



25 January 2007

Summary of Third-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
 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
 - 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 2007
(1 April 2006 - 31 December 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	%
Third quarter to December 2006	103,882	(-4.9)	96,894	(-8.6)	14,706	(-43.1)	18,614	(-34.4)
Third quarter to December 2005	109,275	(30.9)	105,959	(32.7)	25,825	(284.7)	28,368	(171.8)
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
Third quarter to December 2006	14,783	(-43.0)	19.18	19.14
Third quarter to December 2005	25,941	(190.1)	33.65	33.61
Financial year to March 2006	34,962		44.77	44.68

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

Third quarter to 31 December 2006: 70 million yen
 Third quarter to 31 December 2005: 188 million yen
 Financial year to 31 March 2006: 217 million yen

2. Average number of shares outstanding (consolidated):

Third quarter to 31 December 2006: 770,856,550
 Third quarter to 31 December 2005: 770,831,731
 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
Third quarter to December 2006	4,031,569	282,291	6.8	358.13
Third quarter to December 2005	2,910,890	262,400	9.0	340.46
Financial year to March 2006	3,475,843	275,472	7.9	356.86

(Note) Number of shares outstanding (consolidated):

Third quarter to 31 December 2006: 771,008,451
 Third quarter to 31 December 2005: 770,725,972
 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
Third quarter to December 2006	-52,472	-7,137	52,702	110,912
Third quarter to December 2005	-67,107	-2,938	97,772	79,218
Financial year to March 2006	-75,097	-8,278	149,448	117,524

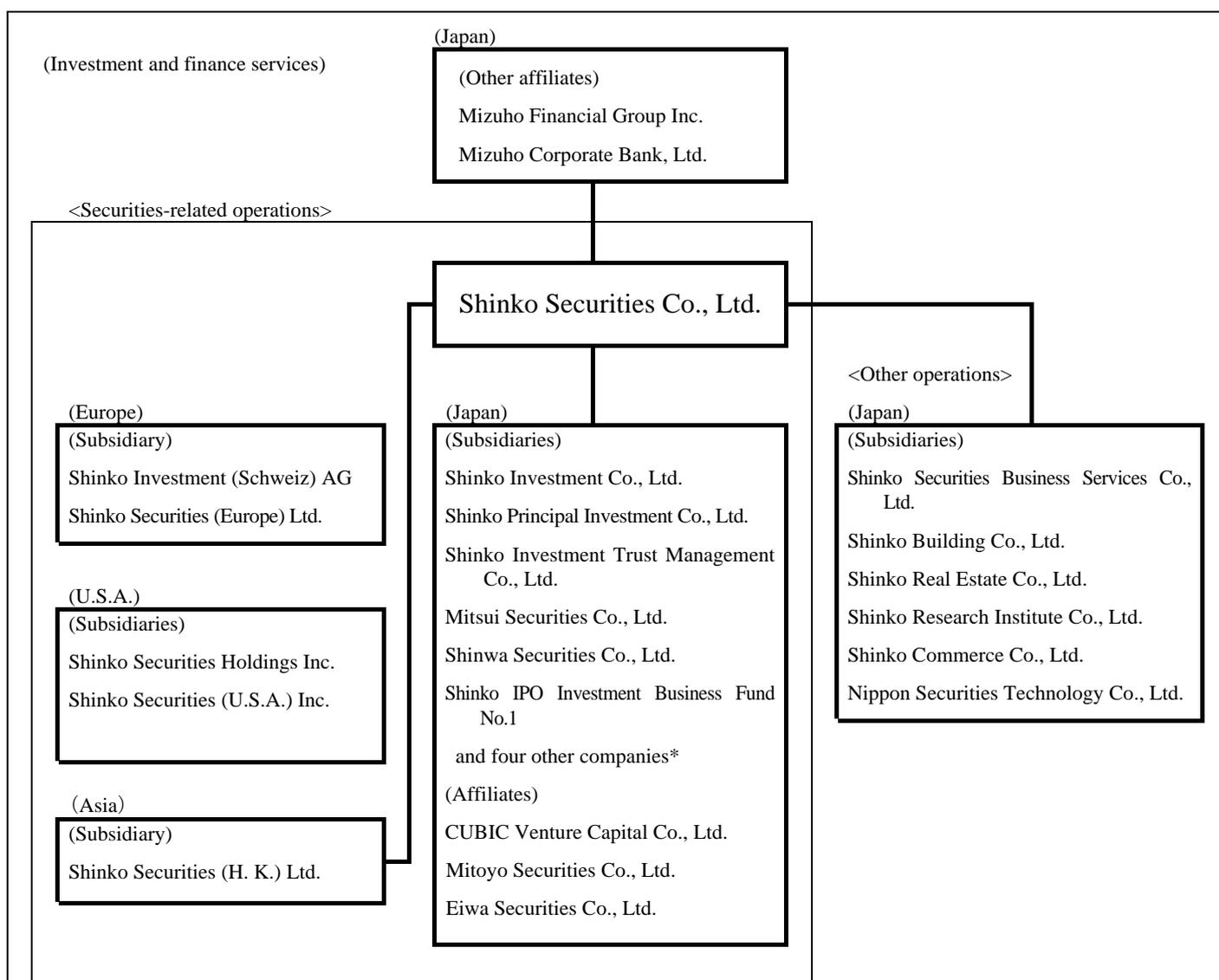
3. Forecast of consolidated business results for the full financial year ending 31 March 2007
(1 April 2006 - 31 March 2007)

