,470	7,687	10,441	11,304
Extraordinary profits	265	958	3,537	1,548	328
Extraordinary losses	31	387	256	1,073	309
Net profit before taxes, etc.	7,690	4,041	10,968	10,916	11,323
Income taxes	242	1,604	2,164	5,531	2,361
Adjustment amount for income taxes	2,207	-72	1,405	-1,614	1,522
Minority interest	141	-46	270	-153	189
Net profit	5,099	2,555	7,128	7,151	7,249

5. Quarterly non-consolidated balance sheets

Non-consolidated Balance Sheets

(In millions of yen)

	First quarter to 30 June 2006	First quarter to 30 June 2007	Year-on-year increase/decrease	Financial year to 31 March 2007
Assets				
Current assets	3,657,784	3,633,741	-24,042	3,542,039
Cash and due from banks	70,677	69,185	-1,492	107,086
Fund deposits	62,871	92,341	29,470	83,049
Trading products	1,632,694	1,330,630	-302,063	1,320,824
Trading securities, etc.	1,629,230	1,322,252	-306,978	1,314,953
Derivative assets	3,463	8,378	4,914	5,870
Trade date accrual	15,190	—	-15,190	—
Operating securities, etc.	—	9,406	9,406	—
Margin transaction assets	133,036	131,796	-1,239	110,858
Customers' loans receivable in margin transactions	127,211	107,393	-19,817	102,846
Collateral for borrowed securities for margin transactions	5,825	24,403	18,577	8,011
Loans receivable secured by securities	1,699,615	1,972,713	273,098	1,891,914
Collateral for borrowed securities	1,679,516	1,972,613	293,097	1,871,826
Loans receivable in gensaki transactions	20,099	100	-19,999	20,087
Advances	104	1,217	1,113	156
Accounts for non-delivered securities and others	3	21	17	173
Short-term loans receivable	12,230	11,533	-697	11,473
Deferred income tax assets	3,005	1,547	-1,457	2,880
Other current assets	28,477	13,437	-15,039	13,729
Allowance for bad debts	-123	- 90	33	-106
Fixed assets	143,564	137,857	-5,707	147,726
Tangible fixed assets	5,905	6,163	258	6,268
Intangible fixed assets	29,746	32,509	2,762	34,095
Investments and other assets	107,912	99,184	-8,728	107,362
Investment securities	96,346	87,672	-8,673	96,001
Long-term deposits	8,347	8,411	63	8,102
Other investments	8,351	7,156	-1,195	7,392
Allowance for bad debts	-5,132	-4,056	1,076	-4,132
Total assets	3,801,348	3,771,599	-29,749	3,689,766

(In millions of yen)

