



25 January 2004

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

Listed company's name: **Shinko Securities Co., Ltd.** Listing stock exchanges: Tokyo, Osaka, and Nagoya
 Code No.: 8606 Location of head office: Tokyo
 (URL: <http://www.shinko-sec.co.jp/>)
 Representative: Takashi Kusama, President
 Contact: Akihiko Furuta, General Manager of Treasury Dept. at (03) 5203-6000

1. Notes Regarding the Compilation of This Quarterly Business Result Summary
 - 1) Adoption of simplified accounting procedures: None
 - 2) Changes in accounting policies from the latest consolidated fiscal year: None
 - 3) Changes in the scope of application of full consolidation or the equity method: None
2. Summary of Third-Quarter Business Results for the Financial Year Ending 31 March 2005 (1 April 2004 - 31 December 2004)

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

	Operating revenues		Net operating revenues		Operating profit		Ordinary profit	
	mil. yen	%	mil. yen	%	mil. yen	%	mil. yen	%
Third quarter to December 2004	83,455	(0.2)	79,849	(-0.1)	6,712	(-46.2)	10,437	(-26.1)
Third quarter to December 2003	83,317	(36.8)	79,893	(37.4)	12,478	()	14,116	()
Financial year to March 2004	114,967		110,483		20,391		22,643	

	Net profit		Net profit per share	Net profit per share (diluted)
	mil. yen	%	yen	yen
Third quarter to December 2004	8,942	(-23.5)	11.64	
Third quarter to December 2003	11,686	()	15.10	
Financial year to March 2004	15,614		19.91	

- (Note) 1. Investment profit or loss on equity method: Third quarter to 31 December 2004: 120 million yen
 Third quarter to 31 December 2003: 20 million yen
 Financial year to 31 March 2004: 4 million yen
2. Average number of shares outstanding (consolidated): Third quarter to 31 December 2004: 768,118,672
 Third quarter to 31 December 2003: 774,103,157
 Financial year to 31 March 2004: 774,091,793
3. Percentage figures for operating revenues, net operating revenues, operating profit, ordinary profit, and net profit represent the percentage increase or decrease on the same period last year.

(2) Consolidated financial status

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	mil. yen	mil. yen	%	yen
Third quarter to December 2004	2,892,201	230,002	8.0	299.90
Third quarter to December 2003	2,572,450	220,107	8.6	284.35
Financial year to March 2004	2,443,667	227,376	9.3	293.49

- (Note) Number of shares outstanding (consolidated): Third quarter to 31 December 2004: 766,940,157
 Third quarter to 31 December 2003: 774,085,045
 Financial year to 31 March 2004: 774,043,431

[Consolidated cash flows]

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash & cash equivalents balance at term end
	mil. yen	mil. yen	mil. yen	mil. yen
Third quarter to December 2004	-19,657	-9,625	23,306	103,581
Third quarter to December 2003	10,204	-7,255	64,055	106,879
Financial year to March 2004	1,758	-7,631	75,539	109,557

(3) Scope of full consolidation and partial consolidation under the equity method:

Number of fully consolidated subsidiaries: 14

Number of non-consolidated subsidiaries under the equity method: --

Number of equity-method affiliates: 5

3. Forecast of consolidated business results for the full financial year ending 31 March 2005

(1 April 2004 - 31 March 2005):