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 21 subsidiaries and 3 affiliates. The business activities of our company and of 15 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 Group 1 and the four other companies are non-consolidated subsidiaries to which the equity method does not apply.

[Business Performance and Financial Position]**1. Business Performance**

In the third quarter of the current financial year, the Japanese economy continued on the whole to expand at a moderate rate. Thus, while growth in exports slowed down from the summer onwards due to a cooling off of foreign economies, and personal spending also fell off temporarily due to, among other things, unseasonable summer weather, domestic demand, led by capital investment, continued on a steady course, contributing significantly to the generally favorable situation. 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 May, however, stock prices fell worldwide while the dollar depreciated against the yen, resulting in a period of rapid adjustments that, in mid-June, saw the Nikkei fall below 14,300 yen. Subsequently, bolstered by a rebound in overseas stock prices and a depreciating yen, the equity markets began to rally; and due to such factors as positive assessments of corporate results and foreigners once again purchasing more shares than they were selling because of a general sense that Japanese stocks were slow to reflect actual conditions and were thus undervalued, the Nikkei was able to return to above 17,200 yen by the end of the period. 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 interest rates abroad, temporarily climbed above 2.0%; but then, following the abandonment of the zero interest rate in mid-July, calm returned to the market against a backdrop of stable domestic prices and a worldwide decrease in long-term interest rates. While the 10-year rate did undergo a round of sharp fluctuations in response to a further rate hike by the Bank of Japan, it ended up finishing the period slightly below 1.7%.

Meanwhile, overseas, in the U.S. economy, the housing market continued to undergo major adjustments, but consumption and investment both remained steady, so that the ongoing slowdown was kept to a gradual pace. On the other hand, in the European economies, a recovery initiated by exports spread to domestic demand and thus continued at a favorable clip. With regard to equity markets, those in the U.S. began plummeting in mid-May because of increased concerns that interest rates would continue to be raised; in the summer, however, prices (especially of large-capitalization stocks), undergirded by expectations of a cessation in interest rate hikes and by solid corporate earnings, began a steady climb that continued until the end of the period. Across the Atlantic, European equity markets also underwent a phase of rapid adjustment but then - in light of expectations that economic conditions and corporate earnings would both improve - took an upwards turn, adjusting their pace to American equity markets. In overseas bond markets, the start of the period saw a temporary phase of adjustment occur in response to the continuing climb in both oil prices and U.S. interest rates; but from summer onwards, yields in both the United States and Europe remained steady, sustained by, among other things, expectations of U.S. interest rate cuts and a decline in energy prices.

