

Summary of Financial Statements for the Financial Year Ended 31 March 2008

Listed company's name: **Shinko Securities Co., Ltd.**

Code No.: 8606

(URL: http://www.shinko-sec.co.jp/index_e.html)

Representative: Takashi Kusama, President

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The annual general meeting of shareholders will be held on 27 June 2008.

Dividend payments are scheduled to start on 30 June 2008.

The financial report is scheduled to submit on 27 June 2008.

Listed on: 1st sections of TSE, OSE, NSE

Location of head office: Tokyo

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

1. Summary of consolidated business results for the financial year ended 31 March 2008 (1 April 2007 to 31 March 2008)

(1) Consolidated results of business activities

(Percentage figures represent the percentage increase/decrease on the previous year.)

	Operating revenues		Net operating revenues		Operating profit		Ordinary profit	
	mil. yen	%	mil. yen	%	mil. yen	%	mil. yen	%
Financial year to March 2008	146,514	(-0.2)	128,666	(-5.6)	12,223	(-48.6)	14,633	(-49.6)
Financial year to March 2007	146,794	(-4.0)	136,319	(-8.2)	23,786	(-39.4)	29,056	(-32.7)

	Net profit		Net profit per share	Net profit per share (diluted)	Return on Equity (ROE)
	mil. yen	%	yen	yen	%
Financial year to March 2008	9,404	(-57.1)	12.16	12.15	3.4
Financial year to March 2007	21,935	(-37.3)	28.45	28.38	7.8

(Reference) Investment profit or loss on equity method:

Financial year to March 2008:

-21 million yen

Financial year to March 2007:

5 million yen

(2) Consolidated financial status

	Total assets	Net assets	Equity ratio	Net assets per share
	mil. yen	mil. yen	%	yen
As of 31 March 2008	4,217,842	281,064	6.5	354.88
As of 31 March 2007	3,734,941	292,817	7.6	368.49

(Reference) Equity (i.e. "Shareholders' equity" and "Valuation and transaction adjustments"):

As of 31 March 2008: 274,389 million yen

As of 31 March 2007: 284,817 million yen

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash & cash equivalents balance at term end
	mil. yen	mil. yen	mil. yen	mil. yen
Financial year to March 2008	-92,381	-9,074	69,161	87,654
Financial year to March 2007	-37,990	-13,986	53,418	121,014

2. Dividends

(Record date)	Annual dividend per share		Total dividend (annual)	Dividend payout ratio (consolidated)	Dividends on net assets (consolidated)
	Year end	Annual			
Financial year to March 2007	12.00	12.00	9,275	42.2	3.3
Financial year to March 2008	10.00	10.00	7,731	82.2	2.8
Financial Year to March 2009 (Estimate)	TBD	TBD		—	

3. Forecast of consolidated business results for the full financial year ending 31 March 2009 (1 April 2008 - 31 March 2009):

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

4. Other

- (1) Transfer of significant subsidiaries during the period (Transfer of specific subsidiaries involving changes in the scope of consolidation) -- None
- (2) Changes in fundamental principles, procedures and methods of presentation for accounting processing involving the preparation of consolidated financial statements (Those noted under “Changes in Basic Important Matters for Preparation of Consolidated Financial Statements”)
- 1) Changes involving the revision of standards, etc. Existing
- 2) Changes other than 1) above Existing

(Note) For details, please see “Changes in Basic Important Matters for Preparation of Consolidated Financial Statements” on P.18.

(3) Number of shares outstanding at the end of the year (common stocks):

1) Number of shares outstanding (including treasury stocks)	Financial year to March 2008	811,118,683	Financial year to March 2007	811,118,683
2) Number of treasury stocks:	Financial year to March 2008	37,935,846	Financial year to March 2007	38,182,779

(Note) Please see “Per share information” on P.27 for the number of shares used as the basis for the calculation of net earnings (consolidated) per share.

(Reference) Summary of Non-consolidated Business Results

1. Summary of Non-consolidated Business Results for the Financial Year Ended 31 March 2008 (1 April 2007 to 31 March 2008)

(1) Non-consolidated results of business activities

(Percentage figures represent the percentage increase/decrease on the previous year.)

	Operating revenues		Net operating revenues		Operating profit		Ordinary profit	
	mil. yen	%	mil. yen	%	mil. yen	%	mil. yen	%
Financial year to March 2008	136,617	(-0.7)	119,147	(-6.4)	9,751	(-56.6)	12,799	(-50.5)
Financial year to March 2007	137,514	(-4.8)	127,358	(-9.4)	22,456	(-38.8)	25,856	(-34.2)

	Net profit		Net profit per share	Net profit per share (diluted)
	mil. yen	%	yen	yen
Financial year to March 2008	8,104	(-58.6)	10.48	10.47
Financial year to March 2007	19,574	(-37.8)	25.38	25.33

(3) Non-consolidated financial status

	Total assets	Net assets	Equity ratio	Net assets per share	Capital adequacy requirement ratio
	mil. yen	mil. yen	%	yen	%
As of 31 March 2008	4,181,461	264,494	6.3	342.08	376.3
As of 31 March 2007	3,689,766	274,465	7.4	355.09	427.5

(Reference) Equity (i.e. “Shareholders’ equity” and “Valuation and translation adjustments”):

As of 31 March 2008: 264,494million yen

As of 31 March 2007: 274,465 million yen

2. Forecast of non-consolidated business results for the full financial year ending 31 March 2009 (1 April 2008 - 31 March 2009)

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

I. Business Results

1. Analysis of business results

The Japanese economy continued growing steadily during the fiscal year ended March 31, 2008, as a result of robust exports and capital investment and a continued gradual recovery in consumer spending. However, signs of deceleration in the economy appeared toward the end of the fiscal year, chiefly in the corporate sector, from steeply rising energy prices, a slowdown in overseas economies and a rising yen.

With such conditions prevailing, the stock market showed gradual growth toward the summer supported by high stock prices in the U.S. and a weakening yen. At one point in early July, the Nikkei Index surpassed the 18,200 yen mark to set a new recovery high, exceeding that recorded in May 2000. But the market then moved rapidly into an adjustment phase because of financial market turmoil in Japan and overseas stemming from the subprime mortgage crisis in the U.S. and a stronger yen. In particular, an operating crisis faced by a major U.S. securities firm in the middle of March 2008 reignited concerns of a credit crunch. After dropping below 12,000 yen for the first time since summer 2005, the Nikkei Index finished the fiscal year under review at just above 12,500 yen.

The bond market began the period with 10-year government bond yields slightly below 1.7%, and the rate quickly rose to around 1.95% with a rise in long-term interest rates in the U.S. and stock prices at the beginning of July, thus signaling the start of an adjustment phase. From summer onwards, however, the rate decreased, due to increased risk aversion by investment funds globally and the Bank of Japan's decision to keep the interest rate unchanged. The yield had fallen to just below 1.3% by the end of the period under review.

Overseas, the growth rate of the U.S. economy increased up until the summer, fuelled by buoyant consumer spending and investment, along with a rise in exports. However, prolonged adjustment in the housing market and concerns about the subprime debacle affecting the whole economy led to a sudden decrease in the growth rate from the end of 2007. The European economy continued to grow, although the rate of growth decreased from summer 2007 as a result of delayed inventory adjustments. Amid such conditions, U.S. stock markets, and in particular large-cap stocks, continued to perform well as overseas economies remained strong into early fall, but financial system woes and the possibility of a recession brought on an adjustment phase toward the end of the fiscal year under review. Europe also entered an adjustment phase near the end of the period in step with the U.S. The bond market saw a temporary hike in interest rates in the U.S. at the start of the period under review, although the transition between summer and the end of the fiscal year was steady both in the U.S. and Europe against a backdrop of the trend in investment funds toward risk aversion and a substantial lowering of interest rates in the U.S.

Under these conditions, the Shinko Group posted consolidated operating revenues of ¥146.514 billion (99.8% of the previous year), ordinary income of ¥14.633 billion (50.4%), and net income of ¥9.404 billion yen (42.9%). An overview of these results follows.

(1) Commissions and fees received

Commission income for the fiscal year under review totaled ¥77.878 billion (85.5%). The following gives a breakdown of this income.

- Brokerage commissions

The average daily turnover during the fiscal year under review on Sections 1 and 2 of the Tokyo Stock Exchange was ¥2.8912 trillion (107.7%). Shinko's brokerage trading in terms of trading volume to 6,018 million shares (79.7%), and in terms of trading value to ¥6,637.3 billion (53.9%). As a result, the Shinko Group's brokerage commissions on equity trades totaled ¥27.196 billion (74.1%).

- Underwriting and selling fees

In the year under review, Shinko participated in the underwriting of 52 IPOs, lead managing 12 of them. Shinko was also involved in the underwriting of 22 secondary public offerings, lead managing 7 of them, and 8 REIT offerings, lead managing one of them. Consequently, the Group's underwriting commissions on equity totaled ¥2.588 billion (36.5%).

Shinko also acted as lead manager for 21 issues of fiscal investment and loan program agency bonds, electric power bonds, and corporate bonds. As a result, the Group's underwriting commissions on bonds totaled ¥849 million (75.8%).

- Offering, selling, and other fees and commissions

This income principally comes from distribution commissions on investment trusts. In the fiscal year under review, Shinko introduced a range of new investment trusts to enhance its product lineup. New overseas equity investment trusts included Invesco Global Equity Open and the CROCI Global Sector Fund, which allow investors to benefit from growth in the global economy; the DIAM World Environmental Business Fund, which

invests in environmental businesses; and the New Growth China Equity Fund, Pictet Emerging Markets Income Equity Fund, and UBS Brazil Equity Fund, all of which invest in emerging markets. In the period under review, we also introduced the Nissay/Putnam High-Interest Currency Fund, which invests in overseas bonds, and the Japan Stock Leaders Fund, which invests in Japanese equities.

We also continued to promote existing investment trusts, focusing on dividend-paying investment trusts, which enjoy strong demand from individual investors, and investment trusts related to emerging markets with high economic growth rates.

As a result of these initiatives, offering, selling, and other fees and commissions totaled ¥18.316 billion (95.7%).

- Other fees and commissions

Other commissions include service fees for investment trusts, sales commissions for wrap accounts and annuity insurance, consultation fees for M&As and IPOs, and financial advisory fees related to real estate securitization. In the year under review, other fees and commissions totaled ¥28.797 billion (107.2%).

(2) Trading profits

Net trading profits on equities totaled ¥12.613 billion (157.3%), while those on bonds and other instruments totaled ¥38.602 billion (113.3%). Total trading profits for the period therefore came to ¥51.216 billion (121.6%).

(3) Financial profit/loss

Financial revenues came to ¥19.725 billion (148.3%) while financial expenses totaled ¥17.848 billion (148.3%). Net financial profit for the fiscal year therefore totaled ¥1.877 billion (66.3%).

(4) Selling, general and administrative expenses

During this period, transaction expenses including advertising expenses increased, while office expenses, depreciation, etc., also increased. As a result, selling, general and administrative expenses reached ¥116.443 billion (103.5%).

