

## Summary of First-Quarter Business Results for the Financial Year Ending 31 March 2004 (Non-consolidated)

Listed company's name: **Shinko Securities Co., Ltd.** Listing stock exchanges: Tokyo, Osaka, and Nagoya  
 Code No.: 8606 Location of head office: Tokyo  
 (URL: <http://www.shinko-sec.co.jp/>)  
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1. Notes regarding the compilation of this quarterly business result summary  
 The accounting methods used are identical to those applied to non-consolidated accounts in recent financial years

2. Summary of First-Quarter Business Results for the Financial Year Ending 31 March 2004 (1 April 2003 - 30 June 2003)

(1) Non-consolidated business results (Note) The amounts displayed below have been rounded off downwards to the nearest million yen.

	Operating revenues		Net operating revenues		Operating profit		Ordinary profit	
	mil. yen	%	mil. yen	%	mil. yen	%	mil. yen	%
1st quarter in 2004	26,310	(29.0)	25,622	(30.3)	3,879	( )	4,378	(40.1)
1st quarter in 2003	20,393	(-30.9)	19,670	( )	-3,246	( )	3,126	(13.2)
Year ended March 2003	75,954		73,097		-14,341		-7,571	

	Net profit		Net profit per share
	mil. yen	%	yen
1st quarter in 2004	4,025	(51.2)	5.17
1st quarter in 2003	2,662	(81.8)	3.29
Year ended March 2003	-29,322		-36.64

(Note) 1. Average number of shares issued

Quarter to 30 June 2003: 778,254,662  
 Quarter to 30 June 2002: 810,378,777  
 Year to 31 March 2003: 800,194,773

2. The percentages given for operating revenues, net operating revenues, operating profit, and net profit show the percentage increase or decrease on the first quarter of the previous financial year.

(2) Financial status

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share	Capital adequacy requirement ratio
	mil. yen	mil. yen	%	yen	%
1st quarter in 2004	1,781,286	209,035	11.7	268.60	443.3
1st quarter in 2003	2,079,952	242,006	11.6	298.64	480.7
Year ended March 2003	2,092,922	203,116	9.7	260.99	419.4

(Note) 1. Number of shares issued

Quarter to 30 June 2003: 778,246,029  
 Quarter to 30 June 2002: 810,365,340  
 Year to 31 March 2003: 778,264,644

2. Number of treasury stocks issued:

Quarter to 30 June 2003: 32,872,654  
 Quarter to 30 June 2002: 753,343  
 Year to 31 March 2003: 32,854,039

3. Forecast of non-consolidated business results for the full financial year ending 31 March 2004 (1 April 2003 - 31 March 2004):

Our operating revenues come chiefly from the fees and commissions we earn, which are extremely susceptible to changes in stock market conditions. In addition, it is also very difficult to anticipate valuation losses or gains on the instruments we hold for trading purposes. For reasons such as these, we do not carry out such forecasts.

**Non-consolidated Balance Sheets**  
**(for the Period Ended 30 June 2003)**

(Million yen)

	Quarter ended 30 June 2003	Quarter ended 30 June 2002	Net change on same period in previous year	Year ended 31 March 2003
<b>Assets</b>				
Current assets	1,688,034	1,974,510	-286,476	2,003,196
Cash and due from banks	64,755	61,295	3,459	30,268
Fund deposits	33,744	36,044	-2,299	32,644
Trading products	887,789	994,330	-106,541	888,851
Trading securities, etc.	881,077	988,490	-107,412	884,759
Derivative transactions	6,711	5,839	871	4,092
Agreed per contra account				25,534
Margin transaction assets	39,302	61,772	-22,469	36,337
Customers' loans receivable for margin transactions	31,030	52,290	-21,260	28,036
Collaterals for borrowed securities for margin transactions	8,272	9,481	-1,209	8,300
Loans receivable secured by securities	633,555	793,004	-159,449	958,609
Collaterals for borrowed securities	632,555	793,004	-160,448	958,609
Loans receivable in gensaki transactions	999		999	
Advances	666	1,285	-619	997
Accounts for non-delivered securities and others	3,589		3,589	4,356
Short-term loans receivable	13,651	13,592	58	13,590
Other current assets	11,066	13,192	-2,126	12,086
Allowance for bad debts	-85	-6	-78	-80
Fixed assets	93,251	105,441	-12,189	89,726
Tangible fixed assets	6,457	7,683	-1,225	6,588
Intangible fixed assets	11,666	7,871	3,795	10,169
Investments and other assets	75,127	89,886	-14,759	72,968
Investment securities	56,584	65,497	-8,912	53,966
Long-term guarantee money deposited	9,692	12,113	-2,420	9,962
Other investments	13,819	17,006	-3,186	13,867
Allowance for bad debts	-4,970	-4,730	-240	-4,828
<b>Total assets</b>	<b>1,781,286</b>	<b>2,079,952</b>	<b>-298,666</b>	<b>2,092,922</b>