	First quarter to 30 June 2006	First quarter to 30 June 2007	Year-on-year increase/decrease	Financial year to 31 March 2007
Liabilities				
Current liabilities	3,459,694	3,412,253	-47,440	3,330,272
Trading products	1,409,236	1,027,828	-381,408	1,140,368
Trading securities, etc.	1,406,157	1,025,067	-381,090	1,137,898
Derivative liabilities	3,078	2,761	-317	2,469
Trade date accrual	—	8,627	8,627	32,703
Margin transaction liabilities	64,959	43,704	-21,255	58,606
Customers' loans payable for margin transactions	61,858	39,228	-22,629	54,400
Collateral for loaned securities for margin transactions	3,101	4,475	1,373	4,206
Loans payable secured by securities	1,464,805	1,794,302	329,496	1,481,385
Amounts receivable on loan transactions	1,378,846	1,564,455	185,608	1,370,140
Loans payable in gensaki transactions	85,958	229,846	143,888	111,244
Deposits received	59,419	65,895	6,476	53,148
Received margins	23,822	45,932	22,109	40,228
Accounts for non-received securities and others	26	5,049	5,022	—
Short-term loans payable	332,660	279,670	-52,990	381,208
Commercial paper	88,600	121,000	32,400	117,200
Income taxes payable	456	1,795	1,338	7,225
Reserve for bonus	2,400	2,950	550	5,720
Allowance for directors' bonus	—	—	—	282
Reserve for point service	—	549	549	401
Reserve for affiliate reorganization loss	—	536	536	536
Other current liabilities	13,306	14,411	1,105	11,256
Fixed liabilities	81,726	83,541	1,814	84,150
Corporate bonds	33,000	33,000	—	33,000
Long-term loans payable	26,050	30,700	4,650	30,700
Deferred tax liabilities	11,724	12,929	1,204	12,096
Reserves for retirement benefits	9,182	4,917	-4,265	5,889
Reserve for directors' retirement benefits	—	280	280	331
Reserve for executive officers' retirement benefits	—	577	577	753
Other fixed liabilities	1,769	1,136	-633	1,378
Statutory reserve	1,133	935	-197	879
Total liabilities	3,542,554	3,496,730	-45,823	3,415,301
Net assets				
Shareholders' equity	239,984	254,752	14,767	255,557
Common stock	125,167	125,167	—	125,167
Capital surplus	82,092	82,468	375	82,448
Capital reserve	51,407	51,407	—	51,407
Other capital surplus	30,685	31,060	375	31,041
Earned surplus	40,436	54,457	14,020	55,279
Other earned surplus	40,436	54,457	14,020	55,279
Earned surplus carried-forward to next term	40,436	54,457	14,020	55,279
Treasury stock	-7,711	-7,340	371	-7,337
Valuation and translation adjustments	18,809	20,116	1,306	18,907
Net unrealized gains on other securities, net of taxes	18,809	20,116	1,306	18,907
Total net assets	258,794	274,868	16,074	274,465
Total liabilities and net assets	3,801,348	3,771,599	-29,749	3,689,766

Non-consolidated Statement of Income

(In millions of yen)

	First quarter from 1 April 2006 to 30 June 2006	First quarter from 1 April 2007 to 30 June 2007	Year-on-year comparison		Financial year from 1 April 2006 to 31 March 2007
			Change	Ratio (%)	
Operating revenues	31,243	41,567	10,324	133.0	137,514
Commissions and fees received	21,277	20,802	-474	97.8	82,670
Trading profit or loss	8,215	16,232	8,017	197.6	41,897
Operating securities profit or loss	—	158	158	—	—
Financial revenues	1,750	4,374	2,623	249.9	12,945
Financial expenses	1,265	4,198	2,933	331.9	10,155
Net operating revenues	29,977	37,368	7,390	124.7	127,358
Selling, general and administrative expenses	25,657	27,805	2,148	108.4	104,902
Transaction expenses	3,339	3,880	541	116.2	14,838
Personnel expenses	12,360	12,881	520	104.2	48,313
Real estate expenses	3,441	3,654	212	106.2	14,035
Office expenses	3,168	3,705	536	116.9	14,192
Depreciation	2,348	2,806	458	119.5	9,540
Taxes and dues	284	326	42	114.9	1,074
Others	713	548	-164	76.9	2,908
Operating profit	4,320	9,563	5,242	221.4	22,456
Non-operating revenues	2,127	2,206	79	103.7	4,016
Non-operating expenses	29	8	-21	28.5	616
Ordinary profit	6,417	11,761	5,343	183.3	25,856
Extraordinary profits	384	328	-55	85.5	5,778
Extraordinary losses	25	304	278	1,177.1	1,885
Net profit before taxes, etc.	6,776	11,785	5,009	173.9	29,749
Income taxes	30	2,000	1,970	6,666.7	8,034
Adjustment amount for income taxes	2,015	1,333	-682	66.2	2,140
Net profit	4,731	8,452	3,721	178.7	19,574

Non-consolidated Statement of Shareholders' Equity

First quarter from 1 April 2006 to 30 June 2006

(In millions of yen)