(5) Extraordinary profits and losses

As extraordinary profit, we recorded, among other things, ¥2.052 billion from the sale of investment securities, and ¥917 million from sale of fixed assets. As extraordinary losses, we recorded, among other things, ¥1.778 billion in merger expenses, and ¥1.483 billion in write-down of investment securities. Thus, overall, we posted an extraordinary deficit of ¥718 million.

2. Analysis of financial position

Net cash used in operating activities totaled ¥92.381 billion, reflecting a ¥444.45 billion yen expense due to an increased position in trading instruments and a ¥387.765 billion increase in loans receivable secured by securities, despite a ¥708.66 billion increase in loans payable secured by securities.

Net cash used in investing activities totaled ¥9.074 billion, reflecting a payment of ¥8.698 billion to acquire intangible assets, chiefly from systems investment, and a ¥7.468 billion payment to acquire investment securities, despite income of ¥10.739 billion from the sale and redemption of investment securities.

Net cash provided by financing activities amounted to ¥69.161 billion due to an increase in short-term and long-term borrowings and commercial paper.

As a result of the above, cash and cash equivalents at fiscal year-end totaled ¥87.654 billion.

3. Our basic policy regarding profit distribution and dividends for the current/next year

Shinko's aim is to maximize corporate value. We have thus adopted a flexible policy on profit distribution, under which we pay dividends to shareholders in line with business performance during the fiscal year in question, while striving to bolster the company's financial standing and boost retained earnings for future business development. In line with the above stance, we will propose a dividend of ¥10 per share at the general meeting of shareholders for the fiscal year under review. The dividend for next fiscal year will be determined based on a comprehensive analysis of business performance and financial position for the period.

4. Risk related to business, etc.

This section describes various risks related to the Shinko Group's business that may be of material importance to investors in making investment decisions. In addition, and with a view to actively disclose information related to matters that may be materially important to investors in making investment decisions, we have also disclosed below certain other matters not related to risk factors. The Shinko Group, aware of the implications of these risks, endeavors to avoid them, and strives to deal effectively with events arising as a result of such risks and other factors, should they occur. Some of the views presented below are related to potential future events, and it should be noted that such views are based on the Company's best judgment as of the release date of this financial report.

(1) Risk related to fluctuations in securities and other prices

(i) Risk related to trading operations

The Shinko Group is involved in the trading of various financial products, including derivatives. Fluctuations in stock prices, interest rates and exchange rates may affect the Group's business results and financial position.

(ii) Risk related to underwriting operations

The Shinko Group conducts underwriting operations for equities and bonds. When portions of these securities remain unsubscribed after offerings, this may affect their market price resulting in a loss on sale or appraisal. This has the potential to affect the Group's business results and financial position.

(iii) Investment securities

The Shinko Group purchases certain stocks and other investment securities with the intention of holding them for extended periods. Devaluations of investment capital and appraisal losses may occur in conjunction with falls in stock prices, and this may affect the Group's business results and financial position.

(2) Risk related to deteriorating creditworthiness of trading counterparties

Default and other problems at counterparties may result in losses due to nonperformance of swap contracts, impairment of bond principal on bonds held, delays in interest payments, and other factors. This may affect the Group's business results and financial position.

(3) Risk related to reduction in market size

Stock market slumps may result in a decline in transaction volumes and reductions in stock brokerage commissions. The primary market may also be similarly affected and may in turn, affect the Group's business results and financial position.

(4) Risk originating from subsidiaries

Shinko maintains certain subsidiaries, including Shinko Investment Co., Ltd., which conducts investment operations, Shinko Investment Trust Co., Ltd., which manages investment trusts, and Shinko Building Co., Ltd., which engages in real estate business activities. The performance and financial position of these subsidiaries may be negatively affected by changes in the economic climate and market conditions, or by other factors, and this has the potential to affect the business results and financial position of the Group.

(5) Systems risk and other operational risks

In accordance with its basic policy on systems risk management, the Group works to bolster security with the objective of preventing systems malfunction, improper or unauthorized computer use, and other incidents. However, incidents such as unauthorized access from external sources; fires, problems with electrical or communication lines, and other problems, depending on their scale, may interfere with the operations of the Group, and thus may affect our business results and financial position.

The Company works to ensure the availability of thorough operating manuals in all business areas, as well as to strengthen and enhance its compliance systems. However, negligence by executives and employees in carrying out responsibilities, accidents, improper dealings, or other negative incidents caused by executives or employees have the potential to generate losses and interfere with the operations of the Group. This may affect our business results and financial position.

(6) Risk related to legal compliance

The Shinko Group regards compliance as one of its most crucial managerial issues, and makes constant efforts to strengthen it. However, the violation of laws and regulations by executives or employees, whether intentional or unintentional, may damage our relationship of trust with clients. Moreover, the violation of laws and regulations by the Shinko Group as a corporation may result in orders from regulatory authorities that restrict or force us to cease

our operations, and this may result in lawsuits being brought against us by clients as well as the payment of damages. Such occurrences have the potential to affect our business results and financial position.

(7) Risk related to the management of client and other information

The Shinko Group strives to enhance awareness about how personal and confidential information should be managed among its executives and employees by establishing internal regulations and by providing education and knowledge. However, the leaking of client and other information has the potential to significantly damage the Group's reputation, and such a situation may affect our business results and financial position.

(8) Risk related to the lowering of credit ratings and the worsening of credit terms

The lowering of our credit rating by a rating agency could cause restrictions to be applied on terms for obtaining credit and increase costs associated with procuring capital and funds. This has the potential to affect our business results and financial position.

(9) Risk related to the capital adequacy ratio

Pursuant to the Securities and Exchange Law, securities companies are required to maintain capital adequacy ratios of 120% or higher. In the event that the Group is unable to maintain this capital adequacy ratio, it may be ordered to cease operations or be subject to other measures. Furthermore, should our capital adequacy ratio decrease significantly due to, for example, the posting of a loss as a result of a deterioration in the business environment, this may inhibit our ability to actively take risks in the pursuit of earnings and result in the Group foregoing profitable opportunities. The Company's operating activities may be affected as a result, and this has the potential to affect our business results and financial position.

(10) Changes in the legal system

The Shinko Group conducts its operations in accordance with regulations in effect at the time. Future changes to laws, regulations, political policies, customary practices, interpretations, or other social standards could result in situations that affect the execution of the Group's operations, and may affect our business results and financial position.

(11) Competition

In financial and capital markets in Japan, the shift from saving to investing is steadily accelerating and there is a transition toward market-based financial systems. This has led to the entry of companies from other industries into the market, adding to competition from within the securities industry, thus further intensifying competition. In the event that the Shinko Group is unable to establish a competitive edge in such an environment, the Group's business results and financial position may be affected.

(12) Retirement benefit obligations

The Group's employee retirement benefit costs and obligations are calculated according to certain assumptions regarding the discount rate and expected rate of return on pension assets, and other factors relevant to the calculation. In the event that actual results differ from assumptions due to, for example, a reduction in the yield on pension assets or a decline in their market values, or in the event that initial assumptions are altered, this will affect the future value of these costs and obligations.

(13) Event risk

The Shinko Group conducts business activities at branch and business offices both within Japan and overseas. Acts of terrorism, disasters, or other events may force the Group to discontinue part or all of its business activities. This may cause changes in the Group's business results and financial position.

(14) Merger with Mizuho Securities Co., Ltd.

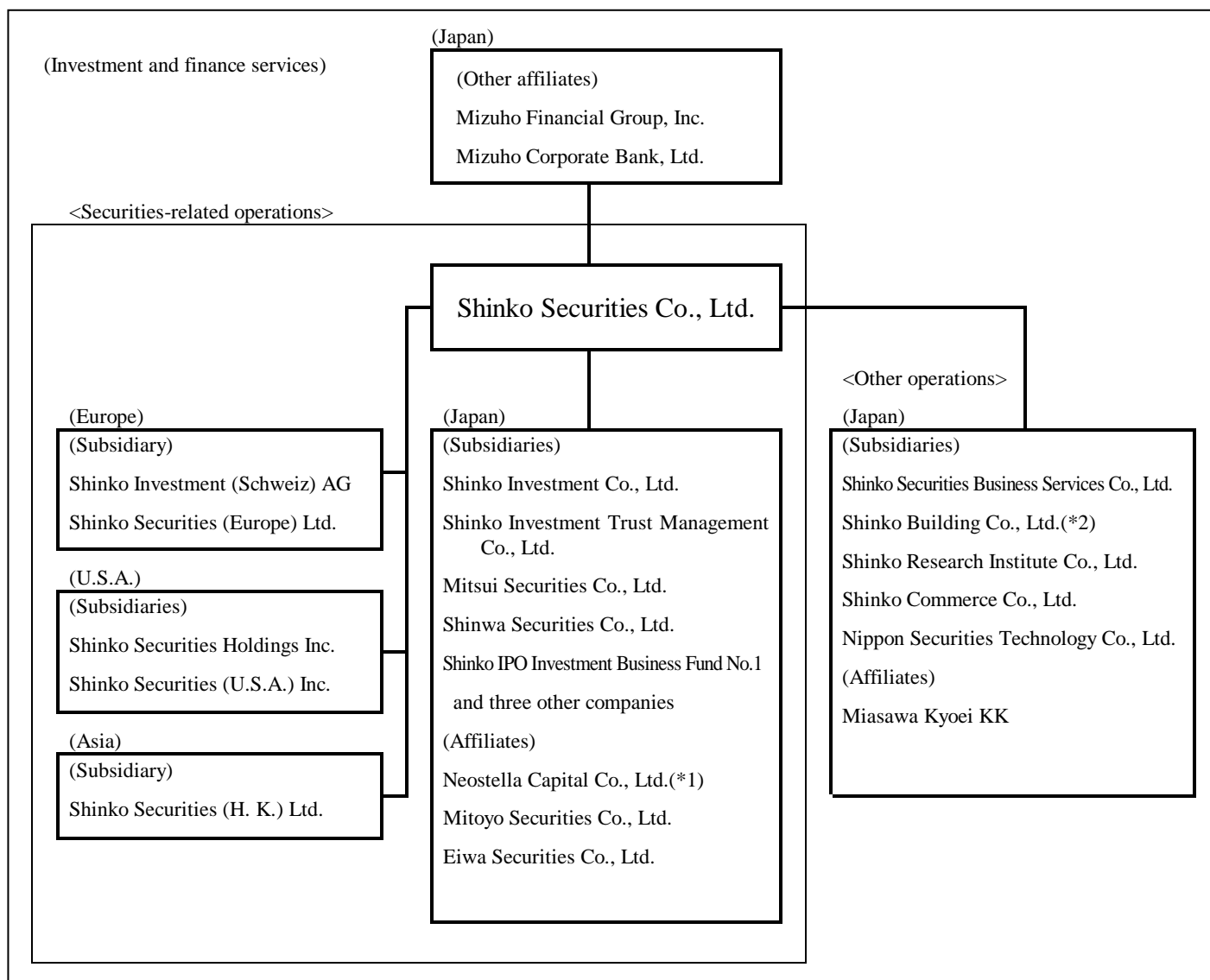
Shinko Securities and Mizuho Securities first extended the proposed effective date of the merger agreement between the two companies from January 1, 2008, to May 7, 2008, and then further extended it, targeting the earliest possible date in 2009. However, at the board of director meetings held at both companies on April 29, 2008, it was decided to cancel the merger agreement for the present and enter into an agreement through a letter of understanding for the merger, with a scheduled effective date of May 7, 2009. Although neither of the companies has changed policy regarding the merger and preparations are currently continuing to ensure the merger goes ahead without incident, problems with integrating IT systems or other unforeseen occurrences could cause problems in the merger, which could affect the Group's business results and financial position.

