



Summary of First-Quarter Business Results for the Financial Year Ending 31 March 2007 (Consolidated)

Listed company's name: **Shinko Securities Co., Ltd.** Listing stock exchanges: Tokyo, Osaka, and Nagoya
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1. Notes Regarding the Compilation of This Quarterly Business Result Summary

- 1) Adoption of simplified accounting procedures: None
- 2) Changes in accounting policies from the latest consolidated fiscal year: None
- 3) Changes in the scope of application of full consolidation or the equity method: None

2. Summary of First-Quarter Business Results for the Financial Year Ending 31 March 2007 (1 April 2006 - 30 June 2006)

(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	%
First quarter to June 2006	34,074	(14.2)	32,716	(13.6)	5,326	(50.2)	7,456	(61.9)
First quarter to June 2005	29,845	(-6.7)	28,808	(-6.4)	3,546	(-31.7)	4,604	(-35.3)
Financial year to March 2006	152,915		148,520		39,263		43,184	

	Net profit		Net profit per share	Net profit per share (diluted)
	mil. yen	%	yen	yen
First quarter to June 2006	5,099	(-21.9)	6.62	6.60
First quarter to June 2005	6,530	(3.4)	8.47	8.47
Financial year to March 2006	34,962		44.77	44.68

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

First quarter to 30 June 2006: 32 million yen

First quarter to 30 June 2005: 7 million yen

Financial year to 31 March 2006: 217 million yen

2. Average number of shares outstanding (consolidated):

First quarter to 30 June 2006: 770,648,948

First quarter to 30 June 2005: 770,915,829

Financial year to 31 March 2006: 770,796,576

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	Net assets	Equity ratio	Net assets per share
	mil. yen	mil. yen	%	yen
First quarter to June 2006	3,845,595	272,470	6.9	345.80
First quarter to June 2005	2,868,733	233,128	8.1	302.41
Financial year to March 2006	3,475,843	275,472	7.9	356.86

(Note) Number of shares outstanding (consolidated):

First quarter to 30 June 2006: 770,644,587

First quarter to 30 June 2005: 770,903,939

Financial year to 31 March 2006: 770,670,430

【Consolidated cash flows】

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash & cash equivalents balance at term end
	mil. yen	mil. yen	mil. yen	mil. yen
First quarter to June 2006	1,206	-3,867	-26,463	87,561
First quarter to June 2005	37,897	-706	-15,388	73,518
Financial year to March 2006	-75,097	-8,278	149,448	117,524