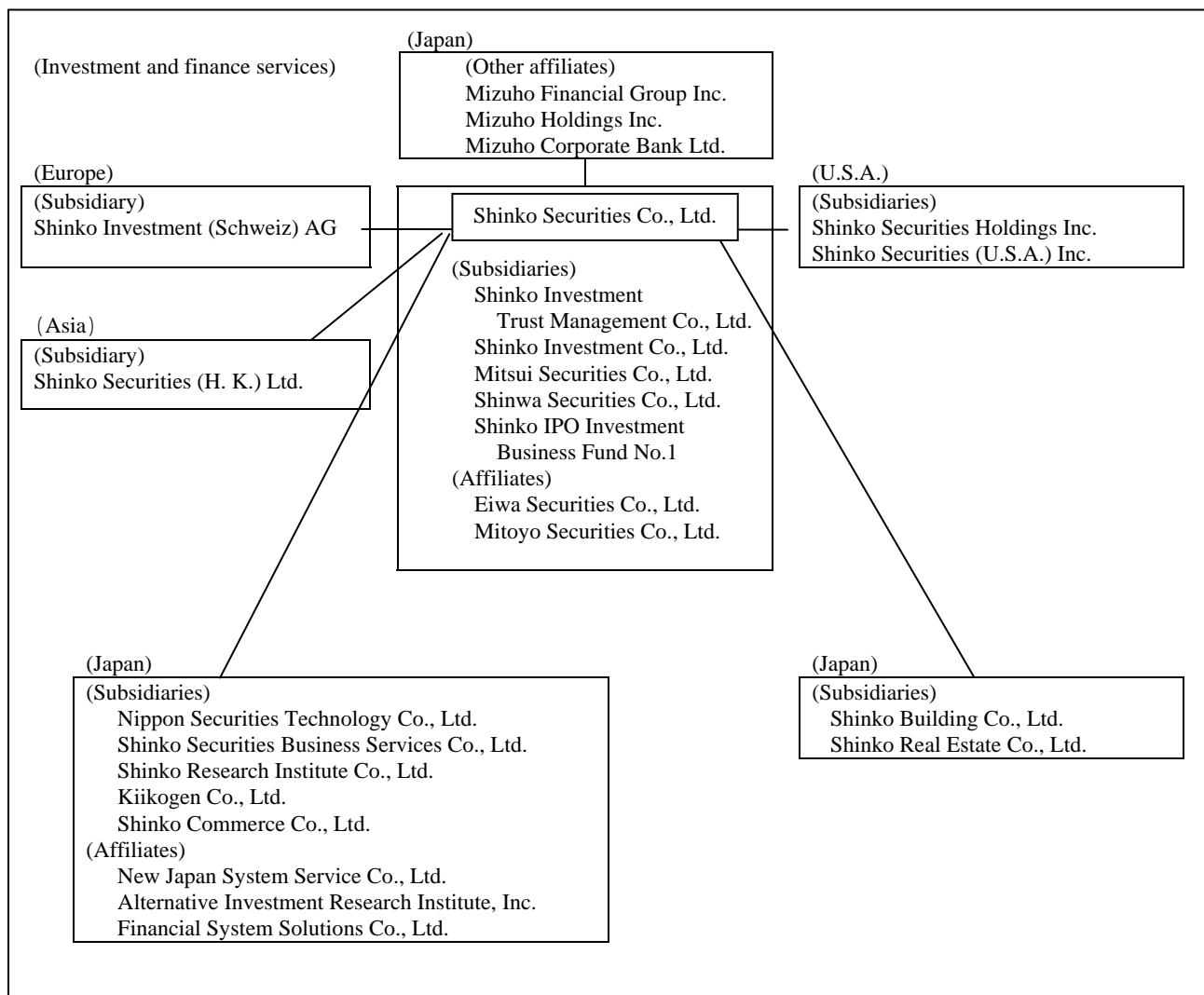
Because the main business activity of our corporate group is the buying and selling of securities, our earnings are strongly influenced by market conditions, etc. For this reason, we do not conduct forecasts of our business results.

Our Corporate Group

Our corporate group is composed of 16 subsidiaries and 5 affiliates. The business activities of our company and of 8 of the subsidiaries and 2 of the affiliates consist mainly of trading securities, the commissioning of securities trading, the underwriting and selling of securities, offering and selling of securities, handling of private offerings, and other securities- and finance-related activities, as well as a wide range of services in the areas of raising and operating funds for customers. The other companies provide services related to and supportive of our company's activities, conduct market surveys and research, manage real estate, and more. Therefore, our corporate group's business activities all come under the single business segment of "investment and financial services."

All of our subsidiary companies, except Shinko Securities (H. K.) and Shinko IPO Investment Business Fund No. 1, are consolidated companies, and the equity method is applied for all of our affiliated companies.

1. Organizational Diagram of Corporate Group



Business Performance and Financial Position

[Business Performance]

Business Results for the Third Quarter to December 2004

In the third quarter of the financial year (the nine months from April 2004 to December 2004, hereafter referred to as “this period”), Japan’s economy continued to recover steadily until the summer supported by increased exports and capital investment. However, from the beginning of autumn, the economy, particularly production, began to slow down due to the slowdown of US and Chinese economy and production adjustments in the high-tech sector. In equity markets, the Nikkei Average returned to a peak of 12,163 yen at the end of in late April, as traders held expectations of recoveries in corporate performance. Following this peak, downward adjustments were made as overseas stocks fell due to expectations of interest rises in the US and China. Moving towards the summer, the Nikkei Average temporarily backtracked towards 12,000 yen, before increased uncertainty over the future of the economy and corporate profits, caused by high oil prices and the continued appreciation of the yen, saw the year close out with indecisive fluctuations. In the bond markets, increasing business confidence and expectations of that the Bank of Japan might end its quantitative monetary easing policy were behind adjustments to the yield on 10-year government bonds, which at one point approached 2%. As the year continued and perceptions of an economic slowdown increased, demanding for bond strengthened reflecting adjustments in the equity markets, with the result that the yield on 10-year government bonds fell to between 1.3% and 1.4%.

