



26 October 2007

Summary of Consolidated Financial Statements for the First Half of the Financial Year Ending 31 March 2008

Listed company's name: Shinko Securities Co., Ltd.
Code No.: 8606

Listing stock exchanges: Tokyo, Osaka, and Nagoya
URL: <http://www.shinko-sec.co.jp/>

Representative: Takashi Kusama, President

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The interim financial report is scheduled to submit on 19 December 2007.

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

1. Summary of Consolidated Business Results for the First Half of the Financial Year Ending 31 March 2008 (1 April 2007 to 30 September 2007)

(1) Consolidated results of business activities

(Percentage figures represent the percentage increase/decrease on the same period last year.)

	Operating revenues		Net operating revenues		Operating profit		Ordinary profit	
	mil. yen	%	mil. yen	%	mil. yen	%	mil. yen	%
First half to September 2007	84,725	(28.4)	75,919	(22.5)	16,319	(106.1)	17,841	(63.3)
First half to September 2006	66,004	(0.2)	61,985	(-2.6)	7,918	(-30.7)	10,926	(-17.7)
Financial year to March 2007	146,794		136,319		23,786		29,056	

	Net profit		Net profit per share	Net profit per share (diluted)
	mil. yen	%	yen	yen
First half to September 2007	12,470	(62.9)	16.13	16.11
First half to September 2006	7,655	(-51.5)	9.93	9.91
Financial year to March 2007	21,935		28.45	28.38

(Reference) Investment profit or loss on equity method:

First half to 30 September 2007: 24 million yen
First half to 30 September 2006: 30 million yen
Financial year to March 2007: 5 million yen

(2) Consolidated financial status

	Total assets	Net assets	Equity ratio	Net assets per share
	mil. yen	mil. yen	%	yen
As of September 2007	3,412,741	294,370	8.4	370.66
As of September 2006	4,002,857	275,434	6.7	349.56
As of March 2007	3,734,941	292,817	7.6	368.49

(Reference) Treasury stocks:

As of 30 September 2007: 286.550 billion yen
As of 30 September 2006: 269.492 billion yen
As of March 2007: 284.817 billion yen

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash & cash equivalents balance at term end
	mil. yen	mil. yen	mil. yen	mil. yen
First half to September 2007	50,911	-3,547	-61,883	106,433
First half to September 2006	19,743	-8,079	-3,587	125,730
Financial year to March 2007	-37,990	-13,986	53,418	121,014

2. Dividends

(Record date)	Dividend per share	
	Interim	Year end
Financial year to March 2007	12.00	12.00
Financial Year to March 2008 (Estimate)	TBD	TBD

3. Forecast of consolidated business results for the full financial year ending 31 March 2008 (1 April 2007 - 31 March 2008):

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.

4. Other

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

- 1) Changes involving the revision of accounting standards, etc. Existing
- 2) Changes other than 1) above Existing

(Note) For details, please see “Changes in Basic Important Matters for Preparation of Consolidated Financial Statements” on P.19.

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

1) Number of shares outstanding (including treasury stocks)					
1st half to September 2007	811,118,683	1st half to September 2006	811,118,683	Financial year to March 2007	811,118,683
2) Number of treasury stocks:					
1st half to September 2007	38,042,074	1st half to September 2006	40,158,789	Financial year to March 2007	38,182,779

(Note) Please see “Per share information” on P.28 for the number of shares used as the basis for the calculation of net earnings (consolidated) per share.

(Reference) Summary of Non-consolidated Business Results

1. Summary of Non-consolidated Business Results for the First Half of the Financial Year Ending 31 March 2008 (1 April 2007 to 30 September 2007)

(1) Non-consolidated results of business activities (Percentage figures represent the percentage increase/decrease on the same period last year.)

	Operating revenues		Net operating revenues		Operating profit		Ordinary profit	
	mil. yen	%	mil. yen	%	mil. yen	%	mil. yen	%
First half to September 2007	78,919	(29.3)	70,326	(22.9)	14,483	(97.8)	16,863	(74.2)
First half to September 2006	61,040	(-1.7)	57,208	(-4.9)	7,322	(-30.6)	9,681	(-20.1)
Financial year to March 2007	137,514		127,358		22,456		25,856	

	Net profit		Net profit per share	Net profit per share (diluted)
	mil. yen	%	yen	yen
First half to September 2007	12,594	(79.0)	16.29	16.27
First half to September 2006	7,034	(-53.0)	9.13	9.10
Financial year to March 2007	19,574		25.38	25.33

(2) Non-consolidated financial status

	Total assets	Net assets	Equity ratio	Net assets per share	Capital adequacy requirement ratio
	mil. yen	mil. yen	%	yen	%
As of September 2007	3,369,372	277,022	8.2	358.33	455.7
As of September 2006	3,958,132	261,617	6.6	339.34	412.2
As of March 2007	3,689,766	274,465	7.4	355.09	427.5

(Reference) Treasury stocks: First half to 30 September 2007: 277.022 billion yen
First half to 30 September 2006: 261.617 billion yen
Financial year to March 2007: 274.465 billion yen

2. Forecast of non-consolidated business results for the full financial year ending 31 March 2008 (1 April 2007 - 31 March 2008)
Because the company’s earnings are strongly influenced by market conditions, we do not conduct forecasts of our business results.

I. Business Results

1. Analysis of business results

The Japanese economy maintained steady undertones in capital investment as well as gradual recovery in consumer spending during this interim period. On the other hand, deceleration in exports and inventory adjustment for the high-technology section led to a temporary standstill in production. Toward the summer period, the stock market entered a gradual upward trend supported by high stock prices in the US and the movement of exchange rate toward a weak yen. At the beginning of July, the Nikkei index temporarily returned to above 18,200 yen, its all-time high. Immediately following, however, domestic and international finance markets fluctuated significantly as a result of the subprime loan problem in the US. The exchange rate also moved toward a strong yen. The Nikkei rapidly entered an adjustment period, falling below 15,300 yen by mid-August. Thereafter the Nikkei took a turn for the better due to the US decision to cut the interest rate, ending the period above 17,100 yen. The bond market started off with 10-year government bond yields below 1.7%, and in line with a rise in long-term US interest and stock prices at the beginning of July, it surged to around 1.95%. However, concerns about credit squeeze at the global level due to the subprime problem in the US led to movement aimed at risk aversion, causing it to drop to above 1.5% in mid-September. Thereafter, the rate recovered somewhat; however, the Bank of Japan's policy for holding interest rate unchanged resulted in it finishing below 1.7%.

Overseas, the US economy continued with the adjustment of the housing market, causing concern about its effects; however, both consumption and capital investment remained steady, resulting in a slow economic deceleration. The European economy experienced continued economic expansion; however, a slowdown was observed in the pace of expansion resulting from inventory adjustment in the summer period. As for the stock market, the US showed steady movement focused on large capital stock throughout the period, backed by favorable economies in overseas. The stock market, however, entered an adjustment period due to turmoil in the finance market in the summer period. The turmoil settled towards the end of the period as a result of the US financial authorities easing credit, and the period finishing off in high price range. Europe, too, moved toward recovery after adjustment in the summer period. The bond market experienced a temporary hike in US long-term interest at the beginning of the period; however, entering the summer period, both the US and Europe allowed rapid drops in long-term interest caused by capital inflows on risk aversion, and thereafter the movement for the term-end was steady with the prospect of an additional lowering of the interest rate by the US.

Under these circumstances, our corporate group earned consolidated operating revenues for this period of 84.725 billion yen (128.4% of the same period last year), an ordinary profit of 17.841 billion yen (163.3%), and a net profit of 12.47 billion yen (162.9%). A brief breakdown of these results is as follows:

(1) Commissions and fees received

Commissions and fees received during the interim period totaled 44.005 billion yen (100.7%). A breakdown of this income is as follows:

- Brokerage commissions

The average daily turnover during the period in the sections 1 and 2 of the Tokyo Stock Exchange was 3.234 trillion yen (120.7%). Our company brokered the sale of 3.464 billion shares of stock (94.9%) worth 3.9518 trillion yen (50.6%), while our group commissions on the same totaled 16.459 billion yen (91.2%). Commissions earned on bond brokering totaled 18 million yen (23.3%).