II. Our Corporate Group

Our corporate group is composed of 18 subsidiaries and 4 affiliates. The business activities of our company and of 13 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. We offer 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 subsidiaries are consolidated companies, and the equity method is applied for all of our affiliates, except Misawa Kyoei KK.

Organizational Diagram of Corporate Group



*1 CUBIC Venture Capital was renamed to Neostella Capital Co., Ltd. in February 2008.

*2 Shinko Real Estate Co., Ltd. merged with Shinko Building Co., Ltd. in October 2007.

*3 Shinko Principal Investment Co., Ltd. has been excluded from the scope of subsidiaries due to its action to allocate new shares to a third party.

III. Management Policy

1. Fundamental management policy

The Shinko Group's main line of business is in the securities (financial instruments) industry. We are a general securities company offering a diverse span of integrated functions from retail to wholesale. We will fulfill our role as a securities company in the Mizuho Financial Group, aiming to maximize synergies among group members and departments to provide high-added-value financial services to a wide range of customers.

2. Numerical targets

We have declared four medium-term management targets in our Fourth Medium-Term Management Plan to be attained by the end of March 2009. In pursuit of greater scale: (1) increase assets in custody to ¥20 trillion and (2) achieve ordinary income of ¥50 billion. In pursuit of quality: (3) achieve ROE of 10% or greater and (4) be rated 'A' or higher.

3. Medium- and long-term business strategies

The Group is currently taking initiatives in pursuit of the targets of the Fourth Medium-Term Management Plan, which runs from April 2006 to March 2009. This plan constitutes guidelines for increasing the efficiency of operations and maximizing the quality of services, amid various types of deregulation and system reforms, with the aim of further boosting productivity in the securities business and solidifying our position in the industry. An overview of the plan follows.

Overview of the Fourth Medium-Term Management Plan (April 2006–March 2009)

New corporate vision

The Client First—Act vigorously, act decisively, act boldly

Medium-term management targets

- Expand scale: increase assets in custody to ¥20 trillion and achieve ordinary income of ¥50 billion
- Further enhance quality: achieve ROE of 10% or greater and be rated 'A' or higher

Medium-term targets for profit-making divisions

Retail Division

- Become the leading securities company for customer satisfaction
- Achieve ¥12 trillion in retail assets under custody (by the end of March 2009)

Wholesale Division

- Establish a position as the number one supporter of fresh, high-growth companies
- Establish the five core businesses in investment banking:
 - IPOs: lead manage the most IPOs in the industry
 - Corporate finance: become one of the top three lead managers of corporate finance deals for companies with a market capitalization of less than ¥100 billion
 - M&A: achieve a top ten ranking in terms of the number of deals closed
 - Asset management: expand profits using new asset management business models
 - Investment funds: expand the funds business

Financial Products Division

- Solidify market presence, and to this end, construct a system to increase market share to 5%

Review of performance during the fiscal year under review

During the period under review, the Shinko Group worked toward achieving the management targets set forth in the Fourth Medium-term Management Plan and strove to further expand its customer base, reform profit structure, and enhance quality in preparation for the merger with Mizuho Securities.

(Retail Division)

In the Retail Division, we took initiatives to dramatically expand the operating base and enhance quality under the basic theme of *taking action and innovating* in preparation for the new Mizuho Securities to begin operations. In the run-up to the merger with Mizuho Securities, we recognize that it is necessary to restructure sales to high-net-worth individuals to enhance productivity and establish a local presence through synergies between the Retail and Wholesale Divisions. Mindful of this, we established the Executive Planning Office, a new sales channel to cater exclusively for high-net-worth individuals, in all offices (apart from 5 branch offices and 3 sales offices) and enhance consultation sales through face-to-face interaction.

To better meet diversifying customer needs, we have tirelessly pushed ahead implementing suggestions from customers. Continued efforts to offer products, services and information exactly according to customer needs and the investment climate have generated steady profits from sources other than commissions on equity trades. In readiness for the commencement of the Electronic Share Certificate System (Paperless Share System) in January 2009, a committee was established within the company to handle the transition and is actively taking steps to enhance customer convenience, such as the *Shinko no tori* Stock Certificate Deposit Campaign.

In the year under review, the Shinko Group opened new offices in the Tokyo metropolitan area and Nagoya for the first time in four years (excluding offices shared with banks): branch offices in Omiya, Aratamabashi, and Fujigaoka. The Shin-Urayasu branch joined the Shinko network in April 2008. These new offices revitalize the image of securities companies, and their friendly atmosphere and pleasant layout allow customers to feel at ease when visiting for a consultation with staff.

(Wholesale Division)

In the Wholesale Division, we continued initiatives from the previous year to enhance marketing capabilities, strengthen the backup system, and nurture human resources.

In stock underwriting, we lead managed 12 IPOs, maintaining our performance among the best in the industry in terms of number of deals underwritten and underwriting participation rate, despite a significant reduction in the scale of the equity issues market. We also met a diverse range of funding needs for companies through public offerings. In bond underwriting, Shinko served as lead manager for many issues of fiscal investment and loan program agency bonds, electric power bonds and corporate bonds and achieved results in M&A through various measures such as leveraging external tie-ups.

(Financial Products Division)

In the Financial Products Division, we investigated risk hedging and investment management methods and worked to enhance trading capacity qualitatively and quantitatively in a bid to establish a firm presence in the market. Further, we reviewed organization structure and operational flow to enhance the support functions for the Retail and Wholesale Divisions. We also expanded our product lineup in investment trusts, insurance products and overseas and private structure bonds, and developed our ability to disseminate information.

In April 2008, we began offering the Shinko Fund Wrap fund management service with a contract amount of as little as ¥5 million, to add to the Long · AP Shinko asset management wrap first offered in December 2004.

(Corporate-related)

Shinko established a System Backup Center in Osaka Prefecture—one of the highest priority management projects—as part of the Business Continuity Plan. This system allows the entire flow of transactions to be backed up, from receipt of orders through to settlement. This system enhances business continuity in the event of a large-scale disaster affecting an extensive area, such as an earthquake, thus offering customers even more peace of mind for transactions.

In financial strategies, we entered into a syndicated commitment line to enhance liquidity in a bid to establish a stable and flexible fund procurement base.

In July 2007, Shinko Securities' rating was upgraded from single A minus (A-) to double A minus (AA-) by the Japan Credit Rating Agency (JCR), while sustaining a single A plus (A+) rating with Rating & Investment Information (R&I). Obtaining a rating of an A level or higher is one of the major business goals in the Medium-Term Business Plan, and we intend to push ahead with efforts to achieve higher rankings.

4. Our tasks to be solved

In financial and capital markets in Japan, the shift from saving to investing is steadily accelerating and there is a significant transition toward market-based financial systems. Fund procurement methods of companies are becoming more diversified through capital markets in Japan and overseas. Fund management is also seeing an expansion and acceleration of global money flow as a result of expansion in international diversified investment and the fund business. The Financial Instruments and Exchange Act came into effect in September 2007, which led to reinforcement of market function; and enhancement of market reliability, efficiency and transparency. This will have the effect of expanding the roles and responsibilities of securities companies as leaders in financial and capital markets. Our decision to merge with Mizuho Securities Co., Ltd, was based on this understanding of the environment. We firmly believe that combining the global platform of Mizuho's investment bank operations and Shinko's comprehensive full-service securities network throughout Japan will enhance our competitive edge and maximize shareholder value.

The schedule for the merger has been put back a number of times as a result of turmoil in global financial and capital markets resulting from the U.S. subprime housing crisis in 2007, which may have worried related government agencies, shareholders, and other investors. We are currently checking with Mizuho Financial Group Inc. and Mizuho Corporate Bank, Ltd., that there is no change in the merger plans of either of the companies involved or securities strategy of the Mizuho Financial Group.

Shinko acknowledges that the safe and sure implementation of the merger and posting solid business results to facilitate that are the most important issues. Accordingly, all employees and directors of the company will work together to make full preparations for the merger under the new schedule.

(Background to the merger with Mizuho Securities Co., Ltd., and policy going forward)

Both Shinko Securities and Mizuho Securities deemed that it would be appropriate to review factors such as the merger ratio in light of the effect on both companies of turmoil in global financial and capital markets resulting from the U.S. subprime housing crisis in 2007. Accordingly, the effective date of the merger was put back from January 1, 2008 to May 7, 2008 and preparations made. However, thereafter, the turmoil in global financial and capital markets continued with no sign of abating and uncertainty about the future remained. It was therefore decided at meetings of the board of directors at both companies on May 21, 2008, that the effective date of the merger should be put further back, targeting the earliest possible date in 2009, to protect the interests of shareholders and customers.

The conclusion was reached that May 7, 2009, would be a suitable choice for the new effective date of the merger, following detailed discussion and evaluation with related organizations such as Japan Securities Depository Center, Inc. and government agencies. This was done to ensure a smooth transition to the Paperless Share System, due to be introduced in January 2009.

The merger agreement was approved at the general shareholders meeting of both companies in June 2007. Nevertheless, because a considerable amount of time had already elapsed and it would be over one year until the effective date of the agreement, the companies decided to cancel the agreement for the present despite there being no change in policy regarding the merger. We further decided to enter into a new agreement following a review of the merger ratio and to present the new agreement to the general meeting of shareholders for review. This course of action will allow us to fulfill our duty of accountability and was judged to be in the best interests of shareholders. At board meetings at both companies on April 28, 2008, basic policy and matters relevant to the merger were confirmed. The merger agreement was canceled and a new letter of understanding for the merger signed.

Preparation for the merger thus far has been smooth, and we will continue working to ensure that the merger progresses without a hitch. Indeed, both companies have made considerable headway with preparations for integration of various operating sectors. A Project for Early Realization of Merger Effects (tentative name) will be established under the merger preparation committee with the presidents of both companies installed as joint-chairs. The Project will consider ways of realizing synergistic effects of the merger (e.g., personnel exchanges), where possible, in advance of the official merger.