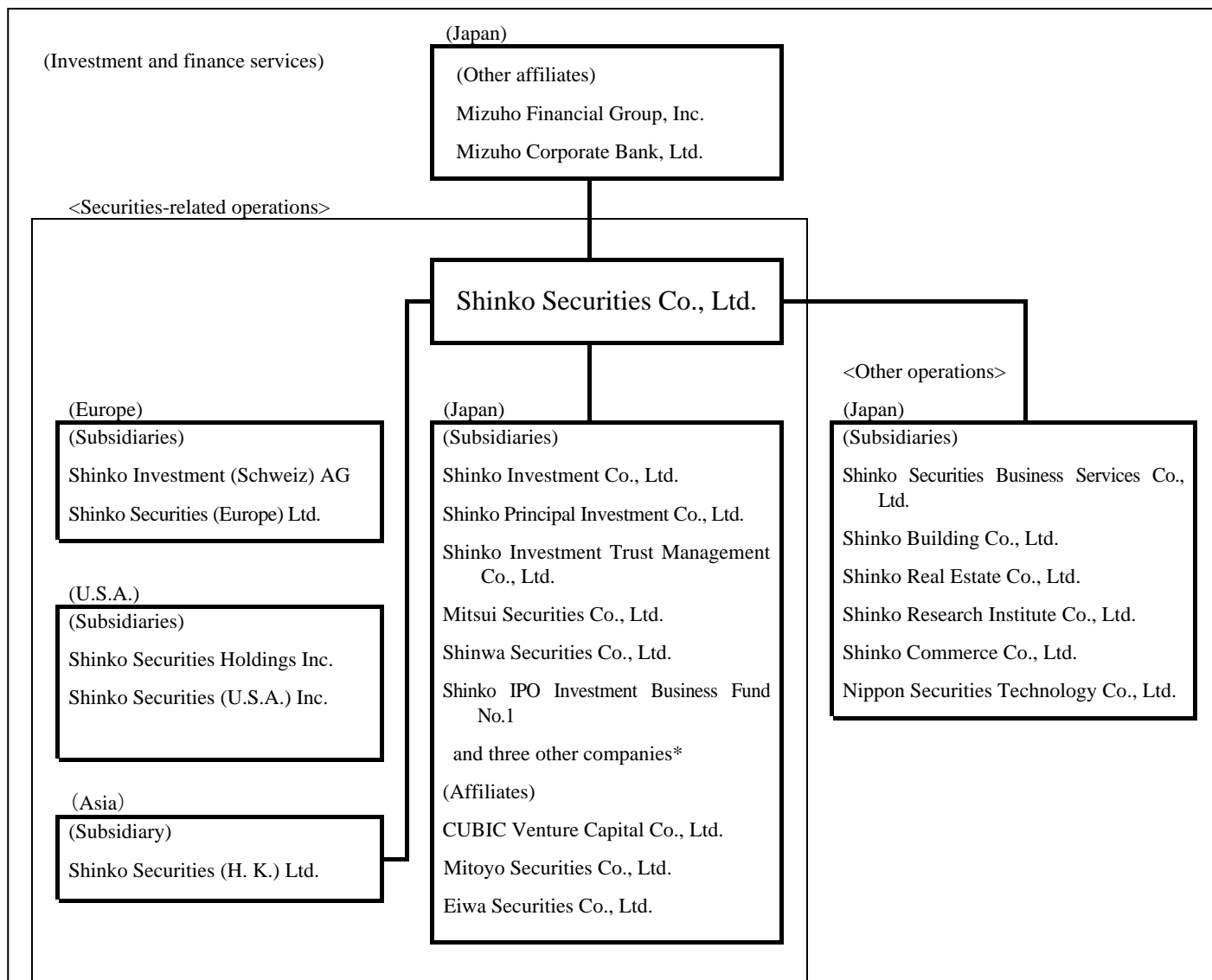
3. Forecast of consolidated business results for the full financial year ending 31 March 2007 (1 April 2006 - 31 March 2007)

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 20 subsidiaries and 3 affiliates. The business activities of our company and of 14 of the subsidiaries and 3 of the affiliates consist mainly of trading securities, the commissioning of securities trading, the underwriting and selling of securities, offering and selling of securities, handling of private offerings, and other securities- and finance-related activities, as well as a wide range of services in the areas of raising and operating funds for customers. The other companies provide services related to and supportive of our company's activities, conduct market surveys and research, manage real estate, and more. Therefore, our corporate group's business activities all come under the single business segment of "investment and financial services."

Organizational Diagram of Corporate Group



* Shinko IPO Investment Business Fund No.1 and the 3 other companies are non-consolidated affiliates to which the equity method does not apply.

Business Performance and Financial Position

[Business Performance]

Business Results for the First Quarter to June 2006

In the first quarter of the current financial year (the three months from April to June, 2006; hereafter referred to as the “period”), the Japanese economy continued to expand based on a good balance of domestic and foreign demand. Thus, domestic demand, buoyed mainly by capital investment, maintained a steady course, while exports rallied thanks to the ongoing growth of foreign economies. As for consumer prices (except for fresh food), a slow rise followed after having surfaced in plus year-on-year basis at the beginning of the year, indicating that the economy was making further progress in freeing itself from deflationary conditions. During the period, the equity markets got off to a good start, with the Nikkei Stock Average rising above 17,500 early on. Beginning in mid-May, however, stock prices fell worldwide while the dollar sharply depreciated against the yen, and the Nikkei joined in the slide, falling below 14,300 yen by mid-June as the markets scrambled to adjust. After that, and until the under of the period, the equity markets, bolstered by a rebound in overseas stock prices and a less volatile exchange market, continued to rally, so that by the end of the period the Nikkei had returned to above 15,500 yen. In the bond market, the yield on 10-year government bonds, affected by speculation about when the Bank of Japan would end its long-maintained zero interest rate and by rising foreign interest rates, climbed above 2.0% temporarily; but a flight to bond quality, precipitated by the worldwide decline in stock prices, halted the rise of the 10-year rate, which ended the period below 2.0% but above 1.9%.