Meanwhile overseas, there were signs after the summer that the US economy was breaking out of a sluggish phase, supported by a recovery in personal consumption. In Europe, a gradual recovery continued led by the corporate sector. US and European equity markets underwent adjustments until the summer as investors watched interest rate rises in the US and the movement of the crude oil market. However, from the beginning of autumn the markets began to rebound, led by hi-tech stocks. The market’s upward tempo increased towards the end of the year as investors welcomed the re-election of US President George W. Bush, and the peaking out of oil prices. In both European and US bond markets, adjustments continued toward the middle of the year, as expectations of increase rate rises in the US became more prominent. However, the markets began to grow solidly in the latter half of the year supported to the cautious pace of US interest rate rises and low inflation.

Under these circumstances, our corporate group earned consolidated operating revenues for this period of 83.455 billion yen (100.2% of that for the same period last year), an ordinary profit of 10.437 billion yen (73.9%), and a net profit of 8.942 billion yen (76.5%). A brief breakdown of these results follows:

1. Commissions and fees received

Commissions and fees received during this period totaled 57.91 billion yen (124.6%). A breakdown of this income follows:

(1) Brokerage commissions

The average daily turnover during this period in the sections 1 and 2 of the Tokyo Stock Exchange was 1.3355 trillion yen (123.6%). Our company brokered the sale of 6.158 billion shares of stock (79.9%) worth 5.5023 trillion yen (115.7%), while our commissions on the same totaled 29.909 billion yen (111.9%). Commissions earned on bond brokering totaled 166 million yen (76.8%).

(2) Underwriting and selling fees

In the stock issue market, there were 137 newly listed companies during the period. Of these, our company underwrote the offerings and sold the stock of 84, and served as the lead manager in 16 of those cases. We also underwrote the offerings and sold the stock of 98 previously listed companies, serving as the lead manager in seventeen of those cases. At the same time, in the bond issuing market, we continued to focus our energies on underwriting government guaranteed bonds and local bonds, while at the same time serving as the lead manager for eight issues of general corporate bonds.

As a result of these efforts, our commissions for underwriting and selling stock totaled 6.397 billion yen (218.7%), while our commissions for underwriting and selling bonds reached 853 million yen (108.4%).

(3) Offering, selling, and other fees and commissions

This income is made up chiefly of fees and commissions we earn selling investment trusts to our customers and service commissions.

As extremely low interest rates remain in place, distributed investment trusts has remained attractive to individual investors. In addition to our current products in this market, which focus on foreign government bonds, we have introduced the new “Shinko J-REIT open” and “Shinko US-REIT open” (Shinko Investment Trust Management Co., Ltd.), an investment trust which concentrates on Real Estate, thereby further strengthening our line-up of distributed investment trust products.

Additionally, in the field of domestic equity investment trusts, we introduced “Growing Covers”, a new growth fund managed by Yasuda Asset Management Co., Ltd., “DIAM Nihon Kabu Focus”, a fund focused on Japanese stocks and managed by the Kogin Daiichi Life Asset Management Co., and a fund comprised of small and medium cap companies in Kyoto, Osaka and Kobe, entitled “Yume-santo” and managed by Shinko Investment Trust Management Co., Ltd. Further, in the field of overseas equity investment trusts we introduced “Real China 2004-5”, managed by Shinko Investment Trust Management Co., Ltd. and “PCA Indo Kabushiki Open”, a fund focused on Indian stocks and managed by PCA Asset. In conjunction with our existing funds, these new funds will strengthen out sales of equity investment trusts.

As a result, the volume of investment trusts offered and sold in this period reached 1.9161 trillion yen (119.9%), and commissions from the sale of investment trusts reached 8.834 billion yen (130.8%). Other fees and commissions totaled 11.702 billion yen (130%).