Merger details

January 10, 2007	Memorandum of agreement entered into
March 29, 2007	Initial merger agreement entered into
June 28, 2007	Shinko Securities 118th Annual General Meeting of Shareholders (approval of the merger agreement)
November 5, 2007	Discussion commenced on matters such as the merger ratio
December 20, 2007	Effective date of merger put back to May 7, 2008
March 21, 2008	Effective date of merger put back once again to the earliest possible date in 2009
April 28, 2008	Initial merger agreement canceled Letter of understanding on the merger signed, due to take effect on May 7, 2009

IV. Consolidated Financial Statements

Consolidated Balance Sheets

(In millions of yen)

	As of 31 March 2007	As of 31 March 2008	Year-on-year increase/decrease
Assets			
Current assets	3,569,189	4,080,417	511,228
Cash and due from banks	121,197	89,788	-31,408
Fund deposits	87,006	49,564	-37,441
Trading products	1,321,935	1,475,457	153,521
Trading securities, etc.	1,316,064	1,457,309	141,244
Derivative assets	5,870	18,147	12,276
Trade date accrual	—	83,881	83,881
Investment securities for sale	8,766	—	-8,766
Securities for sale, etc.	—	10,457	10,457
Margin transaction assets	114,021	57,372	-56,648
Customers' loans receivable in margin transactions	105,991	43,394	-62,597
Collateral for borrowed securities for margin transactions	8,029	13,978	5,948
Loans receivable secured by securities	1,891,914	2,279,680	387,765
Collateral for borrowed securities	1,871,826	2,066,241	194,414
Loans receivable in gensaki transactions	20,087	213,438	193,350
Advances	186	196	9
Cash paid for offering, etc.	112	143	31
Short-term deposits	2,994	3,905	911
Accounts for non-delivered securities and others	173	—	-173
Short-term loans receivable	174	79	-95
Securities	5,501	10,923	5,421
Accrued revenues	8,745	9,213	468
Deferred income tax assets	3,321	2,367	-953
Other current assets	3,244	7,431	4,187
Allowance for bad debts	-107	-47	59
Fixed assets	165,752	137,424	-28,327
Tangible fixed assets	34,497	34,195	-301
Buildings	12,904	12,870	-34
Furniture and fixtures	2,580	2,802	221
Land	18,976	18,523	-453
Construction in progress	35	—	-35
Intangible fixed assets	35,098	32,959	-2,139
Software	33,799	29,294	-4,505
Phone right, etc.	1,299	3,664	2,365
Investments and other assets	96,156	70,269	-25,886
Investment securities	81,027	51,344	-29,682
Long-term deposits	11,370	11,100	-269
Deferred income tax assets	331	497	166
Other investments	7,803	10,913	3,109
Allowance for bad debts	-4,376	-3,586	790
Total assets	3,734,941	4,217,842	482,900

(In millions of yen)

	As of 31 March 2007	As of 31 March 2008	Year-on-year increase/decrease
Liabilities			
Current liabilities	3,354,918	3,847,323	492,404
Trading products	1,140,368	966,543	-173,824
Trading securities, etc.	1,137,898	955,455	-182,443
Derivative liabilities	2,469	11,087	8,618
Trade date accrual	32,703	—	-32,703
Margin transaction liabilities	59,990	18,124	-41,866
Customers' loans payable for margin transactions	55,766	15,776	-39,989
Collateral for loaned securities for margin transactions	4,224	2,347	-1,877
Loans payable secured by securities	1,481,385	2,190,051	708,666
Amounts receivable on loan transactions	1,370,140	1,844,224	474,084
Loans payable in gensaki transactions	111,244	345,827	234,582
Deposits received	56,041	39,785	-16,256
Received margins	40,750	28,442	-12,308
Short-term loans payable	399,908	459,720	59,811
Commercial paper	117,200	126,500	9,300
Accrued liability	2,030	2,479	449
Income taxes payable	8,410	1,450	-6,959
Deferred tax liabilities	41	—	-41
Reserve for bonus	6,507	4,290	-2,216
Allowance for directors' bonus	344	243	-100
Reserve for point service	401	858	456
Reserve for business reorganization loss	33	—	-33
Other current liabilities	8,800	8,834	33
Fixed liabilities	86,289	88,768	2,478
Corporate bonds	33,000	33,000	—
Long-term loans payable	30,700	40,650	9,950
Deferred tax liabilities	12,661	7,155	-5,506
Reserve for retirement benefits	6,373	5,149	-1,223
Reserve for directors' retirement benefits	732	769	36
Reserve for executive officers' retirement benefits	859	878	18
Other fixed liabilities	1,962	1,165	-796
Statutory reserve	916	685	-230
Reserve for securities transaction liabilities	916	685	-230
Total liabilities	3,442,124	3,936,777	494,653
Net assets			
Shareholders' equity	263,305	263,534	229
Common stock	125,167	125,167	—
Capital surplus	82,900	82,969	68
Retained earnings	62,576	62,771	194
Treasury stock	-7,339	-7,373	-34
Valuation and translation adjustments	21,511	10,854	-10,656
Net unrealized gains on other securities, net of taxes	20,702	10,334	-10,367
Foreign currency translation adjustment	808	519	-289
Minority interest	8,000	6,675	-1,324
Total net assets	292,817	281,064	-11,752
Total liabilities and net assets	3,734,941	4,217,842	482,900

Consolidated Statement of Income

(In millions of yen)

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2007 to 31 March 2008	Year on Year	
			Increase/ decrease	Comparison (%)
Operating revenues	146,794	146,514	-279	99.8
Commissions and fees received	91,115	77,878	-13,237	85.5
Trading profit or loss	42,104	51,216	9,111	121.6
Trading profit or loss on investment securities for sale	270	—	-270	—
Profit or loss on securities for sale, etc.	—	-2,304	-2,304	—
Financial revenues	13,303	19,725	6,421	148.3
Financial expenses	10,474	17,848	7,373	170.4
Net operating revenues	136,319	128,666	-7,652	94.4
Selling, general and administrative expenses	112,532	116,443	3,910	103.5
Transaction expenses	16,498	17,660	1,162	107.0
Personnel expenses	56,964	55,507	-1,457	97.4
Real estate expenses	14,746	15,712	965	106.5
Office expenses	8,219	9,604	1,384	116.8
Depreciation	10,892	12,351	1,458	113.4
Taxes and dues	1,333	1,372	39	103.0
Others	3,877	4,234	357	109.2
Operating profit	23,786	12,223	-11,563	51.4
Non-operating revenues	6,424	4,511	-1,912	70.2
Investment profit on equity method	5	—	-5	—
Others	6,418	4,511	-1,907	70.3
Non-operating expenses	1,154	2,101	946	182.0
Investment loss on equity method	—	21	21	—
Others	1,154	2,079	925	180.1
Ordinary profit	29,056	14,633	-14,422	50.4
Extraordinary profits	6,310	3,728	-2,582	59.1
Extraordinary losses	1,749	4,446	2,696	254.1
Net profit before taxes, etc.	33,617	13,915	-19,701	41.4
Income taxes	9,543	2,612	-6,930	27.4
Adjustment amount for income taxes	1,927	1,830	-96	95.0
Minority interest	211	68	-143	32.4
Net profit	21,935	9,404	-12,531	42.9

Consolidated Statement of Changes in Net Assets

Financial Year Ended 31 March 2007 (1 April 2006 - 31 March 2007)

(In millions of yen)

	Shareholders' equity					Valuation and translation adjustments			Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized gains (losses) 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-shareholder-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 annual general meeting of shareholders held in June 2006.

Financial Year Ended 31 March 2008 (1 April 2007 - 31 March 2008)

(In millions of yen)

	Shareholders' equity					Valuation and translation adjustments			Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized gains (losses) 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			9,404		9,404					9,404
Acquisition of treasury stocks				-126	-126					-126
Disposal of treasury stock		68		92	161					161
Increase in earnings due to exclusion from consolidation			65		65					65
Net amount of change during the period for non-shareholder-capital items						-10,367	-289	-10,656	-1,324	-11,981
Total amount of change during the period	—	68	194	-34	229	-10,367	-289	-10,656	-1,324	-11,752
Balance as of 31 March 2008	125,167	82,969	62,771	-7,373	263,534	10,334	519	10,854	6,675	281,064

Consolidated Cash Flow Statement

(In millions of yen)

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2007 to 31 March 2008
I		
Cash flows from operating activities		
Net profit before taxes, etc.	33,617	13,915
Depreciation	10,892	12,429
Adjustment for extraordinary profit and loss	—	—
Profit from sale on fixed assets	-17	-917
Loss from sale or disposition of fixed assets	445	1,112
Profit from sale on investment securities	-4,941	-2,052
Write-down and loss from sale of investment securities	321	1,551
Write-down of golf club memberships	—	4
Loss from change in IT system	296	—
Software licensing fee	-859	—
Provision of reserve for past directors' retirement benefits	478	—
Business reorganization loss	136	—
Reversal of reserve for securities transaction liabilities	-241	-230
Reversal of allowance for bad debts	-180	—
Interest income and dividends receivable	-14,473	-21,009
Interest cost	10,474	17,848
Investment profit/loss on equity method	-5	21
Increase/decrease in loans receivable	97	101
Increase/decrease in money held as customers' trust	3,780	37,430
Increase/decrease in advances and deposits received	-6,126	-15,535
Increase/decrease in trading products	-94,572	-444,450
Increase/decrease in margin transaction assets	40,662	56,648
Increase/decrease in margin transaction liabilities	-38,769	-41,866
Increase/decrease in loans receivable secured by securities	-160,163	-387,765
Increase/decrease in loans payable secured by securities	164,721	708,666
Increase/decrease in allowance for bad debts	-1,006	-850
Increase/decrease in reserve for bonus	-238	-2,315
Increase/decrease in reserve for retirement benefits	-2,861	-1,161
Others	33,187	-13,586
Subtotal	-25,343	-82,011
Interest and dividends received	14,338	20,323
Interest paid	-10,358	-17,588
Income taxes, etc. paid	-16,627	-13,106
Cash flows from operating activities	-37,990	-92,381
II		
Cash flows from investing activities		
Payments for purchases of investment securities	-10,985	-7,468
Proceeds from the sale and redemption of investment securities	11,840	10,739
Payments for purchases of tangible fixed assets	-1,406	-2,753
Proceeds from the sale of tangible fixed assets	53	1,452
Payments for purchases of intangible fixed assets	-13,383	-8,698
Proceeds from sale of intangible fixed assets	700	147
Payments for long-term deposits	—	-422
Proceeds from return on long-term deposits	694	692
Others	-1,498	-2,763
Cash flows from investing activities	-13,986	-9,074
III		
Cash flows from financing activities		
Increase/decrease in short-term loans payable	16,368	62,811
Increase/decrease in commercial paper	33,000	9,300
Proceeds from issue of corporate bonds	12,982	—
Proceeds from long-term loans payable	15,000	17,300
Payments for long-term loans payable	-16,500	-10,350
Payments for acquiring treasury stocks	-123	-126
Proceeds from sale of treasury stocks	837	161
Dividend paid	-9,248	-9,237
Proceeds from issuing stock to minority shareholders, etc.	1,263	224
Dividend paid to minority shareholders, etc.	-161	-920
Cash flows from financing activities	53,418	69,161
IV		
Effect of foreign exchange rate changes on cash and cash equivalents	175	-937
V		
Increase/decrease in cash and cash equivalents	1,617	-33,232
VI		
Balance of cash and cash equivalents at start of period	117,524	121,014
VII		
Decrease in cash and cash equivalents resulting from exclusion from consolidation	—	-127
VIII		
Increase in cash and cash equivalents resulting from new consolidation	1,872	—
IX		
Balance of cash and cash equivalents at end of period	121,014	87,654

[About Consolidated Financial Statements]

These consolidated financial statements follow the provisions of Ministry of Finance (MoF) Ordinance No.28 (1976) entitled “The Rules for Terms, Formats, and Preparation Method of Consolidated Financial Statements” (The Rules for Consolidated Financial Statements) and also comply with the provisions stipulated in Articles 46 and 68 of said ordinance. In addition, they are compiled in accordance with Cabinet Office Ordinance No.52 (2007) entitled “Cabinet Office Ordinance Concerning Financial Instruments Business” and the resolution entitled “Unification of Securities Business Accounting ” adopted by the Japan Securities Dealers Association on 14 November 1974.