Meanwhile, overseas, the U.S. economy continued to move steadily ahead, but there were growing signs that the housing boom had run its course. Moreover, the European economies, spurred by external demand, recovered at a faster pace than expected. In the U.S., equity markets began plummeting in mid-May because of increased concerns, generated by a jump in the inflation index, that interest rates would continue to be raised; subsequently, however, thanks to expectations of higher corporate earnings, the markets regained their composure and maintained it until the end of the period. At the same time, European equity markets also underwent a phase of adjustment, but were able to weather the storm on expectations of economic recovery. In the bond markets, with oil futures trading at high prices and interest rate hikes continuing in the United States, inflationary concerns increased for a while, pushing bond yields upwards; but then, as funds began to be shifted to safe assets, steadier movement returned to the markets and continued until the end of the period in both Europe and America.

Under these circumstances, our corporate group earned consolidated operating revenues for the period of 34.074 billion yen (114.2% of that for the same period last year), an ordinary profit of 7.456 billion yen (161.9%), and a net profit of 5.099 billion yen (78.1%). A brief breakdown of these results follows:

1. Commissions and fees received

Commissions and fees received during the current period totaled 23.311 billion yen (125.8%). A breakdown of this income follows:

(1) Brokerage commissions

The average daily turnover during the current period in the sections 1 and 2 of the Tokyo Stock Exchange was 2.7711 trillion yen (209.4%). Our company brokered the sale of 1.906 billion shares of stock (98.9%) worth 5.8392 trillion yen (311.9%), while our commissions on the same totaled 10.451 billion yen (112.6%). Commissions earned on bond brokering totaled 26 million yen (130.4%).

(2) Underwriting and selling fees

In the market for stock issues, our company underwrote the issue and sale stock for 26 newly listed companies, serving as lead manager in nine of these cases, and underwrote subsequent issues and sale of stock from six public companies. Moreover, with regard to REITs, we underwrote the public offerings and secondary issues of four companies, serving as the lead manager in two cases. As a result, income from commission on underwriting and selling was 1.412 billion yen (182.6%).

On the other hand, in the bond issue market, we served as joint lead manager for 1 municipal bond, as lead manager for 1 corporate bond and joint lead manager for another, and as joint lead manager for 1 bond issue from a financial investment institution. As a result, commission from the underwriting and sale of bonds was 387 million (201.1%).

(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.

In the area of frequent distributions investment trusts, for which there is a strong demand among individual investors due to Japan’s long-continuing low interest rates, we increased the quality and quantity of our product lineup, offering, among other things, funds that invest in foreign bonds, real estate trusts, and domestic and foreign stocks with a high dividend yield.

Furthermore, in the area of foreign equity investment trusts, we introduced the “Shinko Pure India Equity Fund,” which invests in India, an area expected to have high growth, such as seen in China.

As a result, commissions from the sale of investment trusts reached 4.47 billion yen (109.5%) Other fees and commissions totaled 6.547 billion yen (157.1%.)

2. Trading profits

The current period saw us earn trading profits of 1.227 billion yen (30.7%) on equity trading, and 6.993 billion yen (121.3%) on the trading of bonds and other instruments. Total trading profits thus stood at 8.221 billion yen (84.2%).

3. Financial profit

Deducting financial expenses of 1.357 billion yen (130.9%) from financial revenues of 1.822 billion yen (125.4%) gives a financial profit for this period of 464 million yen (111.5%).

4. Selling, general and administrative expenses

Although real estate expenses, etc. decreased, personnel expenses and depreciation with regard to system development increased, resulting in total selling, general and administrative expenses of 27.39 billion yen (108.4%).

5. Extraordinary profits and losses

As extraordinary profit, we recorded 265 million yen from the reversal from allowance for bad debts. On the negative side, we recorded an extraordinary loss of 31 million yen. Thus, overall, we posted an extraordinary profit of 234 million yen.

[Financial position]

Net cash provided in operating activities was 1.206 billion yen due to such factors as an increase in loans payable secured by stocks and bonds.

Net cash used in investment activities totaled 3.867 billion yen due to such factors as an increase in IT system investments.

Net cash used in financing activities decreased by 26.463 billion yen due to such factors as a decrease in short term loans payable.