Under these circumstances, our corporate group earned consolidated operating revenues for this period of 103.882 billion yen (95.1% of that for the same period last year), an ordinary profit of 18.614 billion yen (65.6%), and a net profit of 14.783 billion yen (57.0%). A brief breakdown of these results follows:

(1) Commissions and fees received

Commissions and fees received during this period totaled 66.502 billion yen (92%). A breakdown of this income follows:

- Brokerage commissions

The average daily turnover during the period in the sections 1 and 2 of the Tokyo Stock Exchange was 2.5024 trillion yen (120.8%). Our company brokered the sale of 5.359 billion shares of stock (60.1%) worth 9.8379 trillion yen (122.7%), while our commissions on the same totaled 26.696 billion yen (65.0%). Commissions earned on bond brokering totaled 102 million yen (120.9%).

- Underwriting and selling fees

In the market for stock issues, our company underwrote and sold the stock of 75 newly public companies during the current period, serving as lead manager in 20 of these cases. Moreover, we underwrote and sold secondary issues of stock for 37 public companies, serving as lead manager in 4 cases. Moreover, with regard to J-REITs, we underwrote the public offerings and secondary issues of 11 companies, serving as lead manager in 3 cases. As a result, our group's commissions from underwriting and selling stock reached 5.162 billion yen (112.2%).

On the other hand, in the bond market, we served as lead manager for 1 municipal bond and joint lead manager for another; as lead manager for 8 corporate bonds including joint lead manager; and as either lead manager or joint lead manager for 3 bond issues from financial investment institutions. As a result, our commissions from underwriting and selling bonds totaled 914 million yen (139.6%).

- 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 distributed investment trusts, for which there is strong demand among individual investors due to Japan's long-continuing super-low interest rates, we strengthened our lineup of products by newly offering the "Shinko 7 Assets Balance Fund".

On the other hand, in the area of investment trusts, which invest in equities, we newly introduced "Nippon Steel Group Open," which seeks to profit from the growth of the steel industry, and "Shinko Pure India Equity Fund," which invests in India, for which expectations of growth are high.

In addition, we introduced "Seven Leaves Capital Preservation Fund-Principal Protection Strategy Ivy Clarus 2006-09 (USD)," a foreign investment trust that aims to obtain an absolute return through hedge funds and to guarantee the investor's dollar-denominated principal at the time of redemption.

As a result, commissions from the sale of investment trusts reached 13.571 billion yen (113.6%) Other fees and commissions totaled 20.008 billion yen (144.5%).

(2) Trading profits

The period saw us earn trading profits of 5.228 billion yen (43.7%) on equity trading, and 22.591 billion yen (107.1%) on the trading of bonds and other instruments. Total trading profits thus stood at 27.819 billion yen (84.2%).

(3) Financial profit/loss

Deducting financial expenses of 6.987 billion yen (210.7%) from financial revenues of 8.826 billion yen (235.9%) gives a financial profit of 1.838 billion yen (432.3%).

(4) Selling, general and administrative expenses

During the period, although real estate expenses, etc. decreased, transaction expenses, office expenses, etc. increased, resulting in total selling, general and administrative expenses of 82.188 billion yen (102.6%).

(5) Extraordinary profits and losses

As extraordinary profit, we recorded 3.615 billion yen from the sale of investment securities and 859 million yen in software licensing fees. On the negative side, we recorded an extraordinary loss of 675 million yen. Thus, overall, we posted an extraordinary profit of 4.086 billion yen.

2. Financial position

Net cash used in operating activities was 52.472 billion yen due to such factors as an increase in trading securities and loans receivable secured by securities.

Net cash used in investment activities totaled 7.137 billion yen due to such factors as an increase in IT system investments.

Net cash provided in financing activities was 52.702 billion yen due to such factors as an increase in short-term loans payable and proceeds from our issue of commercial paper and corporate bonds.