- Underwriting and selling fees

In the market for stock issues, our company underwrote and sold the stock of 29 newly listed companies during the period, and served as the lead manager in 8 of these cases. We also underwrote the offerings and sold the stock of 12 previously listed companies, serving as the lead manager in 4 of those cases. Moreover, with regard to J-REITs, we underwrote and sold the stock of 2 companies. As a result, the fees on stock underwriting and selling totaled 1.685 billion yen (52.8%).

In the market for bond issues, moreover, we served as the lead manager in 12 issues of zaito insutitution bonds, electric power company bonds, and general corporate bonds. As a result, the fees on bond underwriting and selling totaled 480 million yen (74%).

- 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 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, investment funds that invest in bonds, stocks and real estate in domestic and foreign markets.

In the area of foreign equity investment trusts, we introduced the “Invesco Global Equity Open” and “CROCI Global Sector Fund” that aim to enjoy benefits from growth in global economy, and “DIAM World Environmental Business Fund” that invests in environmental businesses.

As a result, commissions from the sale of investment trusts reached 10.6 billion yen (118.2%). Other fees and commissions totaled 14.727 billion yen (115.8%).

(2) Trading profits

The period saw us earn trading profits of 8.458 billion yen (424.3%) on equity trading, and 22.602 billion yen (157.4%) on the trading of bonds and other instruments. Total trading profits thus stood at 31.061 billion yen (190.0%).

(3) Financial profit/loss

Deducting financial expenses of 8.806 billion yen (219.1%) from financial revenues of 9.477 billion yen (178.6%) gives a financial profit of 671 million yen (52.1%).

(4) Selling, general and administrative expenses

During this period, transaction expenses and personnel expenses increased. As a result, selling, general and administrative expenses reached 59.599 billion yen (110.2%).

(5) Extraordinary profits and losses

As extraordinary profit, we recorded, among other things, 337 million yen from the sale of fixed assets, and 419 million yen from the sale of investment securities. As extraordinary losses, we recorded, among other things, a 268 million yen loss from the write-down of investment securities, and 210 million yen in merger expenses. Thus, overall, we posted an extraordinary profit of 687 million yen.

2. Analysis of financial position

Net cash provided in operating activities was 50.911 billion yen due to an 18.528 billion yen net profit before taxes, etc. and a 144.354 billion yen income with an increase in loans secured by securities.

Net cash used in investing activities totaled minus 3.547 billion yen on factors such as an increase in IT system investments.

Net cash used in financing activities was minus 61.883 billion yen due to such factors as a decrease in short-term loans payable and dividend payment.

As a result of these flows, the balance of cash and cash equivalents stood at 106.433 billion yen at the end of the period.

3. Our basic policy regarding profit distribution and dividends for the current period

Our company’s main goal is to maximize corporate value. With regard to profit distribution, we have adopted a flexible dividend policy as our basic policy based on the results in the period in question.

4. Risk related to business, etc.

Below we have described the various types of risk, related to our corporate group’s business, that, we believe, are important for investors to know in making investment decisions. In the name of providing investors with relevant information for investment decisions, we have also disclosed some other matters besides those related to risk. Our corporate group, aware of the possibility of such types of risk occurring, endeavors to avoid them or, if they do occur, to deal with them effectively. Although future events might affect them, the views presented below are based on our best judgment as of the release date of the interim settlement of accounts.

(1) Risk related to price fluctuations, etc., of securities

1) Risk related to trading operations, etc.

Our corporate group conducts trading operations, etc., involving various financial products, including derivatives; and fluctuations, etc., in the related stock prices, interest rates and exchange rates can affect the group’s business results and financial position.

2) Risk related to underwriting operations

Our corporate group conducts underwriting operations for equities and bonds. When, in the offering and selling activities involved, a remainder of unsold securities occurs, the market price of the remainder can be affected by the market fluctuation, which can in turn cause a loss on their sale or valuation and thus affect the group’s business results and financial position as well.

3) Investment securities

Our corporate group purchases stocks and other investment securities with the aim of holding them for a long time. When stock prices fall, investment capital depreciates and valuation loss occurs, which can affect the group’s business results and financial position.

- (2) Risk related to the worsening of the counterparty's credit
Due to counterparty's default, etc., such things as nonperformance of a swap contract, damage to the capital invested in a bond, a delay in interest payments, etc., can occur, resulting in a loss, and this in turn can affect business results and financial position.
- (3) Risk related to market shrinkage
When the stock market slumps, the volume of transactions may decrease, as may stock brokerage commissions. The issue market may also be similarly affected. Such a situation can have an impact on business results and financial position.
- (4) Risk originating in subsidiaries
Our company has various subsidiaries including Shinko Investment Co., Ltd., which conducts investment operations, Shinko Investment Trust Co., Ltd., which manages investment trusts, Shinko Building Co., Ltd., which operates a real estate business, etc. Their business results or financial positions can be worsened due to changes in securities or real estate market trends and other factors, and this in turn can affect the business results and financial position of our corporate group.
- (5) IT system risk and other types of operational risk
In accordance with our basic policy for IT system risk management, our company continually endeavors to strengthen our IT security in terms of preventing system failures, improper computer use, etc. However, should unauthorized access from the outside, a fire, electrical circuit problems, or some other problem occur, then, depending on the extent of its damage to the system, it could affect our operations, which in turn could impact our business results and financial position.
Our company has prepared instruction manuals for its various operations, and we continually endeavor to strengthen our compliance system. However, should an employee be negligent in conducting operations or cause an accident or commit an irregularity, it could interfere with operations or generate a loss and thus affect our business results and financial position as well.
- (6) Risk related to legal violations
In our corporate group, compliance is one of the most important themes of management, and we are continually working to strengthen it. However, should an officer or employee intentionally or unintentionally violate a law, our relationship of trust with clients could be damaged. Moreover, should we as a corporation violate a law, we could be ordered by the regulatory authorities to restrict or cease our operations, which could result in lawsuits being brought against us by clients and our having to pay damages, which could in turn affect our business results and financial position.
- (7) Risk related to management of client information, etc.
Our corporate group, by establishing in-house regulations and conducting educational activities for employees, seeks to instill a clear understanding about how personal information and confidential information should be managed. However, should client information, etc., be divulged outside the company, it could greatly damage the group's reputation and affect its business results and financial position as well.
- (8) Risk related to a decline in credit rating and a worsening of the terms for obtaining credit
Should a rating agency lower our company's credit rating, it could be expected to restrict the amount, and increase the cost, of the capital and funds that we can raise, and could thus affect our business results and cash flows as well.
- (9) Risk related to capital adequacy requirement ratio
Based on the Financial Instruments and Exchange Law, a securities company is required to maintain a capital adequacy requirement ratio of 120% or higher. If by chance this capital adequacy requirement ratio cannot be maintained, the company risks being ordered to discontinue business, etc. Furthermore, should the capital adequacy requirement ratio sharply decrease due to, for example, the posting of a loss caused by a deterioration of the business environment, then vigorously eliminating risk and pursuing profit so as to maintain the ratio will become difficult, and the possibility of losing profit opportunities will increase. As a result of this, moreover, the company's business activities could be affected, and its business results and financial position could be impacted as well.
- (10) Regarding changes in the law
Our corporate group conducts its operations in accordance with current regulations. Future changes, etc., in laws, rules, political policies, customary practices, interpretations, or other societal standards could result in a

situation that affects the group's conduct of operations and its business results and financial position as well.

(11) Regarding competition

The Japanese finance and capital markets steadily accelerated movement from saving to investment, and in circumstances under which a significant transitional movement for a market-oriented financing system progressed along with competition within the security industry, new entries from outside the industry activated, further escalating competition. If, in such a situation, our corporate group should be unable to prevail against the competition, its business results and financial position could suffer.