(Million yen)

	Quarter ended 30 June 2003	Quarter ended 30 June 2002	Net change on same period in previous year	Year ended 31 March 2003
<b>Liabilities</b>				
Current liabilities	1,522,272	1,799,351	-277,078	1,839,167
Trading products	414,218	539,165	-124,946	422,353
Trading securities, etc.	409,760	534,913	-125,153	418,645
Derivative transactions	4,458	4,251	206	3,707
Agreed per contra account	25,113	48,882	-23,768	
Margin transaction liabilities	20,213	24,764	-4,550	19,942
Customers' loans payable for margin transactions	13,043	16,085	-3,041	15,075
Collaterals for loaned securities for margin transactions	7,169	8,678	-1,509	4,867
Loans payable secured by securities	937,018	1,067,574	-130,556	1,277,296
Amounts receivable on loan transactions of securities	687,486	735,436	-47,949	949,296
Loans receivable for gensaki transactions	249,531	332,138	-82,606	328,000
Deposits received	28,875	25,470	3,404	30,500
Received margins	8,510	11,263	-2,753	6,909
Accounts for non-received securities and others	3,655	8	3,647	4,356
Short-term loans payable	63,260	61,260	2,000	63,260
Commercial paper	17,000	15,500	1,500	2,000
Income taxes payable	35	37	-1	135
Reserve for bonus payments	1,100	1,686	-586	1,930
Other current liabilities	3,272	3,739	-466	10,482
Fixed liabilities	49,163	37,637	11,525	49,682
Long-term loans payable	33,000	21,000	12,000	33,000
Deferred tax liabilities	1,907	2,198	-290	607
Reserves for retirement benefits	14,236	14,425	-188	16,056
Other fixed liabilities	19	14	4	19
Statutory reserves	814	956	-142	956
<b>Total liabilities</b>	<b>1,572,250</b>	<b>1,837,945</b>	<b>-265,695</b>	<b>1,889,805</b>
<b>Shareholders' equity</b>				
Capital stock	125,167	125,167		125,167
Capital surplus	82,084	111,407	-29,322	111,407
Capital reserve	71,407	111,407	-40,000	71,407
Other capital surplus	10,677		10,677	40,000
Marginal profit from reduction in capital reserve	10,677		10,677	40,000
Earned surplus	4,025	2,662	1,363	-29,322
Unappropriated retained earnings	4,025	2,662	1,363	-29,322
Valuation difference	2,780	3,035	-254	884
Treasury stock	-5,023	-266	-4,756	-5,020
<b>Total shareholders' equity</b>	<b>209,035</b>	<b>242,006</b>	<b>-32,971</b>	<b>203,116</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,781,286</b>	<b>2,079,952</b>	<b>-298,666</b>	<b>2,092,922</b>

**Non-consolidated Statement of Income**  
**(for the Period Ended 30 June 2003)**

(Million yen)