As a result of these flows, the balance of cash and cash equivalents stood at 110.912 billion yen at the end of the period.

Consolidated Balance Sheets

(In millions of yen)

	Third quarter to 31 December 2006	Third quarter to 31 December 2005	Year-on-year increase/decrease	Financial year to 31 March 2006
Assets				
Current assets	3,864,899	2,747,293	1,117,606	3,301,765
Cash and due from banks	111,095	82,936	28,158	117,742
Fund deposits	70,167	83,199	-13,031	90,807
Trading products	1,475,830	1,083,295	392,535	1,129,989
Trading securities, etc.	1,470,609	1,080,432	390,177	1,126,971
Derivative assets	5,220	2,863	2,357	3,018
Trade date accrual	92,187	—	92,187	35,000
Investment securities for sale	2,384	2,315	69	2,771
Margin transaction assets	97,403	137,935	-40,531	154,683
Customers' loans receivable in margin transactions	87,415	122,408	-34,993	143,473
Collateral for borrowed securities for margin transactions	9,988	15,526	-5,538	11,210
Loans receivable secured by securities	1,984,792	1,323,410	661,381	1,731,751
Collateral for borrowed securities	1,959,713	1,323,310	636,403	1,681,659
Loans receivable in gensaki transactions	25,078	100	24,978	50,092
Advances	5,307	670	4,637	410
Accounts for non-delivered securities and others	—	75	-75	42
Short-term loans receivable	127	114	13	229
Securities	4,293	1,906	2,386	900
Deferred income tax assets	1,916	2,689	-773	5,335
Other current assets	19,533	29,061	-9,527	32,476
Allowance for bad debts	-139	-316	176	-377
Fixed assets	166,669	163,597	3,072	174,077
Tangible fixed assets	34,562	38,714	-4,151	34,866
Intangible fixed assets	35,850	26,301	9,548	32,050
Investments and other assets	96,256	98,581	-2,324	107,160
Investment securities	81,257	81,953	-695	91,115
Long-term deposits	11,587	12,773	-1,185	12,064
Deferred income tax assets	203	295	-91	335
Other investments	8,413	8,946	-533	9,020
Allowance for bad debts	-5,204	-5,386	182	-5,375
Total assets	4,031,569	2,910,890	1,120,679	3,475,843

	Third quarter to 31 December 2006	Third quarter to 31 December 2005	Year-on-year increase/decrease	Financial year to 31 March 2006
Liabilities				
Current liabilities	3,666,938	2,572,461	1,094,477	3,118,025
Trading products	1,230,840	918,709	312,131	1,108,796
Trading securities, etc.	1,225,874	914,911	310,963	1,101,191
Derivative liabilities	4,966	3,797	1,168	7,604
Trade date accrual	—	10,788	-10,788	—
Margin transaction liabilities	42,012	54,444	-12,431	98,759
Customers' loans payable for margin transactions	37,312	46,757	-9,445	92,622
Collateral for loaned securities for margin transactions	4,700	7,686	-2,986	6,136
Loans payable secured by securities	1,738,301	1,041,815	696,486	1,316,664
Amounts receivable on loan transactions	1,591,798	898,979	692,819	1,128,375
Loans payable in gensaki transactions	146,503	142,835	3,667	188,288
Deposits received	78,995	76,845	2,149	62,392
Received margins	34,082	21,816	12,265	24,527
Accounts for non-received securities and others	1	0	0	—
Short-term loans payable	401,900	343,840	58,060	389,690
Commercial paper	122,530	83,300	39,230	84,200
Income taxes payable	2,808	8,258	-5,449	15,601
Deferred tax liabilities	52	—	52	207
Reserve for bonus	2,938	2,898	40	7,089
Other current liabilities	12,474	9,745	2,729	10,097
Fixed liabilities	81,204	69,177	12,027	75,084
Corporate bonds	33,000	—	33,000	20,000
Long-term loans payable	24,550	41,050	-16,500	26,050
Deferred tax liabilities	12,218	12,723	-505	15,392
Reserves for retirement benefits	8,080	11,630	-3,550	10,827
Other fixed liabilities	3,356	3,772	-416	2,814
Statutory reserve	1,135	1,047	87	1,157
Total liabilities	3,749,278	2,642,686	1,106,592	3,194,267
Minority interest	—	5,803	—	6,103
Shareholders' equity				
Common stock	—	125,167	—	125,167
Capital surplus	—	82,543	—	82,544
Earned surplus	—	41,324	—	50,322
Net unrealized gains on other securities, net of taxes	—	20,598	—	24,713
Foreign currency translation adjustment	—	429	—	422
Treasury stock	—	-7,661	—	-7,696
Total shareholders' equity	—	262,400	—	275,472
Total liabilities, minority interest, and shareholders' equity	—	2,910,890	—	3,475,843
Net assets				
Shareholders' equity	255,530	—	—	—
Common stock	125,167	—	—	—
Capital surplus	82,618	—	—	—
Earned surplus	55,424	—	—	—
Treasury stock	-7,680	—	—	—
Valuation and translation adjustments	20,588	—	—	—
Net unrealized gains on other securities, net of taxes	19,732	—	—	—
Foreign currency translation adjustment	856	—	—	—
Minority interest	6,172	—	—	—
Total net assets	282,291	—	—	—
Total liabilities and net assets	4,031,569	—	—	—