(12) Regarding retirement benefit obligations

Our corporate group's employee retirement benefit costs and obligations are calculated according to the discount rate, the expected rate of return on the investment of pension assets, and other factors set for the actuarial calculation. Should the yield on pension assets fall or their market value decline, or should the factors in the calculation be changed, it could affect the subsequent value of the costs and obligations.

(13) Event risk

Our corporate group conducts business activities at branch offices and business offices both inside and outside Japan. Should a terrorist act, a disaster, or some other such event occur, part or all of those activities might have to be discontinued, which could affect the group's business results and financial position.

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

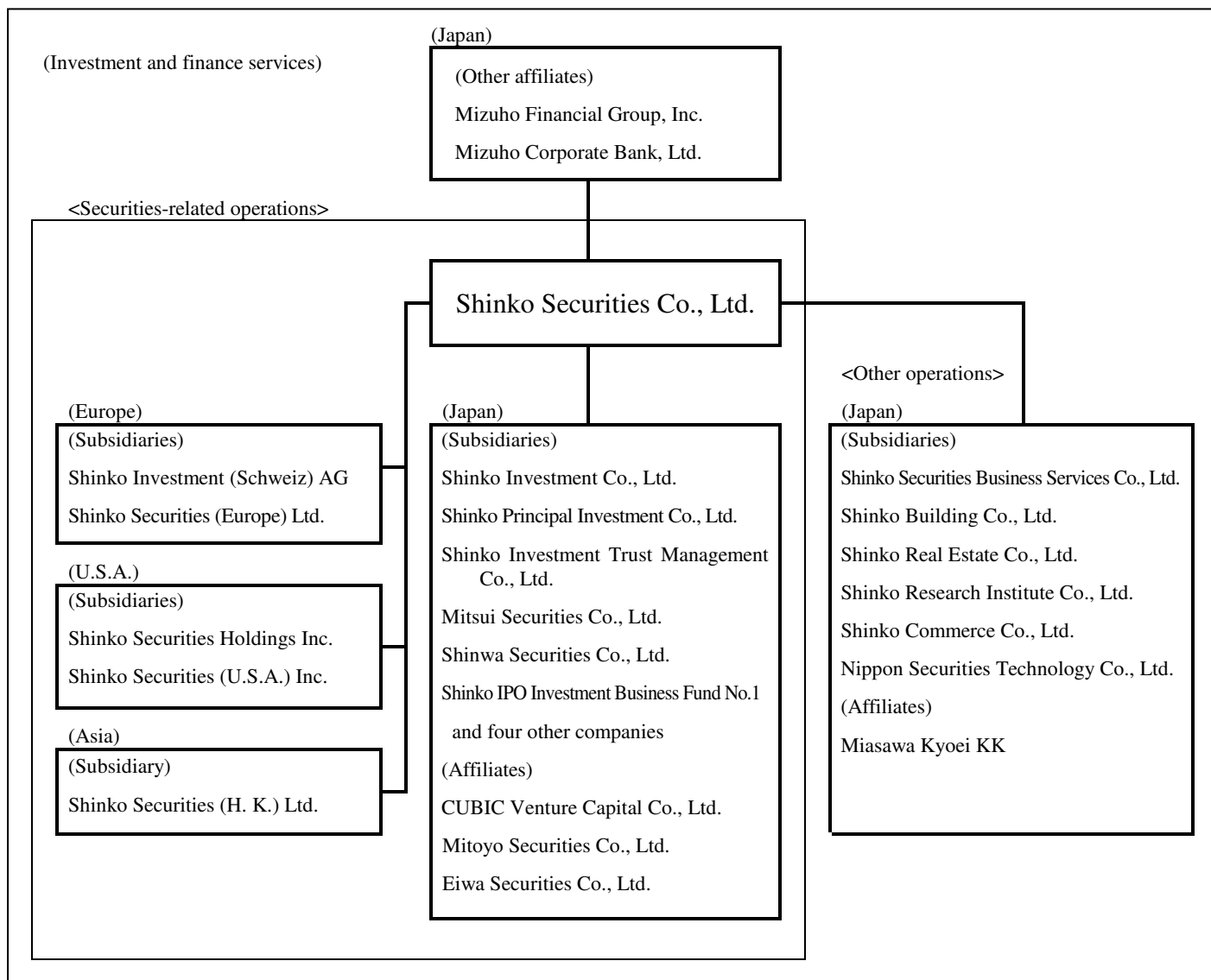
We have plans for a merger with Mizuho Securities, scheduled to take place January 1, 2008. We are currently making preparations so that the merger will be safe and secure. Any problems related to system integration or any other unexpected situation that arises in spite of our efforts could endanger a smooth merger, and, this in turn could affect the performance and financial status of the company.

II. Our Corporate Group

Our corporate group is composed of 21 subsidiaries and 4 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. We offer a wide range of services in the areas of raising and operating funds for customers. The other companies provide services related to and supportive of our company's activities, conduct market surveys and research, manage real estate, and more. Therefore, our corporate group's business activities all come under the single business segment of "investment and financial services."

All of our subsidiaries are consolidated companies, and the equity method is applied for all of our affiliates, except Misawa Kyoei KK.

Organizational Diagram of Corporate Group



III. Business Policy

1. Our Basic Business Policy

Our corporate group's main field of business is the securities (financial instruments) industry and related areas. In this field we provide a full line of services, from retail to wholesale, as a general securities company having multiple, integrated functions. As a securities company in the Mizuho Financial Group, moreover, we aim to maximize the synergy between group members and their departments, thereby providing high-value added financial service to a wide range of customers

2. Numerical Goals

In our 4th Medium-Term Business Plan, we have stipulated medium-term business goals (to be realized by the end of March 2009); in terms of company size - (1) 20 trillion yen or more in deposited assets, (2) ordinary profit of at least 50 billion yen - and in the terms of company quality - (3) ROE of at least 10%, (4) acquisition of a credit rating of at least A.

3. Medium- and Long-Term Business Strategy

We are currently engaged in trying to achieve the goals of our 4th Medium-Term Business Plan, which covers the period from April 2006 through March 2009. This new medium-term business plan seeks to improve the efficiency of our operations and maximize the quality of services, thereby enabling us to conduct a securities business with high productivity and further solidify our standing in the industry. The essence of the plan is outlined below.

- Essence of Fourth Medium-Term Business Plan (April 2006 - March 2009)
(New Business Philosophy)

➤ "Client First" - Act vigorously, act decisively, act boldly.

(Medium-Term Business Goals)

- Increased size: 20 trillion yen or more in deposited assets, ordinary profit of at least 50 billion yen.
- Higher quality: ROE of at least 10%, acquisition of credit rating of at least A.

(Goals for Each Earnings-Related Division)

- Retail Division

- To become the No. 1 securities company in customer satisfaction.
- To have deposited retail assets of 12 trillion yen (by end of March 2009).

- Corporate Division

- To establish a position as the No. 1 supporter of fresh, high-growth corporations.
- To establish the 5 pillars of the investment banking business
 - An IPO business that is in the industry's top echelon in terms of the number of IPOs handled as lead managing underwriter.
 - A corporate finance business that is among the industry's top 3 in terms of the number of companies (companies with a total market value of less than 100 billion yen) handled as lead managing underwriter.
 - An M&A business that is among the industry's top 10 in terms of the number of contracts concluded.
 - An investment business able to increase earnings (for which a new investment business model will be used).
 - A growing funds business.

- Products Division

- - We will establish a solid market presence, and, towards that end, build a system that will obtain a market share of 5%.

* The Period's Business Results

During this interim period, being the last half-year period as Shinko Securities, Shinko Securities pushed forward to achieve the goals set forth on the 4th Medium-Term Business Plan, and has been working on further upgrading and expanding customer base, reform of profit structure and quality enhancement in preparation for the merger with the Mizuho Securities on January 1, 2008.