	Quarter ended 30 June 2003	Quarter ended 30 June 2002	% change on same period in previous year	Year ended 31 March 2003
Operating revenues	26,310	20,393	129.0	75,954
Commissions and fees received	11,358	12,335	92.1	41,514
Trading profit or loss	13,985	7,520	186.0	30,179
Financial profit	966	536	180.0	4,259
Financial expenses	688	723	95.2	2,856
Net operating revenues	25,622	19,670	130.3	73,097
Selling, general and administrative expenses	21,742	22,916	94.9	87,438
Transaction expenses	2,680	2,903	92.3	11,908
Personnel expenses	10,793	11,059	97.6	41,131
Real estate expenses	3,762	3,787	99.3	15,025
Office expenses	2,781	3,231	86.1	12,380
Depreciation	972	848	114.7	3,926
Taxes and dues	154	235	65.5	517
Others	596	850	70.2	2,547
Operating profit	3,879	-3,246		-14,341
Non-operating revenues	507	6,423	7.9	7,308
Non-operating expenses	7	50	15.1	537
Ordinary profit	4,378	3,126	140.1	-7,571
Extraordinary profits	267	414	64.5	911
Extraordinary losses	586	841	69.7	22,528
Net profit (loss) before taxes, etc	4,059	2,699	150.4	-29,187
Income taxes	34	37	91.3	135
Net profit	4,025	2,662	151.2	-29,322
Profit brought forward				
Unappropriated retained earnings	4,025	2,662	151.2	-29,322

[Non-consolidated financial statements for the first quarter]

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

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

1. Valuation standard for securities

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

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

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

1) Stocks of subsidiaries and affiliates

Valued using the moving-average method.

2) Other securities

a) Those having a discernable present market value

The present market value is recorded on the non-consolidated balance sheet and differences between this and acquisition cost is incorporated into the capital account in full. The selling price is based on the moving-average method.

b) Those having no discernable present market value:

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

2. Depreciation methods used for fixed assets

(1) Tangible fixed assets

We use mainly fixed-percentage method

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

(2) Intangible fixed assets and long-term prepaid expenses

The straight-line method is used.

However, software for our own use is depreciated using a straight-line method with the fixed amount of depreciation being determined by the duration of its potential internal use.

3. Criteria for addition of allowance

(1) Allowance for bad debts

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

(2) Reserve for bonus

To prepare for the payment of bonuses to employees, each group company calculated the estimated value of future payments and charged an appropriate portion of this obligation to the first quarter.

(3) Reserve for retirement benefits

To prepare for the payment of lump sum retirement bonuses and qualified pensions, the difference between the value of such obligations and the total value of our pension assets at the end of this financial year was estimated, and the portion of the additional shortfall considered to have arisen in the first quarter was charged to the first quarter.

The difference at the change in the accounting method (8,277 million yen) will be amortized in straight-line method over 5 years, and the amount appropriated to this interim period is included in the Extraordinary loss. Past service costs are regarded at any time as being a number of years (10 years) that fall within the average number of years' service remaining for each employee. These costs are amortized and charged to the period for which it was calculated using the straight-line method.

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

4. Handling of lease transactions

For finance lease transactions other than those in which the ownership of the leased property is deemed as transferred to the borrower, the method for typical lease transactions is mainly used for accounting

## 5. Method of hedge accounting

Interest swap transactions conducted for the purpose of hedging the fluctuations in cash flow that accompany variable-interest loans are handled on a case-by-case basis

## 6. Accounting for consumption tax, etc

The tax exclusion method is applied.

[Notes on non-consolidated balance sheets]

	Quarter ended 30 June 2003	Quarter ended 30 June 2002	Year ended 31 March 2003 (Million yen)
1. Accumulated depreciation of tangible fixed assets	6,098	6,295	5,967
2. Liabilities of guarantee	40,050	9,941	42,697
(guarantee reservation of the above)	(39,866)	(9,008)	(42,453)

In accordance with Report No.61 of the Auditing Committee of the Japanese Institute of Certified Public Accountants entitled "Auditing Procedures Concerning the Accounting for and Presentation of Guarantee Obligations and Similar", we recognize that we bear effective responsibility for guaranteeing our obligations and therefore provide a footnote giving details of these obligations.

## 3. Subordinated borrowings

Among our long-term borrowings (including those that mature within one year), there are the following subordinated obligations (borrowings with special subordinating conditions) as defined in Article 2 of Cabinet Office Ordinance No.23 (2001) entitled "Orders Concerning the Capital Requirement of Securities Companies".