Consolidated Statement of Income

(In millions of yen)

	Third quarter from 1 April 2006 to 31 December 2006	Third quarter from 1 April 2005 to 31 December 2005	% change from same period last year	Financial year from 1 April 2005 to 31 March 2006
Operating revenues	103,882	109,275	95.1	152,915
Commissions and fees received	66,502	72,283	92.0	101,351
Trading profit or loss	27,819	33,045	84.2	45,919
Trading profit or loss on investment securities for sale	733	204	358.5	365
Financial revenues	8,826	3,741	235.9	5,279
Financial expenses	6,987	3,315	210.7	4,395
Net operating revenues	96,894	105,959	91.4	148,520
Selling, general and administrative expenses	82,188	80,133	102.6	109,256
Transaction expenses	12,200	11,286	108.1	14,982
Personnel expenses	41,565	41,186	100.9	56,742
Real estate expenses	10,981	11,150	98.5	14,554
Office expenses	5,930	4,660	127.3	6,862
Depreciation	7,805	7,899	98.8	10,323
Taxes and dues	989	993	99.6	1,465
Others	2,716	2,956	91.9	4,326
Operating profit	14,706	25,825	56.9	39,263
Non-operating revenues	4,993	4,183	119.4	6,218
Investment profit on equity method	70	188	37.4	217
Others	4,922	3,994	123.2	6,000
Non-operating expenses	1,084	1,639	66.1	2,297
Ordinary profit	18,614	28,368	65.6	43,184
Extraordinary profits	4,762	4,166	114.3	6,900
Extraordinary losses	675	408	165.4	4,251
Net profit before taxes, etc.	22,701	32,127	70.7	45,833
Income taxes	4,011	8,356	48.0	15,570
Adjustment amount for income taxes	3,541	-2,562	—	-5,217
Minority interest	365	390	93.4	518
Net profit	14,783	25,941	57.0	34,962

Consolidated Statement of Earned Surplus

(In millions of yen)

	Third quarter from 1 April 2005 to 31 December 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	1	2
Gain/loss on disposal of treasury stock	1	2
Balance of capital surplus at end of period	82,543	82,544
Earned Surplus		
Balance of earned surplus at start of period	20,174	20,174
Increase in earned surplus	25,941	34,962
Net profit	25,941	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	0	22
Balance of earned surplus at end of period	41,324	50,322

Consolidated Statement of Shareholders' Equity

Third quarter from 1 April 2006 to 31 December 2006

(In millions of yen)