As a result of these flows, the balance of cash and cash equivalents stood at 87.561 billion yen at the end of the current period.

Consolidated Balance Sheets

(In millions of yen)

	First quarter to 30 June 2006	First quarter to 30 June 2005	Year-on-year increase/decrease	Financial year to 31 March 2006
Assets				
Current assets	3,678,741	2,717,289	961,451	3,301,765
Cash and due from banks	87,784	73,746	14,038	117,742
Fund deposits	66,377	57,132	9,245	90,807
Trading products	1,633,850	1,181,057	452,793	1,129,989
Trading securities, etc.	1,630,387	1,177,318	453,069	1,126,971
Derivative assets	3,463	3,739	-275	3,018
Trade date accrual	15,190	—	15,190	35,000
Investment securities for sale	2,157	2,402	-245	2,771
Margin transaction assets	137,559	88,288	49,270	154,683
Customers' loans receivable in margin transactions	131,723	75,908	55,814	143,473
Collateral for borrowed securities for margin transactions	5,836	12,380	-6,544	11,210
Loans receivable secured by securities	1,699,615	1,287,696	411,918	1,731,751
Collateral for borrowed securities	1,679,516	1,287,596	391,919	1,681,659
Loans receivable in gensaki transactions	20,099	100	19,999	50,092
Advances	680	883	-202	410
Accounts for non-delivered securities and others	3	—	3	42
Short-term loans receivable	160	171	-10	229
Securities	1,603	1,620	-17	900
Deferred income tax assets	3,141	107	3,034	5,335
Other current assets	30,744	24,328	6,416	32,476
Allowance for bad debts	-128	-146	18	-377
Fixed assets	166,854	151,443	15,410	174,077
Tangible fixed assets	34,658	42,663	-8,005	34,866
Intangible fixed assets	32,150	27,192	4,958	32,050
Investments and other assets	100,045	81,588	18,457	107,160
Investment securities	84,523	63,635	20,887	91,115
Long-term deposits	11,933	13,317	-1,383	12,064
Deferred income tax assets	289	311	-22	335
Other investments	8,633	9,348	-714	9,020
Allowance for bad debts	-5,334	-5,025	-309	-5,375
Total assets	3,845,595	2,868,733	976,862	3,475,843

(Shinko Securities)
(In millions of yen)

	First quarter to 30 June 2006	First quarter to 30 June 2005	Year-on-year increase/decrease	Financial year to 31 March 2006
Liabilities				
Current liabilities	3,488,065	2,559,388	928,677	3,118,025
Trading products	1,409,236	981,987	427,248	1,108,796
Trading securities, etc.	1,406,157	977,701	428,456	1,101,191
Derivative liabilities	3,078	4,286	-1,207	7,604
Trade date accrual	—	18,884	-18,884	—
Margin transaction liabilities	66,929	28,905	38,024	98,759
Customers' loans payable for margin transactions	63,817	24,087	39,729	92,622
Collateral for loaned securities for margin transactions	3,112	4,817	-1,705	6,136
Loans payable secured by securities	1,462,858	1,134,199	328,659	1,316,664
Amounts receivable on loan transactions	1,378,846	890,568	488,278	1,128,375
Loans payable in gensaki transactions	84,011	243,631	-159,619	188,288
Deposits received	63,423	54,531	8,892	62,392
Received margins	25,017	14,671	10,346	24,527
Accounts for non-received securities and others	26	2	23	—
Short-term loans payable	355,270	271,435	83,835	389,690
Commercial paper	88,600	41,000	47,600	84,200
Income taxes payable	666	263	403	15,601
Deferred tax liabilities	—	—	—	207
Reserve for bonus	2,776	1,712	1,064	7,089
Reserve for business reorganization loss	—	1,683	-1,683	—
Other current liabilities	13,260	10,111	3,148	10,097
Fixed liabilities	83,889	69,762	14,126	75,084
Corporate bonds	33,000	—	33,000	20,000
Long-term loans payable	26,050	42,550	-16,500	26,050
Deferred tax liabilities	12,528	6,101	6,427	15,392
Reserves for retirement benefits	9,810	16,773	-6,962	10,827
Other fixed liabilities	2,499	4,338	-1,838	2,814
Statutory reserve	1,169	1,047	122	1,157
Total liabilities	3,573,124	2,630,198	942,926	3,194,267
Net assets				
Shareholders' equity	245,740	—	—	—
Common stock	125,167	—	—	—
Capital surplus	82,544	—	—	—
Earned surplus	45,740	—	—	—
Treasury stock	-7,712	—	—	—
Valuation and translation adjustments	20,746	—	—	—
Net unrealized gains on other securities, net of taxes	20,294	—	—	—
Foreign currency translation adjustment	451	—	—	—
Minority interest	5,984	—	—	—
Total net assets	272,470	—	—	—
Total liabilities and net assets	3,845,595	—	—	—
Minority interest	—	5,406	—	6,103
Shareholders' equity				
Common stock	—	125,167	—	125,167
Capital surplus	—	82,542	—	82,544
Earned surplus	—	21,912	—	50,322
Net unrealized gains on other securities, net of taxes	—	10,771	—	24,713
Foreign currency translation adjustment	—	322	—	422
Treasury stock	—	-7,587	—	-7,696
Total shareholders' equity	—	233,128	—	275,472
Total liabilities, minority interest, and shareholders' equity	—	2,868,733	—	3,475,843