2. Trading profits

This period saw us earn trading profits of 7.7 billion yen (70.1%) on equity trading, and 15.383 billion yen (63.6%) on the trading of bonds, foreign currency and other instruments. Total trading profits thus stood at 23.084 billion yen (65.7%).

3. Financial profit/loss

Deducting financial expenses of 3.606 billion yen (105.3%) from financial revenues of 2.174 billion yen (146.5%) gives a financial loss for this period of 1.431 billion yen.

4. Selling, general and administrative expenses

Although real estate expenses decreased, transaction expenses, personnel expenses and office expenses all increased, resulting in total selling, general and administrative expenses of 73.136 billion yen (108.5%).

5. Extraordinary profits and losses

We recorded extraordinary profits of 1.119 billion yen on sale of investment securities. However, we recorded extraordinary losses, including loss from write-down of investment securities of 278 million yen, and re-amortization of future retirement and severance pay obligations in line with a change to accounting standards of 1.268 billion yen. Overall, we recorded an extraordinary loss of 692 million yen.

[Financial position]

Factors such as an increase in holdings of trading products meant net cash used in operating activities was 19.657 billion yen.

Net cash used in investing activities totaled 9.625 billion yen on factors such as an increase in investment in new system.

Factors such as an increase in short-term loans meant financing activities provided net cash of 23.306 billion yen.

As a result of these flows, the balance of cash and cash equivalents stood at 103.581 billion yen at the end of this period.

Consolidated Balance Sheets

(In millions of yen)

	Third quarter to 31 December 2004	Third quarter to 31 December 2003	Year-on-year increase/decrease	Financial year to 31 March 2004
Assets				
Current assets	2,738,997	2,424,183	314,813	2,294,581
Cash and due from banks	103,806	107,161	-3,354	109,778
Fund deposits	61,780	45,792	15,988	53,044
Trading products	1,120,707	1,054,950	65,756	849,695
Trading securities, etc.	1,117,101	1,051,620	65,481	846,563
Derivative assets	3,605	3,330	275	3,131
Trade date accrual	80,118	55,977	24,140	41,581
Investment securities for sale	2,663	3,567	-903	3,250
Margin transaction assets	73,200	69,785	3,414	84,724
Customers' loans receivable in margin transactions	62,165	62,883	-718	74,512
Collateral for borrowed securities for margin transactions	11,035	6,902	4,132	10,211
Loans receivable secured by securities	1,259,626	1,070,057	189,568	1,131,256
Collateral for borrowed securities	1,259,526	1,068,057	191,468	1,127,256
Loans receivable in gensaki transactions	100	1,999	-1,899	3,999
Advances	14,611	544	14,067	1,535
Accounts for non-delivered securities and others				704
Short-term loans receivable	80	133	-52	279
Securities	1,000	1,524	-524	1,513
Deferred income tax assets	413	493	-80	518
Other current assets	21,140	14,350	6,789	16,918
Allowance for bad debts	-150	-154	3	-221
Fixed assets	153,203	148,266	4,937	149,085
Tangible fixed assets	45,385	51,145	-5,759	46,737
Intangible fixed assets	23,385	18,198	5,187	20,180
Investments and other assets	84,432	78,922	5,509	82,167
Investment securities	64,539	52,746	11,792	55,537
Long-term deposits	15,181	15,758	-576	15,542
Deferred income tax assets	216	267	-51	223
Other investments	9,520	15,365	-5,844	15,859
Allowance for bad debts	-5,025	-5,215	190	-4,995
Total assets	2,892,201	2,572,450	319,750	2,443,667

(In millions of yen)