	Shareholders' equity							Valuation and translation adjustments	Total net assets
	Common stock	Capital surplus			Earned surplus	Treasury stock	Total shareholders' equity	Net unrealized gains on other securities, net of taxes	
		Capital reserve	Other capital surplus	Total capital surplus					
Balance as of 31 March 2006	125,167	51,407	30,684	82,092	45,323	-7,695	244,887	22,431	267,319
Amounts of changes during the period									
Distribution of surplus *					-9,248		-9,248		-9,248
Officer's bonus *					-370		-370		-370
Net profit					4,731		4,731		4,731
Acquisition of treasury stocks						-16	-16		-16
Disposal of treasury stock			0	0		0	0		0
Net amount of change during the period for non-stockholder-capital items								-3,621	-3,621
Total amount of change during the period	—	—	0	0	-4,887	-16	-4,902	-3,621	-8,524
Balance as of 30 June 2006	125,167	51,407	30,685	82,092	40,436	-7,711	239,984	18,809	258,794

* This is a profit distribution item decided at the regular shareholders' meeting held in June 2006.

First quarter from 1 April 2007 to 30 June 2007

(In millions of yen)

	Shareholders' equity							Valuation and translation adjustments	Total net assets
	Common stock	Capital surplus			Earned surplus	Treasury stock	Total shareholders' equity	Net unrealized gains on other securities, net of taxes	
		Capital reserve	Other capital surplus	Total capital surplus					
Balance as of 31 March 2007	125,167	51,407	31,041	82,448	55,279	-7,337	255,557	18,907	274,465
Amounts of changes during the period									
Distribution of surplus					-9,275		-9,275		-9,275
Net profit					8,452		8,452		8,452
Acquisition of treasury stocks						-29	-29		-29
Disposal of treasury stock			19	19		26	46		46
Net amount of change during the period for non-stockholder-capital items								1,209	1,209
Total amount of change during the period	—	—	19	19	-822	-2	-805	1,209	403
Balance as of 30 June 2007	125,167	51,407	31,060	82,468	54,457	-7,340	254,752	20,116	274,868

Financial Year Ended 1 April 2006 to 31 March 2007

(In millions of yen)

	Shareholders' equity							Valuation and translation adjustments	Total net assets
	Common stock	Capital surplus			Earned surplus	Treasury stock	Total shareholders' equity	Net unrealized gains on other securities, net of taxes	
		Capital reserve	Other capital surplus	Total capital surplus					
Balance as of 31 March 2006	125,167	51,407	30,684	82,092	45,323	-7,695	244,887	22,431	267,319
Amounts of changes during the period									
Distribution of surplus *					-9,248		-9,248		-9,248
Officer's bonus *					-370		-370		-370
Net profit					19,574		19,574		19,574
Acquisition of treasury stocks						-123	-123		-123
Disposal of treasury stock			356	356		481	837		837
Net amount of change during the period for non-stockholder-capital items								-3,524	-3,524
Total amount of change during the period	—	—	356	356	9,956	357	10,670	-3,524	7,146
Balance as of 31 March 2007	125,167	51,407	31,041	82,448	55,279	-7,337	255,557	18,907	274,465

* This is a profit distribution item decided at the regular shareholders' meeting held in June 2006.

[About the non-consolidated financial statements]

The consolidated financial statements for the first quarter are prepared under the Regulations Concerning Terms, Forms and Method of Interim Preparing Financial Statements, Etc. (Ministry of Finance Ordinance No. 38, 1977) and, under the provisions of Articles 38 and 57 of the regulations, the Cabinet Office Ordinance Concerning Securities Companies (Prime Minister's Office Ordinance and Ministry of Finance Ordinance No. 32, 1998) and the Standardization of Securities Business Accounting (resolution of the Board of Governors of the Japan Securities Dealers Association on November 14, 1974).

[Basis 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 net assets in full. The selling price is based on the moving-average cost method.

b) Securities, etc. that have no market values:

Valued using the moving-average cost method.

Moreover, with regard to contributions to limited liability unions of the investment industry and similar unions (according to Article 2, Paragraph 2 of the Securities and Exchange Law, such contributions are regarded as negotiable securities), we use, as the acquisition price, the value of our holdings of union assets as designated on the union's most recent statement of accounts that we are able to obtain as of the day – stipulated in the union contract – on which the latest statement of accounts is reported. With regard to profit and loss obtained from the operations of the union, etc., we use a method whereby we record the value of our holdings under profit and costs.