The consolidated financial statements for the previous period were prepared based on the unrevised Rules for Consolidated Financial Statements, whereas the consolidated financial statements for this period were prepared based on the revised Rules.

1. Matters regarding the scope of consolidation

(1) Consolidated subsidiaries (18 subsidiaries)

Major subsidiaries

Shinko Securities Business Services Co., Ltd.

Shinko Investment Co., Ltd.

Shinko Investment Trust Management Co., Ltd.

Nippon Securities Technology Co., Ltd.

(Excluded) Shinko Real Estate Co., Ltd.

Shinko Principal Investment Co., Ltd.

SPI Investment Business Limited Partnership No.1

2. Matters concerning the application of equity method

Equity-method affiliates (3 affiliates)

Neostella Capital Co., Ltd. (former 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

The closing date of consolidated subsidiaries are as follows:

End of March 14 subsidiaries

End of December 4 subsidiaries

For four consolidated subsidiaries with different closing dates to the consolidated closing date, financial statements as of each subsidiary’s closing date were used. However, for important transactions that took place between the last closing date of each company and the consolidated closing date, adjustments necessary for the consolidation were performed.

4. Matters concerning the accounting standard

(1) Valuation method for significant assets

1) Valuation method for securities classed as trading products (securities held for trading purpose):

Securities and derivative contracts classed as trading products and held by the parent company or subsidiaries are recorded at present market value.

2) Valuation method for securities not classed as trading products:

The following valuation methods are applied to securities that are not held for trading purposes:

a) Bonds that are to be held to maturity

The amortized 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 new asset in full. The selling price is based on the moving-average cost method.

Securities, etc. that have no market values

Valued using the moving-average cost method.

Moreover, with regard to contributions to investment business limited partnerships and similar partnerships (according to Article 2, Paragraph 2 of the Financial Instruments and Exchange Law, such contributions are regarded as negotiable securities), we use, as the book value, the value of our holdings of partnership assets as designated on the partnership's most recent statement of accounts that we are able to obtain as of the day - stipulated in the partnership agreement - on which the latest statement of accounts is reported. With regard to profit and loss obtained from the operations of the partnership, etc., we use a method whereby we record the value of our holdings.

(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 method.

(Additional Information)

In line with revisions in the Corporate Tax Law in 2007, the company and all consolidated subsidiaries in Japan apply a method of calculating the difference between the amount equivalent to 5% of the acquisition price and memorandum price with fixed amount depreciation over 5 years for assets acquired before 31 March 2007 that have reached 5% of the acquisition price through application of the depreciation method under the Corporate Tax Law before the revision. The affect of changeover on the profit and loss is minor.

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 possible loss from bad debt in loans receivables, etc., allowance for general receivables is provided based on the ratio of past loss experience and also specific receivables such as non-recoverable receivables is provided for the estimated uncollectible amounts after reviewing collectability of receivables individually.

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 directors' bonus

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

4) 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 period 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 points given out to customers.

5) Reserve for retirement benefits

To prepare for the payment of employee retirement benefits, the amount considered to have arisen within the period was charged to the period on the basis of the estimated value of projected retirement benefit obligations and our pension assets at the end of this period.

Prior service cost is charged to expenses using the straight-line method based on determined years (10 years) within average remaining service year of the employees when incurred.

Actuarial differences are also charged to expenses from the following fiscal year using the straight-line method based on determined years (10 years) within average remaining service year of the employees

when incurred.

6) Reserve for directors' retirement benefits

To prepare for the payment of retirement benefits for directors, the necessary amount for the end of this period was posted in accordance with the inhouse regulations.

7) Reserve for executive officers' retirement benefits

To prepare for the payment of retirement benefits for executive officers, the necessary amount for the end of this period was posted in accordance with the inhouse 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 this 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 closing day of this period. Any translation losses or gains are recorded in the net assets under the account "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.

[Changes in Basic Important Matters for Preparation of Consolidated Financial Statements]

1. In line with revisions in the Corporate Tax Law in 2007, "The treatment of depreciation for audit purpose at the present stage" (The Japanese Institute of Certified Public Accountants, Auditing and Assurance Practice Report No. 81, April 25, 2007), that will be used from the business year ending on and after 1 April 2007, our company and all consolidated subsidiaries in Japan used this handling method from this period, and any assets acquired after 1 April 2007 were changed over to the method based on the revised Corporate Tax Law. Thus, the affect of this change on the profit/loss is minor.

2. Financial contributions to limited partnerships had been recorded on "Investment securities" under "Fixed Asset"; however, with the increase in individual investments of recent years heightening its monetary importance, they were recorded as "Securities for sale, etc." under "Current Assets." With this change, current assets increased 6.744 billion yen and fixed assets decreased accordingly.

In line with the above, the profit/loss and expenses for limited partnerships, which had been allocated as "Non-operating revenues" and "Non-operating expenses," respectively, were allocated in "Profit or loss on securities for sale, etc.," resulting in an decrease in an operating profit by 124 million yen. Ordinary profit and net profit before taxes, etc. are not affected by this change.

Furthermore, in the consolidated cash flow statement, cash flow generated from investment to limited partnerships had been included in "Cash flow from investment activities", but were included in "Cash flow from operating activities" from this period.

[Changes in Indication Method]

Conventionally, securities owned for the purpose of trading investment by consolidated subsidiaries performing venture capital business had been included in “Investment securities for sale,” but from this period, they were included in “Securities for sale, etc.” under “Current assets” along with the investment to limited partnerships from this period.

In line with the above, the profit/loss and expenses generated from securities owned by consolidated subsidiaries performing venture capital that had been noted as “Trading profit or loss on investment securities for sale” under “Operating profit,” which were renamed as “Profit or loss on securities for sale, etc.” from this period.

[Notes to Consolidated Balance Sheets]

	Financial year to 31 March 2007	Financial year to 31 March 2008 (In millions of yen)
1. Accumulated depreciation of tangible fixed assets	16,751	16,604
2. Guarantee obligations (guarantee exercise anticipated)	1,037 (952)	890 (815)

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”.

	Financial year to 31 March 2007	Financial year to 31 March 2008 (In millions of yen)
Corporate bonds	13,000	13,000
Long-term borrowings (incl. those that mature within 1 year)	40,050	47,000
4. Securities related to non-consolidated subsidiaries and affiliates are indicated below.		
	Financial year to 31 March 2007	Financial year to 31 March 2008 (In millions of yen)
Investment securities	2,235	2,270

[Notes to Consolidated Statement of Income]

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2007 to 31 March 2008 (In millions of yen)
Extraordinary profits		
Profit from sale of fixed assets	17	917
Profit from sale of investment securities	4,941	2,052
Software licensing fees	859	—
Profit from affiliate liquidation	—	363
Profit from transfer of subsidiary related business	—	164
Reversal from reserve for securities transaction liabilities	241	230
Reversal from allowance for bad debts	251	—
Extraordinary losses		
Loss from sale of fixed assets	59	439
Loss from disposition of fixed assets	385	672
Loss from sale of investment securities	27	67
Write-down of investment securities	293	1,483
Write-down of golf club memberships	—	4
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 expenses	—	1,778
Provision of allowance for bad debts	70	—

[Notes to Consolidated Statement of Change in Net Assets]

Financial Year Ended 31 March 2007 (1 April 2006 - 31 March 2007)

1. Matters related to issued shares

	Shares at end of previous year (x 1,000)	Shares increased in this year (x 1,000)	Shares decreased in this year (x 1,000)	Shares at end of this year (x 1,000)
Shares outstanding				
Common stock	811,118	—	—	811,118
Total	811,118	—	—	811,118

2. Matters related to treasury stock

	Shares at end of previous year (x 1,000)	Shares increased in this year (x 1,000)	Shares decreased in this year (x 1,000)	Shares at end of this year (x 1,000)
Treasury stock				
Common stock	40,448	243	2,508	38,182
Total	40,448	243	2,508	38,182

(Notes)

1. The number of common stock held in treasury stock increased by 243,000 shares. This increase resulted from the purchase of odd-lot shares.
2. The number of common stock held in treasury stock decreased by 2.508 million shares. A decrease of 15,000 shares resulted from a request to increase a purchase of odd-lot shares, while a decrease of 2.493 million shares resulted from the exertion of stock option rights.

3. Matters related to dividends

(1) Dividend paid

Decision	Type of stock	Total amount of dividends (x 1 mil. yen)	Dividend per share (yen)	Record date	Effective date
Annual general meeting of shareholders of 29 June 2006	Common stock	9,248	12.00	31 March 2006	30 June 2006

(2) Dividend for which the record date falls within the current period and the effective date falls after the period.

Decision	Type of stock	Total amount of dividends (x 1 mil. yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Annual general meeting of shareholders of 28 June 2007 (scheduled)	Common stock	9,275	Retained earnings	12.00	31 March 2007	29 June 2007

Financial Year Ended 31 March 2008 (1 April 2007 - 31 March 2008)

1. Matters related to issued shares

	Shares at end of previous year (x 1,000)	Shares increased in this year (x 1,000)	Shares decreased in this year (x 1,000)	Shares at end of this year (x 1,000)
Shares outstanding				
Common stock	811,118	—	—	811,118
Total	811,118	—	—	811,118

2. Matters related to treasury stock

	Shares at end of previous year (x 1,000)	Shares increased in this year (x 1,000)	Shares decreased in this year (x 1,000)	Shares at end of this year (x 1,000)
Treasury stock				
Common stock	38,182	229	476	37,935
Total	38,182	229	476	37,935

(Notes)

- The number of common stock held in treasury stock increased by 229,000 shares. This increase resulted from the purchase of odd-lot shares.
- The number of common stock held in treasury stock decreased by 476,000 shares. A decrease of 15,000 shares resulted from a request to increase a purchase of odd-lot shares, while a decrease of 461,000 shares resulted from the exertion of stock option rights.

3. Matters related to dividends

(1) Dividend paid

Decision	Type of stock	Total amount of dividends (x 1 mil. yen)	Dividend per share (yen)	Record date	Effective date
Annual general meeting of shareholders of 28 June 2007	Common stock	9,275	12.00	31 March 2007	29 June 2007

(2) Dividend for which the record date falls within the current period and the effective date falls after the period.