In the Retail Division, Shinko Securities aimed to be the security company with the No.1 customer satisfaction in the industry under the theme to take action reform in preparation for the start of the new Mizuho Securities. We have been enhancing advice-type operations (consultant operation) through face-to-face sales. Furthermore, in order to effectively respond to diversifying customer needs, we have been continuously pushed forward with improvement measures that reflect the voice of our customers. We continue to provide products, services and information that match the needs and investment environment of individual customers, leading to steady sales performance for investment funds, variable annuities, foreign and structured bonds. The Wrap Account, too, was recognized by customers as a new investment style, securing profit as a source other than the stock market. In line with the commencement of Electronic Share Certificate System (Paperless Share System) in January 2009, a committee for electronic share certificate system was set up, and it is actively working on measures that will enhance customer convenience.

In the Corporate Division, Shinko Securities continued with the enhancement of marketing functions, the structuring of backup systems and the development of human resources in order to establish the five pillars of the investment banking business that are included as important issues in the Medium-Term Business Plan. As for stock underwriting operations, a significant scaling down was experienced in the equity market during the first half of this financial year; however, we performed as the lead manager of eight companies for IPO (Initial Public Offering), sustaining a top level in underwriting cases and underwriting participation rate for the industry. We have also been responding to diversifying needs for funding in PO (public offering or secondary offering for public or listed companies). In bond underwriting operations, we performed as lead manager for bond issues by many zaito institutions, electrical power companies and general companies, as well as steadily accumulating achievements in M & A operations through the execution of various measures such as the utilization of external alliances.

In the Products Division, aiming to establish a firm presence in the market, we worked on quantitative and qualitative expansion in trading capacity, expanded product line-up for investment trust funds, insurance product and private structured bonds, as well as enhanced our information transmission function.

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

4. Our tasks to be solved

The finance and capital markets of Japan accelerated in the trend from saving to investment and a significant transition toward investment type financial system was observed. The fund procurement methods of the companies are advancing with diversification through the capital market in Japan and overseas. Fund management, too, is experiencing expansion and acceleration of money flow at the global base through expansion in the international diversified investment and fund business. Furthermore, the Financial Instruments and Exchange Law came into effect, leading to the reinforcement of market function enhancement in the reliability, efficiency and transparency of the market, with which the roles and responsibilities of security companies as leaders in the finance and capital market will further increase.

Under these circumstances, the merger with Mizuho Securities was based on a business judgment that tying up Mizuho's global platform in investment banking operations with our nationally based full-line comprehensive security network would expand and enhance our competitive power and maximize shareholder value. We acknowledge that safe and sure implementation of this merger is the most important issue for the company, and all executives and employees will combine their efforts for the merger scheduled for January 1, 2008.

(Reference)

- Business objectives of new company -

It is intended that the new company, in its aim to become Japan's leading "full-service securities company that conducts investment banking business on a global basis," will realize the following business objectives:

- (1) The new company will realize significant synergistic effects through the combination of Mizuho Securities' strength in the underwriting and investment banking businesses and Shinko Securities' solid sales base as a full-service securities company with a business network covering all of Japan.
- (2) The new company will further enhance the advanced expertise and product development/financial engineering capabilities as the core strengths to increase global competitiveness so that it may respond accurately and promptly to customer needs which are becoming increasingly sophisticated, diversified and globalized.
- (3) The new company will promote its investment banking business on a global basis in cooperation with Mizuho Corporate Bank which already has an established global network. In particular, Mizuho Corporate Bank obtained in December 2006 the status of FHC (financial holding company) in the United States, thus Mizuho Corporate Bank and the new company will mutually cooperate in promoting investment banking business on a global basis, covering Japan, Asia, Europe and the Americas, in compliance with applicable laws and regulations.

- Preparation and schedule for the merger -

A preparation committee was set up immediately after the announcement of the planned merger on January 10, 2007. Tasks of the office were performed by the Corporate Planning Department of the two companies, and the members of the committee were organized by the executives, including presidents, of both companies. The committee holds a meeting approximately once a week. Tasks are not divided between the two companies but are discussed and performed together on an equal footing.

Further, 18 subcommittees were set up under the preparation committee in order to move forward with the merger project. The 18 subcommittees are Planning, General Affairs and Management, Human Resources, IT, Administration, Risk Management, J-SOX Law Coordination, Compliance, Information Security, Auditing, International Operations, Domestic Sales, Corporate Solution (investment banking), Product Planning, Channel Promotion, Equity, Bonds and Syndication. Working groups are also set up under the subcommittees as needed.

- Main Schedule -

Agreement of Merger Memorandum	10 January 2007
Merger Resolution Board Meeting	29 March 2007
Conclusion of Merger Contract	29 March 2007
General Meeting of Stockholders for the Approval of the Merger Contract	Mizuho Securities: 25 June 2007
	Shinko Securities: 28 June 2007
Scheduled date of merger (effective date)	1 January 2008

IV. Consolidated Financial Statements

Consolidated Balance Sheets

(In millions of yen)

	As of 30 September 2006	As of 30 September 2007	Year-on-year increase/decrease	As of 31 March 2007
Assets				
Current assets	3,833,932	3,258,468	-575,464	3,569,189
Cash and due from banks	125,952	106,617	-19,335	121,197
Fund deposits	63,136	67,134	3,998	87,006
Trading products	1,675,144	1,052,496	-622,647	1,321,935
Trading securities, etc.	1,669,698	1,040,069	-629,628	1,316,064
Derivative assets	5,445	12,427	6,981	5,870
Trade date accrual	60,806	—	-60,806	—
Investment securities for sale, etc.	2,142	13,541	11,398	8,766
Margin transaction assets	115,100	99,797	-15,303	114,021
Customers' loans receivable in margin transactions	107,821	82,163	-25,658	105,991
Collateral for borrowed securities for margin transactions	7,278	17,633	10,354	8,029
Loans receivable secured by securities	1,755,258	1,887,599	132,341	1,891,914
Collateral for borrowed securities	1,725,178	1,796,570	71,391	1,871,826
Loans receivable in gensaki transactions	30,079	91,029	60,949	20,087
Advances	155	513	358	186
Accounts for non-delivered securities and others	67	—	-67	173
Short-term loans receivable	373	138	-234	174
Securities	1,602	10,117	8,515	5,501
Deferred income tax assets	3,397	3,781	384	3,321
Other current assets	30,944	16,807	-14,136	15,095
Allowance for bad debts	-149	78	70	-107
Fixed assets	168,925	154,273	-14,652	165,752
Tangible fixed assets	34,662	34,333	-328	34,497
Intangible fixed assets	34,568	34,476	-92	35,098
Investments and other assets	99,694	85,462	-14,231	96,156
Investment securities	84,277	68,941	-15,336	81,027
Long-term deposits	11,945	11,623	-321	11,370
Deferred income tax assets	181	422	240	331
Other investments	8,479	8,048	-430	7,803
Allowance for bad debts	-5,189	-3,572	1,617	-4,376
Total assets	4,002,857	3,412,741	-590,116	3,734,941

Summary of Interim Consolidated Financial Statements for the Period Ended September 2007
Shinko Securities (8606)

(In millions of yen)