	Shareholders' equity					Valuation and translation adjustments			Minority interests	Total net assets
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total	Net unrealized gains on other securities, net of taxes	Foreign currency translation adjustment	Total valuation and translation adjustments		
Balance as of 31 March 2006	125,167	82,544	50,322	-7,696	250,336	24,713	422	25,135	6,103	281,575
Amounts of changes during the period										
Distribution of surplus			-9,248		-9,248					-9,248
Officer's bonus			-432		-432					-432
Net profit			14,783		14,783					14,783
Acquisition of treasury stocks				-82	-82					-82
Disposal of treasury stock		74		97	172					172
Net amount of change during the period for non-stockholder-capital items						-4,981	433	-4,547	69	-4,477
Total amount of change during the period	—	74	5,102	15	5,193	-4,981	433	-4,547	69	715
Balance as of 31 December 2006	125,167	82,618	55,424	-7,680	255,530	19,732	856	20,588	6,172	282,291

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

Consolidated Cash Flow Statement

(In millions of yen)

	Third quarter from 1 April 2006 to 31 December 2006	Third quarter from 1 April 2005 to 31 December 2005	Financial year from 1 April 2005 to 31 March 2006
I Cash flows from operating activities			
Net profit before taxes, etc.	22,701	32,127	45,833
Depreciation	7,805	7,899	10,323
Adjustment for extraordinary profit and loss			
Profit from sale on fixed assets	-17	-225	-1,998
Loss from sale or disposition of fixed assets	314	137	3,152
Loss from assets impairment	—	165	165
Profit from sale on investment securities	-3,615	-1,479	-2,005
Write-down and loss from sale of investment securities	146	81	85
Write-down of golf club memberships	—	2	3
Loss from change in IT system	—	—	601
Software licensing fee	-859	-1,800	-1,800
Profit from switchover of retirement benefits payment system	—	-344	-344
Provision (reversal) of reserve for business reorganization loss	—	-316	-316
Provision (reversal) of reserve for securities transaction liabilities	-22	-1	108
Provision (reversal) of allowance for bad debts	-224	21	24
Interest income and dividends receivable	-9,597	-4,556	-6,201
Interest cost	6,987	3,315	4,395
Investment profit/loss on equity method	-70	-188	-217
Increase/decrease in loans receivable	142	123	11
Increase/decrease in money held as customers' trust	20,705	-18,227	-25,847
Increase/decrease in advances and deposits received	11,707	20,637	6,442
Increase/decrease in trading products	-281,880	-11,357	87,250
Increase/decrease in margin transaction assets	57,279	-51,514	-68,262
Increase/decrease in margin transaction liabilities	-56,747	-1,675	42,639
Increase/decrease in loans receivable secured by securities	-253,041	400,671	-7,668
Increase/decrease in loans payable secured by securities	421,637	-434,042	-159,193
Increase/decrease in allowance for bad debts	-124	660	733
Increase/decrease in reserve for bonus	-4,151	-958	3,232
Increase/decrease in reserves for retirement benefits	-2,746	-5,554	-6,357
Others	26,105	-675	1,339
Subtotal	-37,564	-67,073	-73,867
Interest and dividends received	9,022	4,630	4,867
Interest paid	-6,597	-3,048	-4,388
Income taxes, etc. paid	-17,332	-1,615	-1,708
Cash flow from operating activities	-52,472	-67,107	-75,097
II Cash flows from investing activities			
Payments for purchases of investment securities	-6,320	-6,524	-12,179
Proceeds from the sale of investment securities	8,990	6,054	9,880
Payments for purchases of tangible fixed assets	-951	-814	-1,245
Proceeds from the sale of tangible fixed assets	25	727	3,757
Payments for purchases of intangible fixed assets	-10,965	-6,003	-12,609
Proceeds from sale of intangible fixed assets	501	—	—
Proceeds from return on long-term deposits	477	1,155	1,864
Proceeds from acquiring stock of subsidiaries upon a change in scope of consolidation	—	84	84
Others	1,104	2,380	2,168
Cash flow from investing activities	-7,137	-2,938	-8,278
III Cash flows from financing activities			
Increase/decrease in short-term loans payable	12,210	76,435	117,035
Increase/decrease in commercial paper	38,330	26,100	27,000
Proceeds from issue of corporate bonds	12,982	—	19,960
Payments for long-term loans payable	-1,500	—	-9,750
Payments for acquiring treasury stocks	-82	-86	-121
Proceeds from sale of treasury stocks	172	—	—
Dividend paid	-9,248	-4,625	-4,625
Proceeds from issuing stock to minority shareholders	—	30	30
Dividend paid to minority shareholders	-161	-80	-80
Cash flow from financing activities	52,702	97,772	149,448
IV Effect of foreign exchange rate changes on cash and cash equivalents	295	228	188
V Increase/decrease in cash and cash equivalents	-6,611	27,955	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	-392
VIII Balance of cash and cash equivalents at end of period	110,912	79,218	117,524