	Third quarter to 31 December 2004	Third quarter to 31 December 2003	Year-on-year increase/decrease	Financial year to 31 March 2004
Liabilities				
Current liabilities	2,594,203	2,284,187	310,015	2,147,366
Trading products	1,066,941	904,359	162,582	796,913
Trading securities, etc.	1,060,742	898,677	162,064	790,762
Derivative liabilities	6,199	5,681	517	6,150
Margin transaction liabilities	25,327	26,756	-1,428	53,627
Customers' loans payable for margin transactions	19,239	20,710	-1,471	45,351
Collateral for loaned securities for margin transactions	6,088	6,045	42	8,275
Loans payable secured by securities	1,188,241	1,118,362	69,878	1,038,972
Amounts receivable on loan transactions	991,848	868,024	123,823	815,928
Loans payable in gensaki transactions	196,392	250,338	-53,945	223,043
Deposits received	70,643	35,566	35,076	42,726
Received margins	12,876	13,519	-643	14,834
Accounts for non-received securities and others	84	9	75	704
Short-term loans payable	189,107	147,640	41,467	171,367
Commercial paper	32,000	30,000	2,000	18,500
Income taxes payable	677	616	61	431
Deferred tax liabilities				9
Reserve for bonus	1,779	1,657	122	3,727
Other current liabilities	6,522	5,699	822	5,552
Fixed liabilities	61,588	62,163	-575	62,744
Long-term loans payable	34,250	36,522	-2,272	35,795
Deferred tax liabilities	5,434	3,952	1,481	5,037
Reserves for retirement benefits	16,989	16,545	443	16,750
Other fixed liabilities	4,914	5,141	-227	5,160
Statutory reserve	1,047	833	213	1,052
Total liabilities	2,656,838	2,347,185	309,653	2,211,163
Minority interest	5,359	5,157	202	5,127
Shareholders' equity				
Common stock	125,167	125,167		125,167
Capital surplus	82,089	82,086	3	82,087
Earned surplus	21,379	12,570	8,808	16,497
Difference in valuation of securities	9,723	6,171	3,551	9,540
Foreign exchange translation adjustment	250	217	32	204
Treasury stock	-8,607	-6,106	-2,501	-6,121
Total shareholders' equity	230,002	220,107	9,895	227,376
Total liabilities, minority interest, and shareholders' equity	2,892,201	2,572,450	319,750	2,443,667

Consolidated Statement of Income

(In millions of yen)

	Third quarter from 1 April 2004 to 31 December 2004	Third quarter from 1 April 2003 to 31 December 2003	% change from same period last year	Financial year from 1 April 2003 to 31 March 2004
Operating revenues	83,455	83,317	100.2	114,967
Commissions and fees received	57,910	46,472	124.6	65,896
Trading profit or loss	23,084	35,162	65.7	46,831
Trading profit or loss on investment securities for sale	285	198	143.3	308
Financial revenues	2,174	1,484	146.5	1,930
Financial expenses	3,606	3,424	105.3	4,483
Net operating revenues	79,849	79,893	99.9	110,483
Selling, general and administrative expenses	73,136	67,415	108.5	90,092
Transaction expenses	10,408	9,111	114.2	12,189
Personnel expenses	38,090	36,672	103.9	48,965
Real estate expenses	10,977	11,052	99.3	14,651
Office expenses	4,648	3,855	120.6	5,394
Depreciation	5,626	4,150	135.6	5,518
Taxes and dues	949	416	227.8	521
Others	2,436	2,156	113.0	2,850
Operating profit	6,712	12,478	53.8	20,391
Non-operating revenues	5,651	3,876	145.8	5,236
Investment profit on equity method	120	20	582.6	4
Others	5,530	3,855	143.5	5,231
Non-operating expenses	1,926	2,237	86.1	2,984
Ordinary profit	10,437	14,116	73.9	22,643
Extraordinary profits	1,124	1,433	78.5	2,339
Extraordinary losses	1,817	2,895	62.8	8,566
Net profit before taxes, etc.	9,744	12,655	77.0	16,416
Income taxes	356	691	51.5	607
Adjustment amount for income taxes	113	38	293.2	54
Minority interest	332	238	139.6	139
Net profit	8,942	11,686	76.5	15,614

Consolidated Statement of Earned Surplus

(In millions of yen)

	Third quarter from 1 April 2004 to 31 December 2004	Third quarter from 1 April 2003 to 31 December 2003	Financial year from 1 April 2003 to 31 March 2004
Capital Surplus			
Balance of capital surplus at start of period	82,087	111,407	111,407
Increase in capital surplus	2	1	2
Gain/loss on disposal of treasury stock	2	1	2
Decrease in capital surplus		29,322	29,322
Offset by capital reserve		29,322	29,322
Balance of capital surplus at end of period	82,089	82,086	82,087
Earned Surplus			
Balance of earned surplus at start of period	16,497	-28,439	-28,439
Increase in earned surplus	8,942	41,009	44,937
Offset by capital reserve		29,322	29,322
Net profit	8,942	11,686	15,614
Decrease in earned surplus	4,061		
Dividend	3,865		
Officer's bonus	195		
Balance of earned surplus at end of period	21,379	12,570	16,497