Consolidated Statement of Income

(In millions of yen)

	First quarter from 1 April 2006 to 30 June 2006	First quarter from 1 April 2005 to 30 June 2005	% change from same period last year	Financial year from 1 April 2005 to 31 March 2006
Operating revenues	34,074	29,845	114.2	152,915
Commissions and fees received	23,311	18,526	125.8	101,351
Trading profit or loss	8,221	9,763	84.2	45,919
Trading profit or loss on investment securities for sale	718	101	708.7	365
Financial revenues	1,822	1,454	125.4	5,279
Financial expenses	1,357	1,037	130.9	4,395
Net operating revenues	32,716	28,808	113.6	148,520
Selling, general and administrative expenses	27,390	25,262	108.4	109,256
Transaction expenses	3,715	3,623	102.5	14,982
Personnel expenses	14,550	12,642	115.1	56,742
Real estate expenses	3,610	3,755	96.1	14,554
Office expenses	1,614	1,664	97.0	6,862
Depreciation	2,670	2,419	110.4	10,323
Taxes and dues	402	409	98.5	1,465
Others	825	747	110.4	4,326
Operating profit	5,326	3,546	150.2	39,263
Non-operating revenues	2,434	1,643	148.1	6,218
Investment profit on equity method	32	7	460.6	217
Others	2,402	1,636	146.8	6,000
Non-operating expenses	304	585	51.9	2,297
Ordinary profit	7,456	4,604	161.9	43,184
Extraordinary profits	265	2,300	11.6	6,900
Extraordinary losses	31	188	16.8	4,251
Net profit before taxes, etc.	7,690	6,716	114.5	45,833
Income taxes	242	85	283.0	15,570
Adjustment amount for income taxes	2,207	39	5,557.6	-5,217
Minority interest	141	60	233.5	518
Net profit	5,099	6,530	78.1	34,962

Consolidated Statement of Shareholders' Equity

First-Quarter for the Financial Year Ending 31 March 2007 (1 April 2006 - 30 June 2006)

(In millions of yen)

	Shareholders' equity					Valuation and translation adjustments			Minority interests	Total net assets
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total	Net unrealized gains on other securities, net of taxes	Foreign currency translation adjustment	Total valuation and translation adjustments		
Balance at start of period	125,167	82,544	50,322	-7,696	250,336	24,713	422	25,135	6,103	281,575
Amounts of changes in 1st quarter										
Distribution of surplus			-9,248		-9,248					-9,248
Officer's bonus			-432		-432					-432
Net profit			5,099		5,099					5,099
Acquisition of treasury stocks				-16	-16					-16
Disposal of treasury stock		0		0	0					0
Net amount of change in 1st quarter for non-stockholder-capital items						-4,418	29	-4,389	-118	-4,508
Total amount of change in 1st quarter	—	0	-4,581	-16	-4,596	-4,418	29	-4,389	-118	-9,104
Balance at end of period	125,167	82,544	45,740	-7,712	245,740	20,294	451	20,746	5,984	272,470

Consolidated Statement of Earned Surplus

(In millions of yen)