Decision	Type of stock	Total amount of dividends (x 1 mil. yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Annual general meeting of shareholders of 27 June 2008 (scheduled)	Common stock	7,731	Retained earnings	10.00	31 March 2008	30 June 2008

[Notes to Consolidated Cash Flow Statement]

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

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2007 to 31 March 2008 (In millions of yen)
Cash and due from banks	121,197	89,788
Time deposits more than 3 months	-182	-2,133
Cash and cash equivalents	121,014	87,654

Segment Information

1. Business segment information

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

2. Geographical segment information

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

3. Overseas gross sales (operating revenues)

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

Market or Fair Values of Securities and Derivatives

(For this period and the previous period)

1. Trading-related

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

(In millions of yen)

Type	As of 31 March 2007		As of 31 March 2008	
	Assets	Liabilities	Assets	Liabilities
Equities and warrants	106,401	6,177	81,675	14,576
Bonds	1,167,039	1,131,291	1,322,185	940,878
CP and CD	41,971	—	53,095	—
Beneficiary securities, etc.	652	429	353	—

(2) Notional amounts and market values of derivative contracts

(In millions of yen)

Type	As of 31 March 2007				As of 31 March 2008			
	Assets		Liabilities		Assets		Liabilities	
	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value
Options contracts	136,155	4,574	34,045	143	110,610	10,954	81,395	4,458
Forward exchange contracts	8,687	65	47,312	346	22,705	199	36,082	206
Futures/forward contracts	45,550	143	197,099	1,058	176,781	446	16,145	63
Swap contracts	65,961	1,087	52,878	920	81,543	6,547	75,645	6,358

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

2. Non-trading-related

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

(In millions of yen)

Type	As of 31 March 2007			As of 31 March 2008		
	Value on consolidated balance sheets	Market value	Balance	Value on consolidated balance sheets	Market value	Balance
Market value higher than value recorded on consolidated balance sheets	4,204	4,207	2	6,402	6,407	4
Governmental / local bonds	1,693	1,694	0	—	—	—
Corporate bonds	2,510	2,512	1	6,402	6,407	4
Others	—	—	—	—	—	—
Market value lower than or equal to value recorded on consolidated balance sheets	8,294	8,275	-19	5,000	4,997	-3
Governmental / local bonds	500	497	-2	500	499	-0
Corporate bonds	7,794	7,777	-17	4,500	4,497	-3
Others	—	—	—	—	—	—

(2) Other securities with readily determinable market values

(In millions of yen)

Type	As of 31 March 2007			As of 31 March 2008		
	Acquisition cost	Value on consolidated balance sheets	Balance	Acquisition cost	Value on consolidated balance sheets	Balance
Value recorded on consolidated balance sheets higher than acquisition cost	23,647 (157)	57,078 (318)	33,431 (161)	15,339 (10)	33,687 (43)	18,348 (32)
Equities	20,393 (157)	52,373 (318)	31,979 (161)	13,306 (10)	31,143 (43)	17,836 (32)
Bonds	—	—	—	—	—	—
Governmental/local bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Others	3,253	4,705	1,452	2,032	2,544	511
Value recorded on consolidated balance sheets lower than or equal to acquisition cost	3,062	2,562	-499	10,796	8,832	-1,963
Equities	2,760	2,268	-491	7,007	5,170	-1,836
Bonds	—	—	—	—	—	—
Governmental/local bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Others	301	293	-7	3,789	3,662	-126

(Note) Figures in brackets refer to securities for sale, etc. Securities for sale, etc. are recorded under “Current assets”.

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

(In millions of yen)

Type	As of 31 March 2007	As of 31 March 2008
	Value on consolidated balance sheets	Value on consolidated balance sheets
Bonds to be held to maturity	—	—
Governmental /local bonds	—	—
Corporate bonds	—	—
Others	—	—
Other securities	20,919 (8,447)	16,531 (10,414)
Unlisted equities	14,340 (8,444)	8,785 (3,667)
Unlisted bonds	3 (3)	1 (1)
Others	6,575 (—)	7,744 (6,745)

(Note) Figures in brackets refer to securities for sale, etc. Securities for sale, etc. are recorded under “Current assets”.

Regarding retirement benefits

1. Summary of current retirement benefit system

Our company and its consolidated domestic subsidiaries have established a fixed-benefit corporate pension system (cash balance type, qualified retirement pensions), a fixed-contribution corporate pension system, and a lump-sum retirement grant system.

2. Items related to retirement benefit systems that are mentioned in the consolidated financial statements

	Financial year to 31 March 2007	Financial year to 31 March 2008 (In millions of yen)
1) Items related to retirement benefit liabilities		
Reserve for retirement benefits	6,373	5,149
2) Items related to retirement benefit costs		
Retirement benefit costs	2,297	2,348

3. Items related to the fundamental calculations of retirement allowance liabilities

	Fixed amount standard for year	Fixed amount standard for year
1) Method of allocating retirement allowance costs over time		
2) Discount rate	2.0%	2.0%
3) Expected profit from asset management	2.0%	2.0%
4) No. of years over which actuarial gains and losses are processed	10 years	10 years
(Retirement allowance liabilities are processed according to a straight-line method based on a certain number of years within the average remaining number of employee working years at the time the liabilities arise. However, expense processing starts the following year.)		
5) No. of years over which past service liabilities are processed	10 years	10 years
(Retirement allowance liabilities are processed according to a straight-line method based on a certain number of years within the average remaining number of employee working years at the time the liabilities arise.)		

Per share information

Financial year from 1 April 2006 to 31 March 2007		Financial year from 1 April 2007 to 31 March 2008	
Net assets per share	368.49	Net assets per share	354.88
Net profit per share	28.45	Net profit per share	12.16
Net profit per share (diluted)	28.38	Net profit per share (diluted)	12.15

(Note) Net profit per share and net profit per share (diluted) were calculated based on the following:

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2007 to 31 March 2008
Net assets per share		
Net profit (in millions of yen)	21,935	9,404
Amount not attributed to common stock (in millions of yen)	—	—
Net profit attributed to common stocks (in millions of yen)	21,935	9,404
Average number of shares outstanding (in thousands of shares)	771,121	773,094
Net profit per share (diluted)		
Adjustment amounts to net profit (in millions of yen)	—	—
Increase in common stocks (in thousands of shares)	1,790	997
(Those with subscription rights to shares (in thousands of shares))	(1,790)	(997)
The outline of potential shares not included in the calculation of net profit per share (diluted) because of not having diluting effects	—	—

Significant Post-Balance Sheet Events

Shinko Securities and Mizuho Securities have extended the effective date of merger involving the merger contract concluded on 29 March 2007, from 1 January 2008 to 7 May 2008, and re-extended to the earliest possible period in 2009.

The basic policy and conditions for the merger were reconfirmed and the initial merger contract was canceled at the general meeting of shareholders of the two companies held on 28 April 2008. A new Basic Merger Agreement was concluded with a new scheduled effective date of 7 May 2009.

Also at the meetings of board of directors held by both companies on 21 March 2008, discussion was held regarding the merger of Shinko Securities Holdings, Inc., our consolidated subsidiary, and Mizuho Securities USA Inc., a subsidiary of Mizuho Securities; and transfer of business of Shinko Securities (H. K.) Ltd., our consolidated subsidiary, to Mizuho Securities Asia Ltd., a subsidiary of Mizuho Securities, all of which being scheduled for 7 May 2008 will be extended to 7 May 2009.

Disclosure Omission

The need to disclose explanatory notes related to business combination, including lease transactions, transactions among related parties, tax effect accounting and stock options in the settlement report, is considered to be small and, therefore, will be omitted.

Data on Consolidated Settlement of Accounts

1. Commissions and fees received

(1) Breakdown by categories

(In millions of yen)

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2007 to 31 March 2008	Year on year	
			Increase/ decrease	Comparison (%)
Brokerage commissions	36,876	27,326	-9,549	74.1
(Equities)	(36,692)	(27,196)	(-9,495)	(74.1)
(Bonds)	(117)	(36)	(-81)	(30.7)
Underwriting & selling fees	8,235	3,437	-4,797	41.7
(Equities)	(7,098)	(2,588)	(-4,510)	(36.5)
(Bonds)	(1,119)	(849)	(-270)	(75.8)
Offering & selling fees and commissions	19,143	18,316	-826	95.7
Other fees and commissions	26,860	28,797	1,936	107.2
Total	91,115	77,878	-13,237	85.5

(2) Breakdown by products

(In millions of yen)

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2007 to 31 March 2008	Year on year	
			Increase/ decrease	Comparison (%)
Equities	44,374	30,141	-14,233	67.9
Bonds	2,082	1,460	-621	70.1
Beneficiary securities	34,610	37,448	2,838	108.2
Others	10,047	8,827	-1,220	87.9
Total	91,115	77,878	-13,237	85.5

2. Trading profits

(In millions of yen)

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2007 to 31 March 2008	Year on year	
			Increase/ decrease	Comparison (%)
Equities	8,019	12,613	4,593	157.3
Bonds, others	34,084	38,602	4,518	113.3
(Bonds)	(37,279)	(34,593)	(-2,686)	(92.8)
(Others)	(-3,195)	(4,009)	(7,204)	(—)
Total	42,104	51,216	9,111	121.6

(Reference)

Quarterly Changes in Consolidated Statement of Income

(In millions of yen)

	Fourth quarter of previous financial year	First quarter of current financial year	Second quarter of current financial year	Third quarter of current financial year	Fourth quarter of current financial year
Operating revenues	42,911	44,549	40,176	35,277	26,511
Commissions and fees received	24,613	23,397	20,608	19,120	14,752
Brokerage commissions	10,031	8,772	7,739	6,308	4,505
(Equities)	(9,996)	(8,746)	(7,713)	(6,263)	(4,473)
(Bonds)	(15)	(11)	(6)	(9)	(8)
Underwriting & selling fees	2,157	1,248	917	578	693
(Equities)	(1,936)	(1,016)	(669)	(357)	(545)
(Bonds)	(204)	(231)	(248)	(220)	(147)
Offering & selling fees and Other fees and commissions	5,571	5,877	4,723	4,626	3,090
Other fees and commissions	6,851	7,499	7,228	7,607	6,462
Trading profit or loss	14,284	16,371	14,689	12,830	7,324
Equities	2,791	3,631	4,826	3,440	715
Bonds, others	11,492	12,739	9,863	9,390	6,609
(Bonds)	(11,602)	(16,731)	(7,895)	(8,291)	(1,674)
(Others)	(-109)	(-3,991)	(1,968)	(1,098)	(4,934)
Profit or loss on securities for sale, etc.	-462	274	-92	-769	-1,716
Financial revenues	4,477	4,506	4,970	4,095	6,151
Financial expenses	3,486	4,306	4,500	4,168	4,873
Net operating revenues	39,425	40,243	35,675	31,109	21,638
Selling, general and administrative	30,344	29,815	29,783	28,413	28,430
Transaction expenses	4,297	4,309	4,796	4,235	4,319
Personnel expenses	15,399	15,052	14,284	13,600	12,569
Real estate expenses	3,765	3,871	3,977	3,857	4,006
Office expenses	2,289	2,136	2,295	2,311	2,859
Depreciation	3,087	3,079	2,950	3,217	3,103
Taxes and dues	343	463	337	277	293
Others	1,161	902	1,141	913	1,277
Operating profit	9,080	10,427	5,891	2,695	-6,791
Non-operating revenues	1,430	1,276	1,227	1,028	978
Investment profit on equity method	-65	21	3	6	-30
Others	1,496	1,255	1,224	1,022	1,009
Non-operating expenses	69	400	582	673	445
Investment loss on equity method	—	—	—	—	21
Others	69	400	582	673	424
Ordinary profit	10,441	11,304	6,537	3,051	-6,259
Extraordinary profits	1,548	328	929	2,127	342
Extraordinary losses	1,073	309	261	717	3,157
Net profit before taxes, etc.	10,916	11,323	7,205	4,461	-9,074
Income taxes	5,531	2,361	3,565	-454	-2,860
Adjustment amount for income taxes	-1,614	1,522	-1,933	2,344	-103
Minority interest	-153	189	352	223	-696
Net profit	7,151	7,249	5,220	2,347	-5,413