	Quarter ended 30 June 2003	Quarter ended 30 June 2002	Year ended 31 March 2003 (Million yen)
	38,500	41,000	38,500

[Notes on non-consolidated statement of income]

	Quarter ended 30 June 2003	Quarter ended 30 June 2002	Year ended 31 March 2003 (Million yen)
Extraordinary profits			
Profit from sale of fixed assets		5	16
Profit from sale of investment securities	125	58	543
Reversal of reserve for securities transaction liabilities	142	351	351
Extraordinary losses			
Loss from sale of fixed assets		53	781
Loss from disposition of fixed assets	30	10	535
Loss from sale of investment securities	120	19	325
Write-down of investment securities	21	344	2,132
Write-down of shares of affiliates			7,274
Write-down of golf club memberships			31
Write-down of other investments			402
Re-amortization of future retirement and severance pay obligations in line with a change to accounting standards	413	413	1,655
Expenses incurred through merging or eliminating branches			326
Special retirement allowance			6,237
Loss from support for affiliates			2,700
Addition to allowance for bad debts			125

## Data Concerning Business Results for the First Quarter

### 1. Commissions and fees received

(1) Breakdown for each account (Million yen)

	Quarter ended 30 June 2003	Quarter ended 30 June 2002	% change on same period in previous year	Year ended 31 March 2003
Brokerage commissions	5,919	6,783	87.3	20,301
(Equities)	(5,802)	(6,570)	(88.3)	(19,672)
(Bonds)	(103)	(169)	(60.8)	(502)
Underwriting & selling fees	958	1,041	92.0	3,496
(Equities)	(662)	(639)	(103.5)	(2,268)
(Bonds)	(296)	(402)	(73.7)	(1,227)
Offering & selling fees and commissions	2,407	1,893	127.2	8,362
Other fees and commissions	2,072	2,616	79.2	9,353
Total	11,358	12,335	92.1	41,514

(2) Breakdown for each product (Million yen)

	Quarter ended 30 June 2003	Quarter ended 30 June 2002	% change on same period in previous year	Year ended 31 March 2003
Equities	6,645	7,480	88.8	22,793
Bonds	780	952	81.9	3,139
Beneficiary securities	3,444	3,498	98.4	13,355
Others	488	403	121.0	2,226
Total	11,358	12,335	92.1	41,514

2. Trading profits/loss (Million yen)

	Quarter ended 30 June 2003	Quarter ended 30 June 2002	% change on same period in previous year	Year ended 31 March 2003
Equities, etc.	3,732	1,447	257.8	4,768
Bonds, exchange, etc.	10,253	6,073	168.8	25,410
(Bonds, etc.)	(11,016)	(4,417)	(249.4)	(25,615)
(Exchange, etc.)	(-763)	(1,655)	( )	(-204)
Total	13,985	7,520	186.0	30,179

## 3. Volume of equity trading (except for futures transaction) (Unit: Million shares/Million yen)

	Quarter ended 30 June 2003		Quarter ended 30 June 2002		Net change on same period in previous year		Year ended 31 March 2003	
	No. of shares	Total value	No. of shares	Total value	No. of shares	Total value	No. of shares	Total value
Total	2,916	1,661,245	2,135	1,835,291	136.5	90.5	8,110	6,170,201
(Dealing)	(521)	(529,132)	(575)	(668,544)	(90.7)	(79.1)	(2,087)	(2,201,685)
(Brokerage)	(2,394)	(1,132,112)	(1,560)	(1,166,746)	(153.4)	(97.0)	(6,023)	(3,968,516)
Brokerage ratio	82.1%	68.1%	73.1%	63.6%			74.3%	64.3%
Shares of total for TSE	1.55%	1.16%	1.73%	1.39%			1.63%	1.34%

## 4. Volume of underwriting, offering, and selling (Unit: Million shares/Million yen)

			Quarter ended 30 June 2003	Quarter ended 30 June 2002	% change on same period in previous year	Year ended 31 March 2003
Underwritten	Equities	(No. of shares)	12	4	248.2	21
	Equities	(Total value)	12,342	19,564	63.1	51,260
	Bonds	(Total at face value)	477,099	353,705	134.9	1,574,518
	Commercial paper, foreign instruments etc.	(Total at face value)	356,913	335,600	106.4	1,204,536
Offered and sold*	Equities	(No. of shares)	12	4	246.9	21
	Equities	(Total value)	13,016	24,696	52.7	58,695
	Bonds	(Total at face value)	553,419	422,481	131.0	1,805,224
	Beneficiary securities	(Total at face value)	475,470	460,374	103.3	1,787,270
	Commercial paper, foreign instruments, etc.	(Total at face value)	356,913	335,600	106.4	1,204,536

\* Includes volume sold and volume privately placed.