	First quarter from 1 April 2005 to 30 June 2005	Financial year from 1 April 2005 to 31 March 2006
Capital surplus		
Balance of capital surplus at start of period	82,541	82,541
Increase in capital surplus	0	2
Gain/loss on disposal of treasury stock	0	2
Balance of capital surplus at end of period	82,542	82,544
Earned surplus		
Balance of earned surplus at start of period	20,174	20,174
Increase in earned surplus	6,530	34,962
Net profit	6,530	34,962
Decrease in earned surplus	4,791	4,814
Dividend	4,625	4,625
Officer's bonus	165	165
Decrease in earned surplus due to exclusion from consolidation and from application of equity method	--	22
Balance of earned surplus at end of period	21,912	50,322

Consolidated Cash Flow Statement

(In millions of yen)

	First quarter from 1 April 2006 to 30 June 2006	First quarter from 1 April 2005 to 30 June 2005	Financial year from 1 April 2005 to 31 March 2006
I Cash flows from operating activities			
Net profit before taxes, etc.	7,690	6,716	45,833
Depreciation	2,670	2,419	10,323
Adjustment for extraordinary profit and loss			
Profit from sale on fixed assets	—	—	-1,998
Loss from sale or disposition of fixed assets	19	23	3,152
Loss from assets impairment	—	165	165
Profit from sale on investment securities	—	-491	-2,005
Write-down and loss from sale of investment securities	—	—	85
Write-down of golf club memberships	—	—	3
Loss from change in IT system	—	—	601
Software licensing fee	—	-1,800	-1,800
Profit from switchover of retirement benefits payment system	—	—	-344
Reversal of reserve for business reorganization loss	—	—	-316
Provision (reversal) of reserve for securities transaction liabilities	12	-2	108
Provision of allowance for bad debts	—	—	24
Interest income and dividends receivable	-2,832	-1,938	-6,201
Interest cost	1,357	1,037	4,395
Investment profit/loss on equity method	-32	-7	-217
Increase/decrease in loans receivable	72	49	11
Increase/decrease in money held as customers' trust	24,445	7,714	-25,847
Increase/decrease in advances and deposits received	761	-1,902	6,442
Increase/decrease in trading products	-183,008	-37,761	87,250
Increase/decrease in margin transaction assets	17,124	-1,867	-68,262
Increase/decrease in margin transaction liabilities	-31,830	-27,214	42,639
Increase/decrease in loans receivable secured by securities	32,135	436,385	-7,668
Increase/decrease in loans payable secured by securities	146,194	-341,658	-159,193
Increase/decrease in allowance for bad debts	-238	81	733
Increase/decrease in reserve for bonus	-4,313	-2,144	3,232
Increase/decrease in reserves for retirement benefits	-1,016	-411	-6,357
Others	6,776	416	1,339
Subtotal	15,988	37,810	-73,867
Interest and dividends received	1,845	1,784	4,867
Interest paid	-1,072	-774	-4,388
Income taxes, etc. paid	-15,556	-923	-1,708
Cash flow from operating activities	1,206	37,897	-75,097
II Cash flows from investing activities			
Payments for purchases of investment securities	-2,585	-2,822	-12,179
Proceeds from the sale of investment securities	842	3,527	9,880
Payments for purchases of tangible fixed assets	-155	-183	-1,245
Proceeds from the sale of tangible fixed assets	—	—	3,757
Payments for purchases of intangible fixed assets	-2,426	-2,361	-12,609
Proceeds from return on long-term deposits	130	612	1,864
Proceeds from acquiring stock of subsidiaries upon a change in scope of consolidation	—	84	84
Others	327	437	2,168
Cash flow from investing activities	-3,867	-706	-8,278
III Cash flows from financing activities			
Increase/decrease in short-term loans payable	-34,420	-10,670	117,035
Increase/decrease in commercial paper	4,400	—	27,000
Proceeds from issue of corporate bonds	12,982	—	19,960
Payments for long-term loans payable	—	—	-9,750
Payments for acquiring treasury stocks	-16	-12	-121
Dividend paid	-9,248	-4,625	-4,625
Proceeds from issuing stock to minority shareholders	—	—	30
Dividend paid to minority shareholders	-161	-80	-80
Cash flow from financing activities	-26,463	-15,388	149,448
IV Effect of foreign exchange rate changes on cash and cash equivalents	-838	59	188
V Increase/decrease in cash and cash equivalents	-29,963	21,861	66,261
VI Balance of cash and cash equivalents at start of period	117,524	51,656	51,656
VII Decrease in cash and cash equivalents resulting from exclusion from consolidation	—	—	-392
VIII Balance of cash and cash equivalents at end of period	87,561	73,518	117,524

[About the consolidated financial statements for the first quarter]

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 (16 subsidiaries)

Major subsidiaries

Shinko Securities Business Services Co., Ltd.