[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 (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 (5 subsidiaries)

Major subsidiary

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 method for significant assets

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

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

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

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

a) Bonds that are to be held to maturity.

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

b) Other securities

Securities, etc. that have market values:

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

Securities, etc. that have no market values

Valued using mainly the moving-average cost method.

Moreover, with regard to contributions to limited liability unions of the investment industry and similar unions (according to Article 2, Paragraph 2 of the Securities and Exchange Law, such contributions are regarded as negotiable securities), we use, as the acquisition price, the value of our holdings of union assets as designated on the union's most recent statement of accounts that we are able to obtain as of the day - stipulated in the union contract - on which the latest statement of accounts is reported. 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 (5 years).

(3) Handling of 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 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 the period was estimated, and the portion of the additional shortfall considered to have arisen in the period was charged to the period.

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

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

(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 closing day of the period. Currency translation losses or gains are recorded on the income statement as such.

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

	Third quarter to 31 December 2006	Third quarter to 31 December 2005	Financial year to 31 March 2006 (In millions of yen)
1. Accumulated depreciation of tangible fixed assets	16,790	22,589	16,311
2. Guarantee obligations (guarantee exercise anticipated)	1,059 (973)	1,276 (1,161)	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”.

	Third quarter to 31 December 2006	Third quarter to 31 December 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)	40,050	51,000	41,250

[Notes on consolidated statement of income]

	Third quarter from 1 April 2006 to 31 December 2006	Third quarter from 1 April 2005 to 31 December 2005	Financial year from 1 April 2005 to 31 March 2006 (In millions of yen)
Extraordinary profits			
Profit from sale of fixed assets	17	225	1,998
Profit from sale of investment securities	3,615	1,479	2,005
Software licensing fees	859	1,800	1,800
Profit from switchover of retirement benefits payment system	—	344	344
Profit from recovery of bad debts	—	—	435
Reversal from reserve for securities transaction liabilities	22	1	—
Reversal from allowance for bad debts	248	—	—
Reversal from reserve for business reorganization loss	—	316	316
Extraordinary losses	22	—	2,957
Loss from sale of fixed assets	291	137	195
Loss from disposition of fixed assets	—	165	165
Loss from sale of investment securities	28	11	28
Write-down of investment securities	118	69	56
Write-down of golf club memberships	—	2	3
Contribution to securities market foundation building fund	—	—	109
Loss from change in IT system	191	—	601
Provision of reserve for securities transaction liabilities	—	—	108
Provision of allowance for bad debts	23	21	24

Data on Consolidated Settlement of Accounts

1. Commissions and fees received

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

	Third quarter from 1 April 2006 to 31 December 2006	Third quarter from 1 April 2005 to 31 December 2005	% change from same period last year	Financial year from 1 April 2005 to 31 March 2006
Brokerage commissions	26,844	41,236	65.1	56,943
(Equities)	(26,696)	(41,101)	(65.0)	(56,742)
(Bonds)	(102)	(84)	(120.9)	(135)
Underwriting & selling fees	6,077	5,256	115.6	7,490
(Equities)	(5,162)	(4,600)	(112.2)	(6,417)
(Bonds)	(914)	(655)	(139.6)	(1,073)
Offering & selling fees and commissions	13,571	11,942	113.6	16,655
Other fees and commissions	20,008	13,848	144.5	20,261
Total	66,502	72,283	92.0	101,351