	As of 30 September 2006	As of 30 September 2007	Year-on-year increase/decrease	As of 31 March 2007
Liabilities				
Current liabilities	3,643,970	3,033,346	-610,624	3,354,918
Trading products	1,249,203	735,518	-513,684	1,140,368
Trading securities, etc.	1,247,673	729,462	-518,210	1,137,898
Derivative liabilities	1,530	6,056	4,526	2,469
Trade date accrual	—	36,452	36,452	32,703
Margin transaction liabilities	66,558	34,283	-32,274	59,990
Customers' loans payable for margin transactions	62,274	31,990	-30,284	55,766
Collateral for loaned securities for margin transactions	4,283	2,293	-1,990	4,224
Loans payable secured by securities	1,751,641	1,625,740	-125,901	1,481,385
Amounts receivable on loan transactions	1,614,152	1,445,680	-168,471	1,370,140
Loans payable in gensaki transactions	137,489	180,059	42,569	111,244
Deposits received	63,870	64,359	489	56,041
Received margins	26,524	47,541	21,017	40,750
Accounts for non-received securities and others	47	2	-44	—
Short-term loans payable	344,150	337,550	-6,600	399,908
Commercial paper	124,000	127,500	3,500	117,200
Income taxes payable	2,327	5,970	3,642	8,410
Deferred tax liabilities	—	4	4	41
Reserve for bonus	5,023	6,313	1,290	6,507
Allowance for directors' bonus	—	—	—	344
Reserve for point service	—	681	681	401
Reserve for business reorganization loss	—	—	—	33
Other current liabilities	10,623	11,426	802	10,830
Fixed liabilities	82,357	84,360	2,002	86,289
Corporate bonds	33,000	33,000	—	33,000
Long-term loans payable	24,550	30,700	6,150	30,700
Deferred tax liabilities	12,726	12,193	-533	12,661
Reserve for retirement benefits	8,934	4,984	-3,949	6,373
Reserve for directors' retirement benefits	—	664	664	732
Reserve for executive officers' retirement benefits	—	750	750	859
Other fixed liabilities	3,146	2,066	-1,079	1,962
Statutory reserve	1,094	663	-431	916
Total liabilities	3,727,423	3,118,370	-609,052	3,442,124
Net assets				
Shareholders' equity	248,392	266,508	18,116	263,305
Common stock	125,167	125,167	—	125,167
Capital surplus	82,603	82,944	340	82,900
Retained earnings	48,296	65,771	17,474	62,576
Treasury stock	-7,675	-7,374	300	-7,339
Valuation and translation adjustments	21,100	20,042	-1,058	21,511
Net unrealized gains on other securities, net of taxes	20,456	19,203	-1,252	20,702
Foreign currency translation adjustment	644	838	194	808
Minority interest	5,941	7,819	1,878	8,000
Total net assets	275,434	294,370	18,936	292,817
Total liabilities and net assets	4,002,857	3,412,741	-590,116	3,734,941

Consolidated Statement of Income

(In millions of yen)

	First half from 1 April 2006 to 30 September 2006	First half from 1 April 2007 to 30 September 2007	Year on Year		Financial year from 1 April 2006 to 31 March 2007
			Increase/ decrease	% change	
Operating revenues	66,004	84,725	18,721	128.4	146,794
Commissions and fees received	43,690	44,005	315	100.7	91,115
Trading profit or loss	16,349	31,061	14,711	190.0	42,104
Profit or loss on investment securities for sale, etc.	656	181	-475	27.6	270
Financial revenues	5,307	9,477	4,170	178.6	13,303
Financial expenses	4,018	8,806	4,787	219.1	10,474
Net operating revenues	61,985	75,919	13,934	122.5	136,319
Selling, general and administrative expenses	54,067	59,599	5,532	110.2	112,532
Transaction expenses	7,870	9,105	1,234	115.7	16,498
Personnel expenses	27,683	29,337	1,653	106.0	56,964
Real estate expenses	7,327	7,849	521	107.1	14,746
Office expenses	3,692	4,432	739	120.0	8,219
Depreciation	4,905	6,030	1,124	122.9	10,892
Taxes and dues	702	800	97	113.9	1,333
Others	1,884	2,043	159	108.5	3,877
Operating profit	7,918	16,319	8,401	206.1	23,786
Non-operating revenues	3,883	2,504	-1,378	64.5	6,424
Investment profit on equity method	30	24	-5	80.7	5
Others	3,852	2,479	-1,372	64.4	6,418
Non-operating expenses	874	982	108	112.4	1,154
Ordinary profit	10,926	17,841	6,914	163.3	29,056
Extraordinary profits	1,224	1,258	33	102.7	6,310
Extraordinary losses	418	570	151	136.3	1,749
Net profit before taxes, etc.	11,732	18,528	6,796	157.9	33,617
Income taxes	1,846	5,927	4,080	320.9	9,543
Adjustment amount for income taxes	2,135	-410	-2,546	—	1,927
Minority interest	94	542	447	571.5	211
Net profit	7,655	12,470	4,814	162.9	21,935

Consolidated Statement of Changes in Net Assets

First-Half for the Financial Year Ending 31 March 2007 (1 April 2006 - 30 September 2006) (In millions of yen)

	Shareholders' equity					Valuation and translation adjustments			Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized gains 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 in 1st half										
Distribution of surplus*			-9,248		-9,248					-9,248
Officer's bonus*			-432		-432					-432
Net profit			7,655		7,655					7,655
Acquisition of treasury stocks				-57	-57					-57
Disposal of treasury stock		59		77	137					137
Net amount of change in 1st half for non-stockholder-capital items						-4,256	222	-4,034	-161	-4,196
Total amount of change in 1st half	—	59	-2,025	20	-1,944	-4,256	222	-4,034	-161	-6,141
Balance as of 30 September 2006	125,167	82,603	48,296	-7,675	248,392	20,456	644	21,100	5,941	275,434

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

First-Half for the Financial Year Ending 31 March 2008 (1 April 2007 - 30 September 2007) (In millions of yen)

	Shareholders' equity					Valuation and translation adjustments			Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized gains on other securities, net of taxes	Foreign currency translation adjustment	Total valuation and translation adjustments		
Balance as of 31 March 2007	125,167	82,900	62,576	-7,339	263,305	20,702	808	21,511	8,000	292,817
Amounts of changes in 1st half										
Distribution of surplus			-9,275		-9,275					-9,275
Net profit			12,470		12,470					12,470
Acquisition of treasury stocks				-93	-93					-93
Disposal of treasury stock		43		57	100					100
Net amount of change in 1st half for non-stockholder-capital items						-1,498	29	-1,468	-180	-1,648
Total amount of change in 1st half	—	43	3,194	-35	3,202	-1,498	29	-1,468	-180	1,553
Balance as of 30 September 2007	125,167	82,944	65,771	-7,374	266,508	19,203	838	20,042	7,819	294,370

Summary of Interim Consolidated Financial Statements for the Period Ended September 2007
Shinko Securities (8606)

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

(In millions of yen)

	Shareholders' equity					Valuation and translation adjustments			Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized gains on other securities, net of taxes	Foreign currency translation adjustment	Total valuation and translation adjustments		
Balance as of 31 March 2006	125,167	82,544	50,322	-7,696	250,336	24,713	422	25,135	6,103	281,575
Amounts of changes during the period										
Distribution of surplus *			-9,248		-9,248					-9,248
Officer's bonus*			-432		-432					-432
Net profit			21,935		21,935					21,935
Acquisition of treasury stocks				-123	-123					-123
Disposal of treasury stock		356		481	837					837
Net amount of change during the period for non-stockholder-capital items						-4,010	386	-3,624	1,897	-1,727
Total amount of change during the year	—	356	12,254	357	12,968	-4,010	386	-3,624	1,897	11,241
Balance as of 31 March 2007	125,167	82,900	62,576	-7,339	263,305	20,702	808	21,511	8,000	292,817

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

Consolidated Cash Flow Statement

(In millions of yen)