V. Non-consolidated Financial Statements

Non-consolidated Balance Sheets

(In millions of yen)

	As of 31 March 2007	As of 31 March 2008	Year-on-year increase/decrease
Assets			
Current assets	3,542,039	4,056,798	514,758
Cash and due from banks	107,086	78,235	-28,850
Fund deposits	83,049	46,520	-36,529
Trading products	1,320,824	1,474,953	154,129
Trading securities, etc.	1,314,953	1,456,805	141,852
Derivative assets	5,870	18,147	12,276
Trade date accrual	—	83,898	83,898
Securities for sale, etc.	—	8,726	8,726
Margin transaction assets	110,858	53,714	-57,144
Customers' loans receivable in margin transactions	102,846	39,822	-63,023
Collateral for borrowed securities for margin transactions	8,011	13,891	5,879
Loans receivable secured by securities	1,891,914	2,279,680	387,765
Collateral for borrowed securities	1,871,826	2,066,241	194,414
Loans receivable in gensaki transactions	20,087	213,438	193,350
Advances	156	173	16
Short-term deposits	2,917	3,507	590
Accounts for non-delivered securities and others	173	—	-173
Short-term loans receivable	11,473	10,879	-594
Accrued revenues	8,328	7,985	-343
Deferred tax assets	2,880	1,854	-1,026
Other current assets	2,483	6,718	4,235
Allowance for bad debts	-106	-50	56
Fixed assets	147,726	124,662	-23,063
Tangible fixed assets	6,268	7,036	768
Buildings	3,064	3,618	554
Furniture and fixtures	1,993	2,207	213
Land	1,209	1,209	—
Intangible fixed assets	34,095	31,204	-2,891
Software	33,460	29,066	-4,393
Phone right, etc.	634	2,137	1,502
Investments and other assets	107,362	86,421	-20,940
Investment securities	60,713	40,642	-20,071
Share of affiliates	30,114	31,084	970
Other securities of affiliates	5,172	—	-5,172
Long-term deposits	8,102	8,266	163
Other investments	7,392	9,806	2,414
Allowance for bad debts	-4,132	-3,378	754
Total assets	3,689,766	4,181,461	491,695

(In millions of yen)

	As of 31 March 2007	As of 31 March 2008	Year-on-year increase/decrease
Liabilities			
Current liabilities	3,330,272	3,829,869	499,596
Trading products	1,140,368	966,543	-173,824
Trading securities, etc.	1,137,898	955,455	-182,443
Derivative liabilities	2,469	11,087	8,618
Trade date accrual	32,703	—	-32,703
Margin transaction liabilities	58,606	16,190	-42,416
Customers' loans payable for margin transactions	54,400	13,927	-40,472
Collateral for loaned securities for margin transactions	4,206	2,262	-1,944
Loans payable secured by securities	1,481,385	2,190,051	708,666
Amounts receivable on loan transactions	1,370,140	1,844,224	474,084
Loans payable in gensaki transactions	111,244	345,827	234,582
Deposits received	53,148	37,749	-15,399
Received margins	40,228	28,009	-12,218
Short-term loans payable	381,208	448,970	67,761
Commercial paper	117,200	126,500	9,300
Accrued liability	3,895	2,050	-1,844
Income taxes payable	7,225	118	-7,107
Reserve for bonus	5,720	3,576	-2,144
Reserve for directors' bonus	282	162	-120
Reserve for point service	401	858	456
Reserve for affiliate reorganization loss	536	894	358
Other current liabilities	7,361	8,195	834
Fixed liabilities	84,150	86,449	2,299
Corporate bonds	33,000	33,000	—
Long-term loans payable	30,700	40,650	9,950
Deferred tax liabilities	12,096	7,048	-5,047
Reserve for retirement benefits	5,889	4,514	-1,375
Reserve for directors' retirement benefits	331	348	16
Reserve for executive officers' retirement benefits	753	728	-25
Other fixed liabilities	1,378	160	-1,218
Statutory reserve	879	648	-230
Reserve for securities transaction liabilities	879	648	-230
Total liabilities	3,415,301	3,916,967	501,665
Net assets			
Shareholders' equity	255,557	254,421	-1,136
Common stock	125,167	125,167	—
Capital surplus	82,448	82,517	68
Capital reserve	51,407	51,407	—
Other capital surplus	31,041	31,110	68
Retained earnings	55,279	54,109	-1,170
Other retained earnings	55,279	54,109	-1,170
Retained earnings carried-forward to next period	55,279	54,109	-1,170
Treasury stock	-7,337	-7,372	-34
Valuation and translation adjustments	18,907	10,073	-8,834
Net unrealized gains on other securities, net of taxes	18,907	10,073	-8,834
Total net assets	274,465	264,494	-9,970
Total liabilities and net assets	3,689,766	4,181,461	491,695

Non-consolidated Statement of Income

(In millions of yen)

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2007 to 31 March 2008	Year on Year	
			Increase/decrease	Comparison (%)
Operating revenues	137,514	136,617	-896	99.3
Commissions and fees received	82,670	68,203	-14,467	82.5
Trading profit or loss	41,897	50,817	8,919	121.3
Profit or loss on securities for sale, etc.	—	-1,740	-1,740	—
Financial revenues	12,945	19,337	6,392	149.4
Financial expenses	10,155	17,469	7,314	172.0
Net operating revenues	127,358	119,147	-8,211	93.6
Selling, general and administrative expenses	104,902	109,396	4,493	104.3
Transaction expenses	14,838	15,544	706	104.8
Personnel expenses	48,313	47,118	-1,194	97.5
Real estate expenses	14,035	15,792	1,757	112.5
Office expenses	14,192	16,059	1,866	113.2
Depreciation	9,540	11,472	1,932	120.3
Taxes and dues	1,074	971	-102	90.5
Others	2,908	2,436	-472	83.8
Operating profit	22,456	9,751	-12,704	43.4
Non-operating revenues	4,016	3,419	-597	85.1
Non-operating expenses	616	371	-244	60.3
Ordinary profit	25,856	12,799	-13,057	49.5
Extraordinary profits	5,778	2,014	-3,763	34.9
Extraordinary losses	1,885	3,993	2,107	211.8
Net profit before taxes, etc.	29,749	10,820	-18,928	36.4
Income taxes	8,034	785	-7,249	9.8
Adjustment amount for income taxes	2,140	1,931	-209	90.2
Net profit	19,574	8,104	-11,469	41.4

Non-consolidated Statement of Changes in Net Assets

Financial year from 1 April 2006 to 31 March 2007

(In millions of yen)

	Shareholders' equity							Valuation and translation adjustments	Total net assets
	Common stock	Capital surplus			Retained earnings	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-shareholder-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 annual general meeting of shareholders held in June 2006.

Financial year from 1 April 2007 to 31 March 2008

(In millions of yen)

	Shareholders' equity							Valuation and translation adjustments	Total net assets
	Common stock	Capital surplus			Retained earnings	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					8,104		8,104		8,104
Acquisition of treasury stocks						-126	-126		-126
Disposal of treasury stock			68	68		92	161		161
Net amount of change during the period for non-shareholder-capital items								-8,834	-8,834
Total amount of change during the period	—	—	68	68	-1,170	-34	-1,136	-8,834	-9,970
Balance as of 31 March 2008	125,167	51,407	31,110	82,517	54,109	-7,372	254,421	10,073	264,494

[Non-consolidated Financial Statements]

These non-consolidated financial statements follow the provisions of Ministry of Finance (MoF) Ordinance No.59 (1963) entitled “The Rules for Terms, Formats, and Preparation Method of Financial Statements” (“Rules for Non-consolidated Financial Statements”) and also comply with the provisions stipulated in Articles 2 of said ordinance. In addition, they are compiled in accordance with Cabinet Office Ordinance No.52 (2007) entitled “Cabinet Office Ordinance Concerning Financial Instruments Business” and the resolution entitled “Uniform Accounting Standards of Securities Companies” approved by the board of directors of the Japan Securities Dealers Association on 14 November 1974.

The non-consolidated financial statements for the previous period were prepared based on the unrevised Rules for Consolidated Financial Statements, whereas the non-consolidated financial statements for this period were prepared based on the revised Rules.

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

1. Valuation method for securities

(1) Valuation method for securities classed as trading products (securities held for trading purpose):

Securities and derivative contracts classed as trading products are recorded at present market value.

(2) Valuation method for securities not classed as trading products:

1) Shares of subsidiaries and affiliates

The cost method by the moving-average method is used.

2) Other securities

a) Securities, etc. that have market values:

The present market value is recorded on the non-consolidated balance sheets and differences between this and acquisition cost is incorporated into the 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 investment business limited partnerships and similar partnerships (according to Article 2, Paragraph 2 of the Financial Instruments and Exchange Law, such contributions are regarded as negotiable securities), we use, as the book value, the value of our holdings of partnership assets as designated on the partnership’s most recent statement of accounts that we are able to obtain as of the day - stipulated in the partnership agreement - on which the latest statement of accounts is reported. With regard to profit and loss obtained from the operations of the partnership, etc., we use a method whereby we record the value of our holdings.

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.

(Additional Information)

In line with revisions in the Corporate Tax Law in 2007, the company apply a method of calculating the difference between the amount equivalent to 5% of the acquisition price and memorandum price with fixed amount depreciation over 5 years for assets acquired before 31 March 2007 that have reached 5% of the acquisition price through application of the depreciation method under the Corporate Tax Law before the revision. The affect of changeover on the profit and loss is minor.

(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 reserves and allowances

(1) Allowance for bad debts

To prepare for possible loss from bad debt in loans receivables, etc., allowance for general receivables is provided based on the ratio of past loss experience and also specific receivables such as non-recoverable receivables is provided for the estimated uncollectible amounts after reviewing collectability of receivables individually.

(2) Reserve for bonus

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

(3) Reserve for directors' bonus

To prepare for the payment of bonuses to directors, we calculated the estimated value of future payments and charged this obligation to the period.

(4) 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 period 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 points given out to customers.

(5) 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.

(6) Reserve for retirement benefits

To prepare for the payment of employee retirement benefits, the amount considered to have arisen within the period was charged to the period on the basis of the estimated value of projected retirement benefit obligations and our pension assets at the end of this period.

Prior service cost is charged to expenses using the straight-line method based on determined years (10 years) within average remaining service year of the employees when incurred.

Actuarial differences are also charged to expenses from the following fiscal year using the straight-line method based on determined years (10 years) within average remaining service year of the employees when incurred.

(7) Reserve for directors' retirement benefits

To prepare for the payment of retirement benefits for directors, the necessary funds for the end of period will be appropriated in accordance with the regulation.

(8) Reserve for executive officers' retirement benefits

To prepare for the payment of retirement benefits for executive officers, the necessary funds for the end of period will be appropriated in accordance with the regulations.