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

	Third quarter from 1 April 2006 to 31 December 2006	Third quarter from 1 April 2005 to 31 December 2005	% change from same period last year	Financial year from 1 April 2005 to 31 March 2006
Equities	32,333	46,029	70.2	63,625
Bonds	1,701	1,622	104.9	2,408
Beneficiary securities	24,726	19,800	124.9	27,772
Others	7,740	4,831	160.2	7,543
Total	66,502	72,283	92.0	101,351

2. Trading profits (In millions of yen)

	Third quarter from 1 April 2006 to 31 December 2006	Third quarter from 1 April 2005 to 31 December 2005	% change from same period last year	Financial year from 1 April 2005 to 31 March 2006
Equities	5,228	11,953	43.7	15,490
Bonds, others	22,591	21,091	107.1	30,428
(Bonds)	(25,677)	(23,087)	(111.2)	(31,862)
(Others)	(-3,085)	(-1,996)	(—)	(-1,433)
Total	27,819	33,045	84.2	45,919

(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	43,429	43,640	34,074	31,929	37,878
Commissions and fees received	30,781	29,067	23,311	20,378	22,811
Brokerage commissions	18,986	15,706	10,494	7,668	8,681
(Equities)	(18,936)	(15,640)	(10,451)	(7,602)	(8,641)
(Bonds)	(35)	(50)	(26)	(54)	(21)
Underwriting & selling fees	2,288	2,234	1,799	2,040	2,237
(Equities)	(2,004)	(1,816)	(1,412)	(1,778)	(1,971)
(Bonds)	(283)	(418)	(387)	(261)	(266)
Offering & selling fees and commissions	4,450	4,712	4,470	4,496	4,604
Other fees and commissions	5,055	6,413	6,547	6,172	7,288
Trading profit or loss	11,532	12,874	8,221	8,128	11,470
Equities	3,668	3,536	1,227	765	3,234
Bonds, others	7,863	9,337	6,993	7,362	8,235
(Bonds)	(8,130)	(8,774)	(6,268)	(8,996)	(10,411)
(Others)	(-266)	(562)	(724)	(-1,634)	(-2,175)
Trading profit or loss on investment securities for sale	-3	160	718	-61	76
Financial revenues	1,120	1,537	1,822	3,484	3,519
Financial expenses	1,104	1,079	1,357	2,660	2,969
Net operating revenues	42,324	42,560	32,716	29,268	34,909
Selling, general and administrative expenses	27,917	29,123	27,390	26,676	28,121
Transaction expenses	3,806	3,695	3,715	4,154	4,329
Personnel expenses	15,210	15,555	14,550	13,133	13,881
Real estate expenses	3,361	3,404	3,610	3,716	3,654
Office expenses	1,509	2,201	1,614	2,077	2,237
Depreciation	2,748	2,424	2,670	2,235	2,899
Taxes and dues	309	472	402	300	286
Others	972	1,369	825	1,058	832
Operating profit	14,407	13,437	5,326	2,591	6,787
Non-operating revenues	1,081	2,035	2,434	1,448	1,110
Investment profit on equity method	134	28	32	-2	40
Others	946	2,006	2,402	1,450	1,069
Non-operating expenses	397	657	304	570	210
Ordinary profit	15,090	14,815	7,456	3,470	7,687
Extraordinary profits	1,137	2,733	265	958	3,537
Extraordinary losses	43	3,842	31	387	256
Net profit before taxes, etc.	16,185	13,706	7,690	4,041	10,968
Income taxes	5,907	7,213	242	1,604	2,164
Adjustment amount for income taxes	-148	-2,654	2,207	-72	1,405
Minority interest	255	127	141	-46	270
Net profit	10,171	9,020	5,099	2,555	7,128