	First half from 1 April 2006 to 30 September 2006	First half from 1 April 2007 to 30 September 2007	Financial year from 1 April 2006 to 31 March 2007
I	Cash flow from operating activities		
	11,732	18,528	33,617
Net profit before taxes, etc.	4,905	6,114	10,892
Depreciation			
Adjustment for extraordinary profit and loss			
Profit from sale on fixed assets	-17	-337	-17
Loss from sale or disposition of fixed assets	95	65	445
Profit from sale on investment securities	-30	-419	-4,941
Write-down and loss from sale of investment securities	106	294	321
Loss from change in IT system	193	—	296
Software licensing fee	-859	—	-859
Provision of reserve for past directors' retirement benefits	—	—	478
Business reorganization loss	—	—	136
Reversal of reserve for securities transaction liabilities	-62	-252	-241
Provision of allowance for bad debts	-230	-33	-180
Interest income and dividends receivable	-5,947	-10,204	-14,473
Interest cost	4,018	8,806	10,474
Investment profit/loss on equity method	-30	-24	-5
Increase/decrease in loans receivable	-104	39	97
Increase/decrease in money held as customers' trust	27,645	20,135	3,780
Increase/decrease in advances and deposits received	1,733	7,990	-6,126
Increase/decrease in trading products	-429,950	-132,178	-94,572
Increase/decrease in margin transaction assets	39,583	14,224	40,662
Increase/decrease in margin transaction liabilities	-32,201	-25,706	-38,769
Increase/decrease in loans receivable secured by securities	-23,507	4,314	-160,163
Increase/decrease in loans payable secured by securities	434,977	144,354	164,721
Increase/decrease in allowance for bad debts	-125	-743	-1,006
Increase/decrease in reserve for bonus	-2,066	-537	-238
Increase/decrease in reserve for retirement benefits	-1,892	-1,565	-2,861
Others	5,858	4,847	33,187
Subtotal	33,823	57,713	-25,343
Interest and dividends received	5,274	10,329	14,338
Interest paid	-3,891	-8,793	-10,358
Income taxes, etc. paid	-15,462	-8,337	-16,627
Cash flow from operating activities	19,743	50,911	-37,990
II	Cash flow from investing activities		
	-3,099	-2,220	-10,985
Payments for purchases of investment securities	1,765	3,121	11,840
Proceeds from the sale/redemption of investment securities	-580	-868	-1,406
Payments for purchases of tangible fixed assets	25	505	53
Proceeds from the sale of tangible fixed assets	-6,880	-4,582	-13,383
Payments for purchases of intangible fixed assets	345	45	700
Proceeds from sale of intangible fixed assets	—	-312	—
Payments for addition of long-term deposits	118	58	694
Proceeds from return on long-term deposits	226	706	-1,498
Others			
Cash flow from investing activities	-8,079	-3,547	-13,986
III	Cash flow from financing activities		
	-45,540	-62,358	16,368
Increase/decrease in short-term loans payable	39,800	10,300	33,000
Increase/decrease in commercial paper	12,982	—	12,982
Proceeds from issue of corporate bonds	—	—	15,000
Proceeds from long-term loans payable	-1,500	—	-16,500
Payments for long-term loans payable	-57	-93	-123
Payments for acquiring treasury stocks	137	100	837
Proceeds from sale of treasury stocks	-9,248	-9,219	-9,248
Dividend paid	—	75	1,263
Proceeds from issuing stock to minority shareholders	-161	-688	-161
Dividend paid to minority shareholders			
Cash flow from financing activities	-3,587	-61,883	53,418
IV	Effect of foreign exchange rate changes on cash and cash equivalents		
	128	-60	175
Increase/decrease in cash and cash equivalents	8,205	-14,580	1,617
VI	Balance of cash and cash equivalents at start of year		
	117,524	121,014	117,524
VII	Increase in cash and cash equivalents resulting from new consolidation		
	—	—	1,872
VIII	Balance of cash and cash equivalents at end of period		
	125,730	106,433	121,014

[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” (“Rules for 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 Cabinet Office Ordinance No.52 (2007) entitled “Cabinet Office Ordinance Concerning Financial Instruments Business” and the self-regulations entitled “Uniform Accounting Standards of Securities Companies”(Self-Regulation of the Japan Securities Dealers’ Association on 18 September 2007).

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

[Basic Important Matters for Preparation of Consolidated Financial Statements]

1. Matters regarding the scope of consolidation

(1) Consolidated subsidiaries (21 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. 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.

Non-equity-method affiliates (1 affiliate)

Misawa Kyoei KK

3. Matters concerning the interim closing date of consolidated subsidiaries

The interim closing date of consolidated subsidiaries are as follows:

End of September	16 subsidiaries
End of June	5 subsidiaries

For 5 consolidated subsidiaries with different interim closing dates to the consolidated interim closing date, financial statements as of each subsidiary’s interim closing date will be used. However, for important transactions that took place between the last interim closing date of each company and the consolidated interim closing date, adjustments necessary for the consolidation were performed.

4. Matters concerning the accounting standard

(1) Valuation method for significant assets

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

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

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

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

a) Bonds that are to be held to maturity

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

b) Other securities

Securities, etc. that have market values:

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

Securities, etc. that have no market values

Valued using the moving-average cost method.

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

(2) Depreciation methods used for significant depreciable assets

1) Tangible fixed assets

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

However, buildings acquired after 1 April 1998 (excluding the equipment, etc. they contain) are depreciated using the straight-line (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 (up to 5 years).

(3) Accounting standards for significant reserves and allowances

1) Allowance for bad debts

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

2) Reserve for bonus

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

3) Reserve for directors' bonus

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

4) Reserve for point service

To prepare for the cost burden for use of the Shinko Point Service in the future, the expected required amount is calculated for this interim period based on the usage rate.

Shinko Point Service commenced from October of 2006; and, the rational usage rate cannot be calculated; therefore, the amount reported for the end of this period is the amount equivalent to the total points given out to customers.

5) Reserve for business reorganization loss

In line with the commencement of closing procedures for Shinko Securities (Europe), the estimated amount of the cost burden involving office closing will be posted.

6) Reserve for retirement benefits

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

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

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

7) Reserve for directors' retirement benefits

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

8) Reserve for executive officers' retirement benefits

To prepare for the payment of retirement benefits for executive officers, the necessary amount for the end of this interim period will be posted in accordance with the inhouse regulations.

- (4) Standards for translating significant assets or liabilities denominated in foreign currencies into Japanese yen
Foreign currency denominated claims and obligations are translated into Japanese yen at the spot rate prevailing on the closing day of this interim 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 of this interim period. Any translation losses or gains are recorded in the net assets under the account "Foreign currency translation adjustment".

- (5) Handling of significant lease transaction

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

- (6) Method of significant hedge accounting

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

- (7) Accounting for consumption tax, etc.

The tax exclusion method is applied.

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

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

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

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

2. Financial contributions to limited partnerships had been recorded on "Investment securities" under "Fixed Asset"; however, with the increase in individual investments of recent years heightening its monetary importance, they will be recorded as "Investing securities for sale, etc." under "Current Assets." With this change, current assets increased 5.658 billion yen and fixed assets decreased accordingly.

In line with the above, the profit/loss and expenses for limited partnerships, which had been allocated as "Non-operating revenues" and "Non-operating expenses," respectively, will be allocated in "Profit or loss on investment securities for sale, etc.," resulting in an increase in an operating profit by 284 million yen. Ordinary profit and interim net profit before taxes, etc. are not affected by this change.