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 (up to 5 years).

3. Accounting standard 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 uncollectible 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) Reserve for point service

To prepare for the cost burden for use of the Shinko Point Service in the future, the expected required amount is calculated for this term based on the usage rate.

Shinko Point Service commenced from October of 2006; and, the rational usage rate cannot be calculated: therefore, the amount reported for the end of this period is the amount equivalent to the total calculated; therefore, the amount reported for the end of this period is the amount equivalent to the total points given out to customers.

(4) Reserve for affiliate reorganization loss

In line with the commencement of closing procedures for Shinko Securities (Europe), the estimated amount of the cost burden involving office closing will be posted.

(5) Reserves for retirement benefits

To prepare for the payment of employee pensions, the difference between the value of such obligations and the total value of our pension assets at the end of the period 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.

(6) Reserve for directors' retirement benefits

In preparation for the payment of retirement benefits for directors, the necessary funds at the end of the first quarter are appropriated under the internal regulations.

(7) Reserve for executive officers' retirement benefits

In preparation for the payment of retirement benefits for executive officers, the necessary funds at the end of the first quarter are appropriated under the internal regulations.

(8) Reserve for securities transaction liabilities

In order to provide against losses resulting from securities trouble, we set aside, in accordance with the provisions in Article 51 of the Securities and Exchange Law, an amount calculated based on the provisions in Article 35 of "Cabinet Office Ordinance for Securities Companies".

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.

[Change in accounting practices]

1. In association with change in the Corporation Tax Law in FY 2007, the Audit Treatment of Depreciation (Japanese Institute of Certified Public Accountants, Auditing and Assurance Practice Committee Report No. 81, April 25, 2007) should be applied to fiscal years ending after April 1, 2007. Hence, we apply the audit treatment and treat assets acquired after April 1, 2007 in the manner stipulated by the revised Corporation Tax Law. The influence of the change on profit and loss is minor.

2. Investments in business investment limited partnerships were previously included in investment securities in fixed assets. However, since the importance of these investments has increased with their amount, a reflection of a rise in self-financing in recent years, we are recording the investments in operating securities etc. in current assets, starting the current fiscal year. As a result of the change, current assets increase 9,406 million yen, and fixed assets fall by the same amount, compared to the figures calculated by the old method.

In association with this change, revenues and expenses resulting from investments in business investment limited partnerships, which were recorded in non-operating revenues or non-operating expenses, are posted in operating securities profit or loss, starting the current fiscal year. Because of the change, operating profit increases 158 million yen, compared with the figures calculated by the old method. Ordinary profit and net profit before taxes, etc. are not affected by the change.

[Notes on non-consolidated balance sheets]

	First quarter to 30 June 2006	First quarter to 30 June 2007	Financial year to 31 March 2007 (In millions of yen)
1. Accumulated depreciation of tangible fixed assets	6,534	6,587	6,445
2. Guarantee obligations (guarantee exercise anticipated)	19,347 (19,252)	16,786 (16,706)	16,837 (16,752)

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 corporate bonds and borrowings

Among our corporate bonds and long-term borrowings (including those that mature within one year), there are the following subordinated obligations (corporate bonds and 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 2006	First quarter to 30 June 2007	Financial year to 31 March 2007 (In millions of yen)
Corporate bonds	13,000	13,000	13,000
Long-term borrowings (incl. those that mature within 1 year)	41,550	40,050	40,050

[Notes on non-consolidated statement of income]

Breakdown of extraordinary profits and losses

	First quarter to 30 June 2006	First quarter to 30 June 2007	Financial year to 31 March 2007 (In millions of yen)
Extraordinary profits			
Profit from sale of investment securities	126	77	4,442
Software licensing fees	—	—	859
Gain on liquidation of affiliates	—	214	—
Reversal from reserve for securities transaction liabilities	—	—	242
Reversal from allowance for bad debts	258	36	234
Extraordinary losses			
Loss from sale of fixed assets	—	3	—
Loss from disposition of fixed assets	13	17	171
Loss from sale of investment securities	—	—	21
Write-down of investment securities	—	129	293
Loss from change in IT system	—	—	615
Provision of reserve for past directors’ retirement benefits	—	—	224
Provision of reserve for affiliate reorganization loss	—	—	536
Merger costs	—	97	—
Provision of reserve for securities transaction liabilities	12	56	—
Provision of allowance for bad debts	—	—	21