Shinko Investment Co., Ltd.

Shinko Investment Trust Management Co., Ltd.

Nippon Securities Technology Co., Ltd.

(2) Non-consolidated subsidiaries (4 subsidiaries)

Major non-consolidated subsidiaries

Shinko IPO Investment Business Fund No.1

2. Matters concerning the application of equity method

Equity-method affiliates (3 affiliates)

CUBIC Venture Capital Co., Ltd.

Mitoyo Securities Co., Ltd.

Eiwa Securities Co., Ltd.

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 standard and method for significant assets

1) Valuation standard and 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 standard and 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.

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

(2) Depreciation methods used for 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.

(3) Method of handling significant deferred assets

The entire cost of issuing corporate bonds is handled as a cost at the time that it occurs.

(4) Accounting standards for significant reserves and allowances

1) Allowance for bad debts

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

2) Reserve for bonus

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

3) Reserves for retirement benefits

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

Past service liabilities are regarded at any time as being a number of years (10 years) that fall within the average number of years' service remaining for each employee. These liabilities are amortized and charged to the current 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 income statement as such.

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

(6) 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.

(7) 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.

(8) 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]

	First quarter to 30 June 2006	First quarter to 30 June 2005	Financial year to 31 March 2006 (In millions of yen)
1. Accumulated depreciation of tangible fixed assets	16,645	23,853	16,311
2. Guarantee obligations (guarantee exercise anticipated)	1,157 (1,062)	1,426 (1,305)	1,232 (1,119)

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

3. Subordinated corporate bonds and borrowings

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

	First quarter to 30 June 2006	First quarter to 30 June 2005	Financial year to 31 March 2006 (In millions of yen)
Corporate bonds	13,000	—	—
Long-term borrowings (incl. those that mature within 1 year)	41,550	51,000	41,250

[Notes on consolidated income statement]

	First quarter from 1 April 2006 to 30 June 2006	First quarter from 1 April 2005 to 30 June 2005	Financial year from 1 April 2005 to 31 March 2006 (In millions of yen)
Extraordinary profits			
Profit from sale of fixed assets	—	—	1,998
Profit from sale of investment securities	—	491	2,005
Software licensing fees	—	1,800	1,800
Profit from switchover of retirement benefits payment system	—	—	344
Profit from recovery of bad debts	—	—	435
Reversal from reserve for securities transaction liabilities	—	2	—
Reversal from reserve for loss incurred on business reorganization	—	—	316
Reversal from allowance for bad debts	265	7	—
Extraordinary losses			
Loss from sale of fixed assets	—	—	2,957
Loss from disposition of fixed assets	19	23	195
Loss from asset impairment	—	165	165
Loss from sale of investment securities	—	—	28
Write-down of investment securities	—	—	56
Write-down of golf club memberships	—	—	3
Contribution to securities market foundation building fund	—	—	109
Loss from change in IT system	—	—	601
Provision of reserve for securities transaction liabilities	12	—	108
Provision of allowance for bad debts	—	—	24

Data Concerning Business Results for the First Quarter

1. Commissions and fees received

(1) Breakdown by account				(In millions of yen)
	First quarter from 1 April 2006 to 30 June 2006	First quarter from 1 April 2005 to 30 June 2005	% change from same period last year	Financial year from 1 April 2005 to 31 March 2006
Brokerage commissions	10,494	9,312	112.7	56,943
(Equities)	(10,451)	(9,278)	(112.6)	(56,742)
(Bonds)	(26)	(20)	(130.4)	(135)
Underwriting & selling fees	1,799	965	186.3	7,490
(Equities)	(1,412)	(773)	(182.6)	(6,417)
(Bonds)	(387)	(192)	(201.1)	(1,073)
Offering & selling fees and commissions	4,470	4,081	109.5	16,655
Other fees and commissions	6,547	4,167	157.1	20,261
Total	23,311	18,526	125.8	101,351