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

[Changes in the indication method]

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

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

Summary of Interim Consolidated Financial Statements for the Period Ended September 2007
Shinko Securities (8606)

[Notes to consolidated balance sheets]

	First half to 30 September 2006	First half to 30 September 2007	Financial year to 31 March 2007 (In millions of yen)
1. Accumulated depreciation of tangible fixed assets	16,832	17,320	16,751
2. Guarantee obligations (guarantee exercise anticipated)	1,129 (1,040)	958 (879)	1,037 (952)

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

	First half to 30 September 2006	First half to 30 September 2007	Financial year to 31 March 2007 (In millions of yen)
Corporate bonds	13,000	13,000	13,000
Long-term borrowings (incl. those that mature within 1 year)	40,050	38,550	40,050

[Notes to consolidated income statement]

	First half from 1 April 2006 to 30 September 2006	First half from 1 April 2007 to 30 September 2007	Financial year from 1 April 2006 to 31 March 2007 (In millions of yen)
Extraordinary profits			
Profit from sale of fixed assets	17	337	17
Profit from sale of investment securities	30	419	4,941
Software licensing fees	859	—	859
Profit from affiliate liquidation	—	214	—
Reversal from reserve for securities transaction liabilities	62	252	241
Reversal from allowance for bad debts	253	33	251
Extraordinary losses			
Loss from sale of fixed assets	22	17	59
Loss from disposition of fixed assets	73	48	385
Loss from sale of investment securities	—	26	27
Write-down of investment securities	106	268	293
Loss from change in IT system	193	—	296
Provision of reserve for past directors' retirement benefits	—	—	478
Business reorganization loss	—	—	136
Merger expenses	—	210	—
Provision of allowance for bad debts	23	—	70

[Notes to consolidated statement of Changes in Net Assets]

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

1. Matters related to issued shares

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

2. Matters related to treasury stock

	Shares at end of previous period (x 1,000)	Shares increased in this interim period (x 1,000)	Shares decreased in this interim period (x 1,000)	Shares at end of this interim period (x 1,000)
Treasury stock Common stock	40,448	118	408	40,158
Total	40,448	118	408	40,158

(Notes)

- The number of common stock held in treasury stock increased by 118,000 shares. This increase resulted from the purchase of odd-lot shares.
- The number of common stock held in treasury stock decreased by 408,000 shares. A decrease of 11,000 shares resulted from a request to increase a purchase of odd-lot shares, while a decrease of 397,000 shares resulted from the exertion of stock option rights.

3. Matters related to dividends

(1) Dividends paid

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

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

None

First-Half for the Financial Year Ending 31 March 2008 (1 April 2007 - 30 September 2007)

1. Matters related to issued shares

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

2. Matters related to treasury stock

	Shares at end of previous period (x 1,000)	Shares increased in this interim period (x 1,000)	Shares decreased in this interim period (x 1,000)	Shares at end of this interim period (x 1,000)
Treasury stock Common stock	38,182	157	298	38,042
Total	38,182	157	298	38,042

(Notes)

- The number of common stock held in treasury stock increased by 157,000 shares. This increase resulted from the purchase of odd-lot shares.
- The number of common stock held in treasury stock decreased by 298,000 shares. A decrease of 6,000 shares resulted from a request to increase a purchase of odd-lot shares, while a decrease of 292,000 shares resulted from the exertion of stock option rights.

3. Matters related to dividends

(1) Dividends paid

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

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

None

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

1. Matters related to issued shares

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

2. Matters related to treasury stock

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

(Notes)

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

3. Matters related to dividends

(1) Dividends paid

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

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

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

[Notes to the interim consolidated cash flow statement]

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

	First half from 1 April 2006 to 30 September 2006	First half from 1 April 2007 to 30 September 2007	Financial year from 1 April 2006 to 31 March 2007 (In millions of yen)
Cash and due from banks	125,952	106,617	121,197
Time deposits more than 3 months	-222	-183	-182
Cash and cash equivalents	125,730	106,433	121,014

Segment Information

1. Business segment information

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

2. Geographical segment information

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

3. Overseas gross sales (operating revenues)

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

Market or Fair Values of Securities and Derivatives

(For this interim period and the previous interim period)

1. Trading-related

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

(In millions of yen)

Type	As of 30 September 2006		As of 30 September 2007	
	Assets	Liabilities	Assets	Liabilities
Equities and warrants	84,621	7,815	81,926	27,943
Bonds	1,564,478	1,239,012	940,821	701,481
CP and CD	17,989	—	15,979	—
Beneficiary securities, etc.	2,608	844	1,342	37

(2) Notional amounts and market values of derivative contracts

(In millions of yen)

Type	As of 30 September 2006				As of 30 September 2007			
	Assets		Liabilities		Assets		Liabilities	
	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value
Options contracts	185,606	3,372	98,041	244	121,068	10,630	74,073	2,217
Forward exchange contracts	19,194	100	56,556	226	31,289	131	33,552	292
Futures/forward contracts	226,675	992	38,722	232	13,280	18	95,573	1,995
Swap contracts	74,252	981	64,074	826	65,782	1,645	58,883	1,550

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

2. Non-trading-related

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

(In millions of yen)

Type	As of 30 September 2006			As of 30 September 2007		
	Value on consolidated balance sheets	Market value	Gain/loss	Value on consolidated balance sheets	Market value	Gain/loss
Governmental / local bonds	500	498	-1	2,198	2,197	-0
Corporate bonds	4,096	4,084	-11	10,098	10,087	-11
Others	—	—	—	—	—	—
Total	4,596	4,582	-13	12,296	12,284	-11

(2) Other securities with readily determinable market values

(In millions of yen)

Type	As of 30 September 2006			As of 30 September 2007		
	Acquisition cost	Value on consolidated balance sheets	Balance	Acquisition cost	Value on consolidated balance sheets	Balance
Equities	24,896	56,892	31,996	23,435	53,694	30,258
	(—)	(—)	(—)	(299)	(462)	(162)
Bonds	—	—	—	—	—	—
Others	4,355	5,459	1,103	4,191	5,286	1,094
Total	29,251	62,351	33,100	27,627	58,980	31,352
	(—)	(—)	(—)	(299)	(462)	(162)

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

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

(In millions of yen)

Type	As of 30 September 2006	As of 30 September 2007
	Value on consolidated balance sheets	Value on consolidated balance sheets
Bonds to be held to maturity	—	—
Governmental /local bonds	—	—
Corporate bonds	—	—
Others	—	—
Other securities	18,912	19,110
	(2,142)	(13,078)
Unlisted equities	8,059	12,374
	(2,139)	(7,342)
Unlisted bonds	3	2
	(3)	(2)
Others	10,849	6,733
	(—)	(5,733)

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

(For previous financial year)

1. Trading-related

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

(In millions of yen)

Type	As of 31 March 2007	
	Assets	Liabilities
Equities and warrants	106,401	6,177
Bonds	1,167,039	1,131,291
CP and CD	41,971	—
Beneficiary securities, etc.	652	429

(2) Notional amounts and market values of derivative contracts

(In millions of yen)

Type	As of 31 March 2007			
	Assets		Liabilities	
	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value
Options contracts	136,155	4,574	34,045	143
Forward exchange contracts	8,687	65	47,312	346
Futures/forward contracts	45,550	143	197,099	1,058
Swap contracts	65,961	1,087	52,878	920

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

2. Non-trading-related

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

(In millions of yen)

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

(2) Other securities with readily determinable market values

(In millions of yen)

Type	As of 31 March 2007		
	Acquisition cost	Value on consolidated balance sheets	Balance
Market value higher than value recorded on consolidated balance sheets	23,647 (157)	57,078 (318)	33,431 (161)
Equities	20,393 (157)	52,373 (318)	31,979 (161)
Bonds	—	—	—
Governmental/local bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Others	3,253	4,705	1,452
Market value lower than or equal to value recorded on consolidated balance sheets	3,062	2,562	-499
Equities	2,760	2,268	-491
Bonds	—	—	—
Governmental/local bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Others	301	293	-7

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

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

(In millions of yen)

Type	As of 31 March 2007	
	Value on consolidated balance sheets	
Bonds to be held to maturity	—	
Governmental /local bonds	—	
Corporate bonds	—	
Others	—	
Other securities	20,919	
	(8,447)	
Unlisted equities	14,340	
	(8,444)	
Unlisted bonds	3	
	(3)	
Others	6,575	

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

Per share information

First Half from 1 April 2006 to 30 September 2006		First Half from 1 April 2007 to 30 September 2007		Financial year from 1 April 2006 to 31 March 2007	
Net assets per share	349.56	Net assets per share	370.66	Net assets per share	368.49
Net profit per share	9.93	Net profit per share	16.13	Net profit per share	28.45
Net profit per share (diluted)	9.91	Net profit per share (diluted)	16.11	Net profit per share (diluted)	28.38