Consolidated Cash Flow Statement

(In millions of yen)

	Third quarter from 1 April 2004 to 31 December 2004	Third quarter from 1 April 2003 to 31 December 2003	Financial year from 1 April 2003 to 31 March 2004
I Cash flows from operating activities			
Net profit before taxes, etc.	9,744	12,655	16,416
Depreciation	5,626	4,150	5,518
Adjustment for extraordinary profit and loss			
Profit from sale on fixed assets		-11	-11
Loss from sale and disposition of fixed assets	99	484	4,172
Profit from sale on investment securities	-1,119	-711	-1,763
Write-down and loss from sale of investment securities	396	894	1,516
Write-down of golf club memberships	11	3	1
Re-amortization of future retirement and severance pay obligations in line with a change to accounting standards	1,268	1,268	1,690
System change costs			814
Expenses incurred through merging or eliminating branches		228	247
Profit from recovery of bad debts		-565	
Reversal (provision) of reserve for securities transaction liabilities	-5	-144	74
Provision of allowance for bad debts	41	15	49
Interest income and dividends receivable	-2,827	-2,001	-2,572
Interest cost	3,606	3,424	4,483
Investment profit/loss on equity method	-120	-20	-4
Increase/decrease in loans receivable	225	171	-22
Increase/decrease in money held as customers' trust	-8,580	-11,750	-19,019
Increase/decrease in advances and deposits received	14,841	3,471	9,639
Increase/decrease in trading products	-37,980	290,763	402,936
Increase/decrease in margin transaction assets	11,523	-31,703	-46,642
Increase/decrease in margin transaction liabilities	-28,299	6,093	32,964
Increase/decrease in loans receivable secured by securities	-128,369	-111,447	-172,646
Increase/decrease in loans payable secured by securities	149,268	-153,940	-233,330
Increase/decrease in allowance for bad debts	3	310	279
Increase/decrease in reserve for bonus	-1,947	-637	1,432
Increase/decrease in reserves for retirement benefits	-1,029	-1,806	-2,024
Others	-3,958	3,917	7,182
Subtotal	-17,580	13,112	11,382
Interest and dividends received	1,856	1,595	2,541
Interest paid	-3,336	-3,222	-4,521
Income taxes, etc. paid	-597	-1,281	-1,381
Special retirement benefits			-6,262
Cash flow from operating activities	-19,657	10,204	1,758
II Cash flows from investing activities			
Payments for purchases of investment securities	-5,325	-2,477	-2,489
Proceeds from the sale of investment securities	4,171	2,548	5,154
Payments for purchases of tangible fixed assets	-430	-234	-346
Proceeds from the sale of tangible fixed assets	537	413	936
Payments for purchases of intangible fixed assets	-7,399	-8,754	-11,804
Proceeds from sale of intangible fixed assets	0	53	199
Increase/decrease in long-term deposits	360	808	1,023
Others	-1,539	386	-305
Cash flow from investing activities	-9,625	-7,255	-7,631
III Cash flows from financing activities			
Increase/decrease in short-term loans payable	29,695	65,985	71,620
Proceeds from long-term loans payable			11,000
Payments for long-term loans payable		-1,865	-7,000
Payments for acquiring treasury stocks	-2,485	-35	-51
Dividend paid	-3,865		
Dividend paid to minority shareholders	-36	-29	-29
Cash flow from financing activities	23,306	64,055	75,539
IV Effect of foreign exchange rate changes on cash and cash equivalents	0	-385	-370
V Increase/decrease in cash and cash equivalents	-5,975	66,618	69,296
VI Balance of cash and cash equivalents at start of this period	109,557	40,260	40,260
VII Balance of cash and cash equivalents at end of this period	103,581	106,879	109,557

[About the consolidated financial statements]

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

[Basic Important Matters for Preparation of Consolidated Financial Statements]

1. Matters regarding the scope of consolidation

(1) Consolidated subsidiaries (14 subsidiaries)

Major subsidiaries

Nippon Securities Technology Co., Ltd.
Shinko Securities Business Services Co., Ltd.
Shinko Investment Co., Ltd.
Shinko Investment Trust Management Co., Ltd.

(2) Non-consolidated subsidiaries (2 subsidiaries)

Shinko Securities (H. K.) Ltd.
Shinko IPO Investment Business Fund No.1

2. Matters concerning the application of equity method

Equity-method affiliates (5 affiliates)

Major affiliates

Mitoyo Securities Co., Ltd.
Eiwa Securities Co., Ltd.