Data on Non-consolidated Settlement of Accounts

1. Commissions and fees received

(1) Breakdown by account

(In millions of yen)

	First quarter from 1 April 2006 to 30 June 2006	First quarter from 1 April 2007 to 30 June 2007	Year-on-year comparison		Financial year from 1 April 2006 to 31 March 2007
			Change	Ratio (%)	
Brokerage commissions	10,136	8,326	-1,810	82.1	35,357
(Equities)	(10,093)	(8,299)	(-1,793)	(82.2)	(35,175)
(Bonds)	(26)	(11)	(-14)	(44.9)	(117)
Underwriting & selling fees	1,798	1,248	-550	69.4	8,234
(Equities)	(1,411)	(1,016)	(-395)	(72.0)	(7,098)
(Bonds)	(387)	(231)	(-155)	(59.9)	(1,119)
Offering & selling fees and commissions	4,421	5,830	1,408	131.9	18,925
Other fees and commissions	4,919	5,397	477	109.7	20,153
Total	21,277	20,802	-474	97.8	82,670

(2) Breakdown by instrument

(In millions of yen)

	First quarter from 1 April 2006 to 30 June 2006	First quarter from 1 April 2007 to 30 June 2007	Year-on-year comparison		Financial year from 1 April 2006 to 31 March 2007
			Change	Ratio (%)	
Equities	11,773	9,365	-2,407	79.5	42,830
Bonds	682	490	-192	71.9	2,076
Beneficiary securities	6,542	8,740	2,197	133.6	28,290
Others	2,278	2,206	-72	96.8	9,472
Total	21,277	20,802	-474	97.8	82,670

2. Trading profits

(In millions of yen)

	First quarter from 1 April 2006 to 30 June 2006	First quarter from 1 April 2007 to 30 June 2007	Year-on-year comparison		Financial year from 1 April 2006 to 31 March 2007
			Change	Ratio (%)	
Equities	1,236	3,631	2,394	293.7	8,033
Bonds, others	6,978	12,601	5,622	180.6	33,864
(Bonds)	(6,254)	(16,593)	(10,339)	(265.3)	(37,059)
(Others)	(724)	(-3,991)	(-4,716)	(-)	(-3,195)
Total	8,215	16,232	8,017	197.6	41,897

3. Volume of equity trading (except for futures contracts)

(In millions of shares/millions of yen)

	First quarter to 30 June 2006		First quarter to 30 June 2007		Year-on-year comparison		Financial year to 31 March 2007	
	No. of shares	Total value	No. of shares	Total value	No. of shares	Total value	No. of shares	Total value
Total	2,537	6,663,836	3,198	2,997,148	126.1 %	45.0 %	11,660	15,678,124
(Dealing)	(630)	(824,606)	(1,340)	(916,678)	(212.4)	(111.2)	(4,108)	(3,373,338)
(Brokerage)	(1,906)	(5,839,230)	(1,858)	(2,080,470)	(97.5)	(35.6)	(7,551)	(12,304,786)
Brokerage ratio	75.1%	87.6%	58.1%	69.4%			64.8%	78.5%
Shares of total for TSE	0.89%	0.80%	0.74%	0.67%			0.88%	0.78%

4. Volume of underwriting, offering, and selling

(In millions of shares/millions of yen)

			First quarter to 30 June 2006	First quarter to 30 June 2007	Year-on-year comparison (%)	Financial year to 31 March 2007
Underwritten	Equities	(No. of shares)	2	2	107.4	72
	Equities	(Total value)	32,365	15,688	48.5	155,937
	Bonds	(Total at face value)	204,492	245,119	119.9	958,915
	Commercial paper, Foreign instruments, etc.	(Total at face value)	825,501	1,555,951	188.5	5,045,879
Offered and sold*	Equities	(No. of shares)	2	2	107.4	72
	Equities	(Total value)	33,973	16,591	48.8	163,250
	Bonds	(Total at face value)	252,359	267,207	105.9	1,104,200
	Beneficiary securities	(Total at face value)	865,362	1,060,976	122.6	3,616,902
	Commercial paper, Foreign instruments, etc.	(Total at face value)	825,281	1,555,601	188.5	5,090,591

* Includes volume sold and volume privately places.