(2) Breakdown by instrument				(In millions of yen)
	First quarter from 1 April 2006 to 30 June 2006	First quarter from 1 April 2005 to 30 June 2005	% change from same period last year	Financial year from 1 April 2005 to 31 March 2006
Equities	12,139	10,160	119.5	63,625
Bonds	683	561	121.6	2,408
Beneficiary securities	7,971	6,449	123.6	27,772
Others	2,517	1,354	185.8	7,543
Total	23,311	18,526	125.8	101,351

2. Trading profits				(In millions of yen)
	First quarter from 1 April 2006 to 30 June 2006	First quarter from 1 April 2005 to 30 June 2005	% change from same period last year	Financial year from 1 April 2005 to 31 March 2006
Equities	1,227	3,995	30.7	15,490
Bonds, others	6,993	5,767	121.3	30,428
(Bonds)	(6,268)	(6,596)	(95.0)	(31,862)
(Others)	(724)	(-829)	(—)	(-1,433)
Total	8,221	9,763	84.2	45,919

(Reference)

Quarterly Changes in Consolidated Statement of Income

(In millions of yen)

	First quarter of previous financial year	Second quarter of previous financial year	Third quarter of previous financial year	Fourth quarter of previous financial year	First quarter of current financial year
Operating revenues	29,845	35,999	43,429	43,640	34,074
Commissions and fees received	18,526	22,975	30,781	29,067	23,311
Brokerage commissions	9,312	12,937	18,986	15,706	10,494
(Equities)	(9,278)	(12,887)	(18,936)	(15,640)	(10,451)
(Bonds)	(20)	(29)	(35)	(50)	(26)
Underwriting & selling fees	965	2,002	2,288	2,234	1,799
(Equities)	(773)	(1,823)	(2,004)	(1,816)	(1,412)
(Bonds)	(192)	(179)	(283)	(418)	(387)
Offering & selling fees and commissions	4,081	3,410	4,450	4,712	4,470
Other fees and commissions	4,167	4,625	5,055	6,413	6,547
Trading profit or loss	9,763	11,749	11,532	12,874	8,221
Equities, etc.	3,995	4,289	3,668	3,536	1,227
Bonds, exchange, etc.	5,767	7,460	7,863	9,337	6,993
(Bonds, etc.)	(6,596)	(8,360)	(8,130)	(8,774)	(6,268)
(Exchange, etc.)	(-829)	(-900)	(-266)	(562)	(724)
Trading profit or loss on investment securities for sale	101	107	-3	160	718
Financial revenues	1,454	1,167	1,120	1,537	1,822
Financial expenses	1,037	1,174	1,104	1,079	1,357
Net operating revenues	28,808	34,825	42,324	42,560	32,716
Selling, general and administrative expenses	25,262	26,953	27,917	29,123	27,390
Transaction expenses	3,623	3,856	3,806	3,695	3,715
Personnel expenses	12,642	13,334	15,210	15,555	14,550
Real estate expenses	3,755	4,033	3,361	3,404	3,610
Office expenses	1,664	1,486	1,509	2,201	1,614
Depreciation	2,419	2,732	2,748	2,424	2,670
Taxes and dues	409	275	309	472	402
Others	747	1,236	972	1,369	825
Operating profit	3,546	7,871	14,407	13,437	5,326
Non-operating revenues	1,643	1,458	1,081	2,035	2,434
Investment profit on equity method	7	46	134	28	32
Others	1,636	1,411	946	2,006	2,402
Non-operating expenses	585	656	397	657	304
Ordinary profit	4,604	8,673	15,090	14,815	7,456
Extraordinary profits	2,300	728	1,137	2,733	265
Extraordinary losses	188	176	43	3,842	31
Net profit before taxes, etc.	6,716	9,225	16,185	13,706	7,690
Income taxes	85	2,363	5,907	7,213	242
Adjustment amount for income taxes	39	-2,453	-148	-2,654	2,207
Minority interest	60	75	255	127	141
Net profit	6,530	9,240	10,171	9,020	5,099