3. Matters concerning the period of consolidated subsidiaries

With regard to our consolidated subsidiaries, we use and consolidate their financial statements from closings conducted on the same dates as the parent company's closings.

4. Matters concerning the accounting standard

(1) Valuation method for significant assets

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

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

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

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

a) Bonds that are to be held to maturity.

The depreciable cost (straight-line) method is used.

b) Other securities

Securities, etc. that have market values:

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

Securities, etc. that have no market values

Valued using the moving-average cost method.

(2) Depreciation methods used for significant depreciable assets

1) Tangible fixed assets

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

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

2) Intangible fixed assets and long-term prepaid expenses

The straight-line method is used.

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

(3) Handling of significant lease transaction

In the case of finance leases where ownership is not deemed to have passed to the lessee, normal accounting procedures for leases are followed.

(4) Accounting standards for significant reserves and allowances

1) Allowance for bad debts

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

2) Reserve for bonus

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

3) Reserves for retirement benefits

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

The difference at the change in the accounting method (8.454 billion yen) will be amortized in straight-line method over 5 years, and the amount appropriated to this period is included in the extraordinary loss.

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

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

(5) Standards for translating significant assets and liabilities denominated in foreign currencies

Foreign currency denominated claims and obligations are translated into Japanese yen at the spot rate prevailing on the day the consolidated balance sheet was prepared. Currency translation losses or gains are recorded on the statement of income as such.

The assets, liabilities, revenues, and expenses of foreign subsidiaries are also translated into Japanese yen at the spot rate prevailing on the day the consolidated balance sheet was compiled. Any translation losses or gains are recorded in the capital account under the heading "Foreign exchange translation adjustment".

(6) Method of significant hedge accounting

In order to hedge our exposure to cash flow fluctuations caused by borrowing at variable interest rates, we enter into interest rate swap contracts. These are handled on a case-by-case basis.

(7) Accounting for consumption tax, etc.

The tax exclusion method is applied.

5. Scope of cash and cash equivalents included in the consolidated cash flow statement

The cash movements recorded in the consolidated cash flow statement are those of cash and cash equivalents. Assets classed as cash or cash equivalents are cash on hand, deposits for which no notice of withdrawal is required, and highly liquid short-term investments that carry next to no price risk and have a maturity of less than three months.

[Notes on consolidated balance sheets]

	Third quarter to 31 December 2004	Third quarter to 31 December 2003	Financial year to 31 March 2004 (In millions of yen)
1. Accumulated depreciation of tangible fixed assets	23,773	23,366	23,129
2. Guarantee obligations (guarantee exercise anticipated)	1,557 (1,430)	2,838 (2,662)	2,786 (2,632)

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

3. Subordinated borrowings

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

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

[Notes on consolidated statement of income]

	Third quarter from 1 April 2004 to 31 December 2004	Third quarter from 1 April 2003 to 31 December 2003	Financial year from 1 April 2003 to 31 March 2004 (In millions of yen)
Extraordinary profits			
Profit from sale of fixed assets		11	11
Profit from sale of investment securities	1,119	711	1,763
Profit from recovery of bad debts		565	565
Reversal from reserve for securities transaction liabilities	5	144	
Extraordinary losses			
Loss from sale of fixed assets	11	163	3,789
Loss from disposition of fixed assets	87	320	383
Loss from sale of investment securities	118	122	141
Write-down of investment securities	278	772	1,374
Write-down of golf club memberships	11	3	1
Re-amortization of future retirement and severance pay obligations in line with a change to accounting standards	1,268	1,268	1,690
System change costs			814
Expenses incurred through merging or eliminating branches		228	247
Provision of reserve for securities transaction liabilities			74
Provision of allowance for bad debts	41	15	49

Data on Consolidated Settlement of Accounts

1. Commissions and fees received

(1) Breakdown by account (In millions of yen)

	Third quarter from 1 April 2004 to 31 December 2004	Third quarter from 1 April 2003 to 31 December 2003	% change from same period last year	Financial year from 1 April 2003 to 31 March 2004
Brokerage commissions	30,113	26,995	111.5	38,216
(Equities)	(29,909)	(26,723)	(111.9)	(37,878)
(Bonds)	(166)	(216)	(76.8)	(263)
Underwriting & selling fees	7,251	3,713	195.3	5,318
(Equities)	(6,397)	(2,925)	(218.7)	(4,315)
(Bonds)	(853)	(787)	(108.4)	(1,003)
Offering & selling fees and commissions	8,843	6,762	130.8	9,437
Other fees and commissions	11,702	9,000	130.0	12,924
Total	57,910	46,472	124.6	65,896