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 Method]

1. In line with revisions in the Corporate Tax Law in 2007, “The treatment of depreciation for audit purpose at the present stage” (The Japanese Institute of Certified Public Accountants, Auditing and Assurance Practice Report No. 81, April 25, 2007), that will be used from the business year ending on and after 1 April 2007, our company used this handling method from this period, and any assets acquired after 1 April 2007 were changed over to the method based on the revised Corporate Tax Law. Thus, the affect of this change on the profit/loss is minor.
2. Financial contributions to limited partnerships had been recorded on “Investment securities” under “Fixed Asset”; however, with the increase in individual investments of recent years heightening its monetary importance, they were recorded as “Securities for sale, etc.” under “Current Assets.” With this change, current assets increased 8.726 billion yen and fixed assets decreased accordingly.

In line with the above, the profit/loss and expenses for limited partnerships, which had been allocated as “Non-operating revenues” and “Non-operating expenses,” respectively, were allocated in “Profit or loss on securities for sale, etc.,” resulting in a decrease in an operating profit by 1.74 billion yen. Ordinary profit and net profit before taxes, etc. are not affected by this change.

[Notes to Non-consolidated Balance Sheets]

	Financial year to 31 March 2007	Financial year to 31 March 2008 (In millions of yen)
1. Accumulated depreciation of tangible fixed assets	6,445	6,154
2. Guarantee obligations (guarantee exercise anticipated)	16,837 (16,752)	9,790 (9,715)

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 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 176 of Cabinet Office Ordinance No.52 (2007) entitled “Cabinet Office Ordinance Concerning Financial Instruments Business”.

	Financial year to 31 March 2007	Financial year to 31 March 2008 (In millions of yen)
Corporate bonds	13,000	13,000
Long-term borrowings (incl. those that mature within one year)	40,050	47,000

[Notes to Non-consolidated Statement of Income]

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2007 to 31 March 2008 (In millions of yen)
Extraordinary profits		
Profit from sale of investment securities	4,442	1,420
Software licensing fees	859	—
Profit from affiliate liquidation	—	363
Reversal from reserve for securities transaction liabilities	242	230
Reversal from allowance for bad debts	234	—
Extraordinary losses		
Loss from sale of fixed assets	—	8
Loss from disposition of fixed assets	171	567
Loss from sale of investment securities	21	53
Write-down of investment securities	293	1,400
Write-down of golf club memberships	—	4
Loss from change in IT system	615	—
Provision of reserve for past directors' retirement benefits	224	—
Provision of reserve for affiliate reorganization loss	536	58
Merger expenses	—	1,900
Provision of allowance for bad debts	21	—

[Notes to Non-consolidated Statement of Change in Net Assets]

Financial Year Ended 31 March 2007 (1 April 2006 - 31 March 2007)

Matters related to type and quantities of treasury stock

	Shares at end of previous year (x 1,000)	Shares increased in this year (x 1,000)	Shares decreased in this year (x 1,000)	Shares at end of this year (x 1,000)
Treasury stock				
Common stock	40,437	243	2,508	38,172
Total	40,437	243	2,508	38,172

1. The number of common stock held in treasury stock increased by 243,000 shares. This increase resulted from the purchase of odd-lot of shares.
2. The number of common stock held in treasury stock decreased by 2,508 million shares. A decrease of 15,000 shares resulted from a request to increase a purchase of odd-lot shares, while a decrease of 2,493 million shares resulted from the excretion of stock option rights.

Financial Year Ended 31 March 2008 (1 April 2007 - 31 March 2008)

Matters related to type and quantities of treasury stock

	Shares at end of previous year (x 1,000)	Shares increased in this year (x 1,000)	Shares decreased in this year (x 1,000)	Shares at end of this year (x 1,000)
Treasury stock				
Common stock	38,172	229	476	37,925
Total	38,172	229	476	37,925

1. The number of common stock held in treasury stock increased by 229,000 shares. This increase resulted from the purchase of odd-lot of shares.
2. The number of common stock held in treasury stock decreased by 476,000 shares. A decrease of 15,000 shares resulted from a request to increase a purchase of odd-lot shares, while a decrease of 461,000 shares resulted from the excretion of stock option rights.

Significant Post-Balance Sheet Events

Shinko Securities and Mizuho Securities have extended the effective date of merger involving the merger contract concluded on 29 March 2007, from 1 January 2008 to 7 May 2008, and re-extended to the earliest possible period in 2009.

The basic policy and conditions for the merger were reconfirmed and the initial merger contract was canceled at the general meeting of shareholders of the two companies held on 28 April 2008. A new basic agreement for the merger was concluded with a new scheduled effective date of 7 May 2009.

Data on Non-consolidated Settlement of Accounts

1. Commissions and fees received

(1) Breakdown by categories

(In millions of yen)

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2007 to 31 March 2008	Year on year	
			Increase/ decrease	Comparison (%)
Brokerage commissions	35,357	25,911	-9,446	73.3
(Equities)	(35,175)	(25,785)	(-9,389)	(73.3)
(Bonds)	(117)	(36)	(-81)	(30.8)
Underwriting & selling fees	8,234	3,436	-4,798	41.7
(Equities)	(7,098)	(2,587)	(-4,511)	(36.4)
(Bonds)	(1,119)	(849)	(-270)	(75.8)
Offering & selling fees and commissions	18,925	18,128	-796	95.8
Other fees and commissions	20,153	20,727	573	102.8
Total	82,670	68,203	-14,467	82.5

(2) Breakdown by products

(In millions of yen)

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2007 to 31 March 2008	Year on year	
			Increase/ decrease	Comparison (%)
Equities	42,830	28,707	-14,123	67.0
Bonds	2,076	1,456	-619	70.2
Beneficiary securities	28,290	29,820	1,529	105.4
Others	9,472	8,218	-1,254	86.8
Total	82,670	68,203	-14,467	82.5

2. Trading profit or loss

(In millions of yen)

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2007 to 31 March 2008	Year on year	
			Increase/ decrease	Comparison (%)
Equities	8,033	12,627	4,594	157.2
Bonds, others	33,864	38,189	4,325	112.8
(Bonds)	(37,059)	(34,180)	(-2,879)	(92.2)
(Others)	(-3,195)	(4,009)	(7,204)	(—)
Total	41,897	50,817	8,919	121.3

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

(In millions of shares/millions of yen)

	Financial year from 1 April 2006 to 31 March 2007		Financial year from 1 April 2007 to 31 March 2008		Period to period comparison (%)	
	No. of shares	Total value	No. of shares	Total value	No. of shares	Total value
Total	11,660	15,678,124	10,430	10,177,290	89.5	64.9
(Dealing)	(4,108)	(3,373,338)	(4,412)	(3,539,909)	(107.4)	(104.9)
(Brokerage)	(7,551)	(12,304,786)	(6,018)	(6,637,380)	(79.7)	(53.9)
Brokerage ratio	64.8%	78.5%	57.7%	65.2%		
Shares of total for TSE	0.88%	0.78%	0.65%	0.59%		

4. Volume of underwriting, offering, and selling

(In millions of shares/millions of yen)

		Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2007 to 31 March 2008	Period to period comparison (%)
Underwritten	Equities (No. of shares)	72	16	22.8
	Equities (Total value)	155,937	52,435	33.6
	Bonds (Total at face value)	5,992,374	7,029,972	117.3
	Commercial paper, foreign instruments, etc. (Total at face value)	12,420	3,550	28.6
Offered and sold*	Equities (No. of shares)	72	16	22.8
	Equities (Total value)	163,250	54,965	33.7
	Bonds (Total at face value)	6,596,405	7,668,263	116.2
	Beneficiary securities (Total at face value)	3,616,902	3,508,125	97.0
	Commercial paper, foreign instruments, etc. (Total at face value)	57,132	2,750	4.8

* Includes volume sold and volume privately placed.

5. Capital adequacy requirement ratio

(In millions of shares/millions of yen)

		As of 31 March 2007	As of 31 March 2008
Basic items	Total capital (A)	246,282	246,689
Supplemental items	Difference in valuation (valuation revenues) of other securities, etc.	18,907	10,073
	Reserve for securities transaction liabilities, etc.	879	648
	Allowance for bad debts	106	50
	Subordinated long-term debt	18,000	18,000
	Subordinated short-term debt	35,050	42,000
	Total (B)	72,943	70,771
Deducted assets (C)		98,370	91,298
Equity after deduction (A)+(B)-(C) (D)		220,855	226,162
Amount equivalent to risk	Amount equivalent to market risk	19,369	23,736
	Amount equivalent to counterparty risk	6,678	7,330
	Amount equivalent to fundamental risk	25,607	29,019
	Total	51,654	60,086
Capital adequacy requirement ratio (D)/(E) × 100		427.5%	376.3%

(Reference)

Quarterly Changes in Consolidated Statement of Income

(In millions of yen)

	Fourth quarter of previous financial year	First quarter of current financial year	Second quarter of current financial year	Third quarter of current financial year	Fourth quarter of current financial year
Operating revenues	41,070	41,567	37,351	32,599	25,099
Commissions and fees received	22,497	20,802	18,109	16,524	12,766
Brokerage commissions	9,595	8,326	7,318	5,950	4,315
(Equities)	(9,559)	(8,299)	(7,293)	(5,906)	(4,285)
(Bonds)	(15)	(11)	(6)	(9)	(8)
Underwriting & selling fees	2,157	1,248	916	578	693
(Equities)	(1,936)	(1,016)	(667)	(357)	(545)
(Bonds)	(204)	(231)	(248)	(220)	(147)
Offering & selling fees and commissions	5,503	5,830	4,682	4,568	3,046
Other fees and commissions	5,242	5,397	5,191	5,426	4,711
Trading profit or loss	14,183	16,232	14,515	12,781	7,287
Equities	2,789	3,631	4,830	3,442	723
Bonds, others	11,393	12,601	9,684	9,339	6,563
(Bonds)	(11,503)	(16,593)	(7,716)	(8,240)	(1,629)
(Others)	(-109)	(-3,991)	(1,968)	(1,098)	(4,934)
Profit or loss on securities for sale, etc.	—	158	-172	-729	-996
Financial revenues	4,389	4,374	4,899	4,022	6,041
Financial expenses	3,447	4,198	4,393	4,081	4,796
Net operating revenues	37,623	37,368	32,958	28,518	20,302
Selling, general and administrative expenses	28,552	27,805	28,037	27,380	26,173
Transaction expenses	3,845	3,880	4,211	3,682	3,769
Personnel expenses	13,238	12,881	12,285	11,609	10,342
Real estate expenses	3,640	3,654	3,928	4,138	4,071
Office expenses	3,736	3,705	3,915	4,225	4,213
Depreciation	2,741	2,806	2,780	2,908	2,976
Taxes and dues	291	326	243	226	174
Others	1,060	548	671	589	627
Operating profit	9,070	9,563	4,920	1,137	-5,870
Non-operating revenues	1,046	2,206	485	204	521
Non-operating expenses	238	8	304	9	48
Ordinary profit	9,878	11,761	5,102	1,332	-5,396
Extraordinary profits	1,536	328	272	1,429	-15
Extraordinary losses	1,085	304	159	315	3,214
Net profit before taxes, etc.	10,330	11,785	5,214	2,446	-8,627
Income taxes	5,144	2,000	2,852	-944	-3,123
Adjustment amount for income taxes	-1,240	1,333	-1,779	2,198	178
Net profit	6,426	8,452	4,142	1,192	-5,682

VI. Others

Changes Among Officers

Information concerning the assignment of officers was disclosed on 24 March 2008.