## 5. Capital adequacy requirement ratio (Unit: Million yen)

			Quarter ended 30 June 2003	Quarter ended 30 June 2002	Year ended 31 March 2003
Basic items	Capital stock	(A)	206,254	238,971	202,231
Supplemental items	Valuation difference (Valuation revenues), etc		2,780	3,035	884
	Reserve for securities transaction responsibility, and others		814	956	956
	Allowance for bad debts		85	6	80
	Subordinated short-term debt		38,500	41,000	38,500
Total		(B)	42,180	44,998	40,421
Deducted assets		(C)	71,068	83,590	70,405
Shareholders' equity after deduction		(A)+(B)-(C)	177,366	200,379	172,247
Amount equivalent to risk	Amount equivalent to market risk		12,686	13,380	12,554
	Amount equivalent to customer risk		6,205	4,986	6,704
	Amount equivalent to fundamental risk		21,112	23,312	21,809
	Total	(E)	40,004	41,678	41,067
Capital adequacy requirement ratio		(D)/(E)*100	443.3%	480.7%	419.4%

(Reference)

Quarterly Changes in Non-consolidated Statement of Income

(Million yen)

	First quarter of previous financial year	Second quarter of previous financial year	Third quarter of previous financial year	Fourth quarter of previous financial year	First quarter of current financial year
Operating revenues	20,393	17,051	19,299	19,210	26,310
Commissions and fees received	12,335	9,083	11,386	8,709	11,358
Brokerage commissions	6,783	4,328	5,504	3,685	5,919
(Equities)	(6,570)	(4,162)	(5,347)	(3,591)	(5,802)
(Bonds)	(169)	(128)	(125)	(78)	(103)
Underwriting & selling fees	1,041	756	753	943	958
(Equities)	(639)	(599)	(391)	(637)	(662)
(Bonds)	(402)	(157)	(361)	(306)	(296)
Offering & selling fees	1,893	1,895	2,249	2,325	2,407
Other fees and commissions	2,616	2,102	2,879	1,754	2,072
Trading profit	7,520	6,737	6,538	9,382	13,985
Equities, etc.	1,447	1,083	856	1,380	3,732
Bonds, exchange, etc.	6,073	5,654	5,681	8,002	10,253
(Bonds, etc.)	(4,417)	(6,251)	(5,974)	(8,972)	(11,016)
(Exchange, etc.)	(1,655)	(-597)	(-293)	(-970)	(-763)
Financial revenues	536	1,230	1,374	1,118	966
Financial expenses	723	759	678	695	688
Net operating revenues	19,670	16,291	18,620	18,514	25,622
Selling, general and administrative expenses	22,916	22,482	21,034	21,005	21,742
Transaction expenses	2,903	3,178	2,846	2,980	2,680
Personnel expenses	11,059	10,309	10,084	9,677	10,793
Real estate expenses	3,787	3,937	3,565	3,734	3,762
Office expenses	3,231	3,216	3,022	2,909	2,781
Depreciation	848	1,073	1,000	1,004	972
Taxes and dues	235	82	96	104	154
Others	850	683	418	594	596
Operating profit	-3,246	-6,190	-2,414	-2,490	3,879
Non-operating revenues	6,423	449	179	254	507
Non-operating expenses	50	127	18	340	7
Ordinary profit	3,126	-5,868	-2,252	-2,576	4,378
Extraordinary profits	414	66	16	414	267
Extraordinary losses	841	1,441	1,885	18,359	586
Net profit before taxes, etc.	2,699	-7,244	-4,121	-20,521	4,059
Income taxes	37	42	40	15	34
Net profit	2,662	-7,287	-4,161	-20,536	4,025