(2) Breakdown by instrument (In millions of yen)

	Third quarter from 1 April 2004 to 31 December 2004	Third quarter from 1 April 2003 to 31 December 2003	% change from same period last year	Financial year from 1 April 2003 to 31 March 2004
Equities	36,535	30,254	120.8	42,834
Bonds	2,235	2,305	97.0	3,100
Beneficiary securities	15,236	11,957	127.4	16,763
Others	3,903	1,954	199.7	3,198
Total	57,910	46,472	124.6	65,896

2. Trading profits (In millions of yen)

	Third quarter from 1 April 2004 to 31 December 2004	Third quarter from 1 April 2003 to 31 December 2003	% change from same period last year	Financial year from 1 April 2003 to 31 March 2004
Equities, etc.	7,700	10,987	70.1	15,550
Bonds, exchange, etc.	15,383	24,174	63.6	31,281
(Bonds, etc.)	(15,772)	(24,008)	(65.7)	(30,945)
(Exchange, etc.)	(-388)	(166)	()	(336)
Total	23,084	35,162	65.7	46,831

(Reference)

Quarterly Changes in Consolidated Statement of Income

(In millions of yen)

	Third quarter of previous financial year	Fourth quarter of previous financial year	First quarter of current financial year	Second quarter of current financial year	Third quarter of current financial year
Operating revenues	27,551	31,649	31,990	26,474	24,989
Commissions and fees received	17,160	19,423	22,614	18,196	17,099
Brokerage commissions	10,114	11,221	14,037	8,558	7,516
(Equities)	(10,045)	(11,154)	(13,956)	(8,507)	(7,445)
(Bonds)	(49)	(46)	(64)	(39)	(62)
Underwriting & selling fees	1,607	1,604	1,684	2,776	2,790
(Equities)	(1,340)	(1,389)	(1,377)	(2,551)	(2,469)
(Bonds)	(267)	(215)	(307)	(225)	(321)
Offering & selling fees and commissions	2,360	2,674	2,966	2,951	2,924
Other fees and commissions	3,077	3,923	3,925	3,909	3,867
Trading profit or loss	9,896	11,669	8,535	7,517	7,031
Equities, etc.	3,690	4,562	2,876	2,193	2,631
Bonds, exchange, etc.	6,205	7,107	5,658	5,324	4,400
(Bonds, etc.)	(6,379)	(6,937)	(5,543)	(6,186)	(4,042)
(Exchange, etc.)	(-174)	(169)	(115)	(-862)	(357)
Trading profit or loss on investment securities for sale	-14	109	34	126	123
Financial revenues	508	446	805	634	734
Financial expenses	1,496	1,059	1,215	1,275	1,114
Net operating revenues	26,054	30,589	30,775	25,199	23,874
Selling, general and administrative expenses	22,572	22,676	25,584	24,730	22,821
Transaction expenses	3,165	3,077	3,246	3,554	3,607
Personnel expenses	12,559	12,293	14,280	12,563	11,245
Real estate expenses	3,459	3,598	3,869	3,646	3,460
Office expenses	1,383	1,538	1,452	1,808	1,387
Depreciation	1,330	1,368	1,580	2,056	1,989
Taxes and dues	85	105	419	255	275
Others	587	694	735	845	855
Operating profit	3,481	7,913	5,190	468	1,053
Non-operating revenues	1,086	1,360	2,511	1,226	1,913
Investment profit on equity method	20	-16	68	25	26
Others	1,065	1,376	2,442	1,201	1,886
Non-operating expenses	585	746	589	682	654
Investment loss on equity method	-30				
Others	616	746	589	682	654
Ordinary profit	3,982	8,526	7,112	1,013	2,311
Extraordinary profits	214	906	11	605	507
Extraordinary losses	958	5,671	541	671	604
Net profit before taxes, etc.	3,237	3,761	6,582	947	2,214
Income taxes	364	-84	113	118	124
Adjustment amount for income taxes	14	15	57	28	27
Minority interest	138	-98	99	66	166
Net profit	2,721	3,927	6,312	733	1,896