5. Capital adequacy requirement ratio

(In millions of yen)

		First quarter of previous year	First quarter under review	End of previous term
Basic items	Total capital (A)	239,984	254,752	246,282
Supplemental items	Difference in valuation (valuation revenues) of other securities, etc.	18,809	20,116	18,907
	Reserve for securities transaction liabilities, etc	1,133	935	879
	Allowance for bad debts	123	90	106
	Subordinated long-term debt	13,000	18,000	18,000
	Subordinated short-term debt	41,550	35,050	35,050
	Total (B)	74,617	74,192	72,943
Deducted assets	(C)	101,351	96,341	98,370
Equity after deduction	(A) + (B) - (C) (D)	213,250	232,602	220,855
Amount equivalent to risk	Amount equivalent to market risk	21,349	22,765	19,369
	Amount equivalent to customer risk	7,447	7,657	6,678
	Amount equivalent to fundamental risk	24,311	26,170	25,607
	Total (E)	53,107	56,593	51,654
Capital adequacy requirement ratio	(D) / (E) x 100	401.5 %	411.0 %	427.5 %

(Reference)

Quarterly Changes in Non-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	31,243	29,797	35,402	41,070	41,567
Commissions and fees received	21,277	18,310	20,585	22,497	20,802
Brokerage commissions	10,136	7,333	8,292	9,595	8,326
(Equities)	(10,093)	(7,268)	(8,253)	(9,559)	(8,299)
(Bonds)	(26)	(53)	(21)	(15)	(11)
Underwriting & selling fees	1,798	2,040	2,237	2,157	1,248
(Equities)	(1,411)	(1,778)	(1,971)	(1,936)	(1,016)
(Bonds)	(387)	(261)	(266)	(204)	(231)
Offering & selling fees and commissions	4,421	4,439	4,560	5,503	5,830
Other fees and commissions	4,919	4,497	5,494	5,242	5,397
Trading profit or loss	8,215	8,090	11,408	14,183	16,232
Equities	1,236	770	3,237	2,789	3,631
Bonds, others	6,978	7,320	8,171	11,393	12,601
(Bonds)	(6,254)	(8,954)	(10,347)	(11,503)	(16,593)
(Others)	(724)	(-1,634)	(-2,175)	(-109)	(-3,991)
Operating securities profit or loss	—	—	—	—	158
Financial revenues	1,750	3,396	3,408	4,389	4,374
Financial expenses	1,265	2,566	2,875	3,447	4,198
Net operating revenues	29,977	27,230	32,526	37,623	37,368
Selling, general and administrative expenses	25,657	24,228	26,463	28,552	27,805
Transaction expenses	3,339	3,713	3,939	3,845	3,880
Personnel expenses	12,360	10,953	11,760	13,238	12,881
Real estate expenses	3,441	3,502	3,451	3,640	3,654
Office expenses	3,168	3,282	4,003	3,736	3,705
Depreciation	2,348	1,897	2,552	2,741	2,806
Taxes and dues	284	254	244	291	326
Others	713	624	510	1,060	548
Operating profit	4,320	3,002	6,062	9,070	9,563
Non-operating revenues	2,127	564	277	1,046	2,206
Non-operating expenses	29	302	44	238	8
Ordinary profit	6,417	3,263	6,296	9,878	11,761
Extraordinary profits	384	925	2,930	1,536	328
Extraordinary losses	25	670	104	1,085	304
Net profit before taxes, etc.	6,776	3,519	9,123	10,330	11,785
Income taxes	30	1,220	1,640	5,144	2,000
Adjustment amount for income taxes	2,015	-4	1,369	-1,240	1,333
Net profit	4,731	2,303	6,113	6,426	8,452