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

	First half from 1 April 2006 to 31 March 2006	First half from 1 April 2007 to 31 March 2007	Financial year from 1 April 2006 to 31 March 2007
Net assets per share			
Net profit (in millions of yen)	7,655	12,470	21,935
Amount not attributed to common stock (in millions of yen)	—	—	—
Net profit attributed to common stocks (in millions of yen)	7,655	12,470	21,935
Average number of shares outstanding (in thousands of shares)	770,785	773,027	771,121
Net profit per share (diluted)			
Adjustment amounts to net profit (in millions of yen)	—	—	—
Increase in common stocks (in thousands of shares)	1,856	1,273	1,790
(Those with subscription rights to shares (in thousands of shares))	(1,856)	(1,273)	(1,790)
The outline of potential shares not included in the calculation of net profit per share (diluted) because of not having diluting effects	—	—	—

Data on Consolidated Settlement of Accounts

1. Commissions and fees received

(1) Breakdown by categories

(In millions of yen)

	First half from 1 April 2006 to 30 September 2006	First half from 1 April 2007 to 30 September 2007	Year on year		Financial year from 1 April 2006 to 31 March 2007
			Increase/ decrease	% change	
Brokerage commissions	18,163	16,512	-1,651	90.9	36,876
(Equities)	(18,054)	(16,459)	(-1,594)	(91.2)	(36,692)
(Bonds)	(80)	(18)	(-61)	(23.3)	(117)
Underwriting & selling fees	3,839	2,165	-1,674	56.4	8,235
(Equities)	(3,190)	(1,685)	(-1,505)	(52.8)	(7,098)
(Bonds)	(648)	(480)	(-168)	(74.0)	(1,119)
Offering & selling fees and commissions	8,966	10,600	1,633	118.2	19,143
Other fees and commissions	12,720	14,727	2,006	115.8	26,860
Total	43,690	44,005	315	100.7	91,115

(2) Breakdown by products

(In millions of yen)

	First half from 1 April 2006 to 30 September 2006	First half from 1 April 2007 to 30 September 2007	Year on year		Financial year from 1 April 2006 to 31 March 2007
			Increase/ decrease	% change	
Equities	21,629	18,304	-3,324	84.6	44,374
Bonds	1,165	889	-276	76.3	2,082
Beneficiary securities	16,152	20,330	4,178	125.9	34,610
Others	4,742	4,481	-261	94.5	10,047
Total	43,690	44,005	315	100.7	91,115

2. Trading profits

(In millions of yen)

	First half from 1 April 2006 to 30 September 2006	First half from 1 April 2007 to 30 September 2007	Year on year		Financial year from 1 April 2006 to 31 March 2007
			Increase/ decrease	% change	
Equities	1,993	8,458	6,464	424.3	8,019
Bonds, others	14,356	22,602	8,246	157.4	34,084
(Bonds)	(15,265)	(24,626)	(9,360)	(161.3)	(37,279)
(Others)	(-909)	(-2,023)	(-1,113)	(-)	(-3,195)
Total	16,349	31,061	14,711	190.0	42,104

(Reference)

Quarterly Changes in Consolidated Statement of Income

(In millions of yen)

	Second quarter of previous financial year	Third quarter of previous financial year	Fourth quarter of previous financial year	First quarter of current financial year	Second quarter of current financial year
Operating revenues	31,929	37,878	42,911	44,549	40,176
Commissions and fees received	20,378	22,811	24,613	23,397	20,608
Brokerage commissions	7,668	8,681	10,031	8,772	7,739
(Equities)	(7,602)	(8,641)	(9,996)	(8,746)	(7,713)
(Bonds)	(54)	(21)	(15)	(11)	(6)
Underwriting & selling fees	2,040	2,237	2,157	1,248	917
(Equities)	(1,778)	(1,971)	(1,936)	(1,016)	(669)
(Bonds)	(261)	(266)	(204)	(231)	(248)
Offering & selling fees and commissions	4,496	4,604	5,571	5,877	4,723
Other fees and commissions	6,172	7,288	6,851	7,499	7,228
Trading profit or loss	8,128	11,470	14,284	16,371	14,689
Equities	765	3,234	2,791	3,631	4,826
Bonds, others	7,362	8,235	11,492	12,739	9,863
(Bonds)	(8,996)	(10,411)	(11,602)	(16,731)	(7,895)
(Others)	(-1,634)	(-2,175)	(-109)	(-3,991)	(1,968)
Profit or loss on investment securities for sale, etc.	-61	76	-462	274	-92
Financial revenues	3,484	3,519	4,477	4,506	4,970
Financial expenses	2,660	2,969	3,486	4,306	4,500
Net operating revenues	29,268	34,909	39,425	40,243	35,675
Selling, general and administrative expenses	26,676	28,121	30,344	29,815	29,783
Transaction expenses	4,154	4,329	4,297	4,309	4,796
Personnel expenses	13,133	13,881	15,399	15,052	14,284
Real estate expenses	3,716	3,654	3,765	3,871	3,977
Office expenses	2,077	2,237	2,289	2,136	2,295
Depreciation	2,235	2,899	3,087	3,079	2,950
Taxes and dues	300	286	343	463	337
Others	1,058	832	1,161	902	1,141
Operating profit	2,591	6,787	9,080	10,427	5,891
Non-operating revenues	1,448	1,110	1,430	1,276	1,227
Investment profit on equity method	-2	40	-65	21	3
Others	1,450	1,069	1,496	1,255	1,224
Non-operating expenses	570	210	69	400	582
Ordinary profit	3,470	7,687	10,441	11,304	6,537
Extraordinary profits	958	3,537	1,548	328	929
Extraordinary losses	387	256	1,073	309	261
Net profit before taxes, etc.	4,041	10,968	10,916	11,323	7,205
Income taxes	1,604	2,164	5,531	2,361	3,565
Adjustment amount for income taxes	-72	1,405	-1,614	1,522	-1,933
Minority interest	-46	270	-153	189	352
Net profit	2,555	7,128	7,151	7,249	5,220

V. Non-consolidated Financial Statements

Non-consolidated Balance Sheets

(In millions of yen)

	First half to 30 September 2006	First half to 30 September 2007	Year-on-year increase/decrease	Financial year to 31 March 2007
Assets				
Current assets	3,811,021	3,234,697	-576,323	3,542,039
Cash and due from banks	106,288	95,978	-10,310	107,086
Fund deposits	60,032	62,520	2,487	83,049
Trading products	1,673,974	1,052,196	-621,777	1,320,824
Trading securities, etc.	1,668,528	1,039,769	-628,759	1,314,953
Derivative assets	5,445	12,427	6,981	5,870
Trade date accrual	60,806	—	-60,806	—
Investment securities for sale, etc.	—	10,117	10,117	—
Margin transaction assets	111,299	96,815	-14,484	110,858
Customers' loans receivable in margin transactions	104,040	79,208	-24,831	102,846
Collateral for borrowed securities for margin transactions	7,259	17,606	10,347	8,011
Loans receivable secured by securities	1,755,258	1,887,599	132,341	1,891,914
Collateral for borrowed securities	1,725,178	1,796,570	71,391	1,871,826
Loans receivable in gensaki transactions	30,079	91,029	60,949	20,087
Advances	94	470	376	156
Accounts for non-delivered securities and others	67	—	-67	173
Short-term loans receivable	11,702	11,628	-74	11,473
Deferred income tax assets	3,009	3,394	385	2,880
Other current assets	28,610	14,055	-14,555	13,729
Allowance for bad debts	-123	-78	44	-106
Fixed assets	147,110	134,674	-12,435	147,726
Tangible fixed assets	6,034	6,343	308	6,268
Intangible fixed assets	32,792	33,057	264	34,095
Investments and other assets	108,284	95,274	-13,009	107,362
Investment securities	96,659	83,333	-13,325	96,001
Long-term deposits	8,376	8,351	-25	8,102
Other investments	8,236	6,946	-1,289	7,392
Allowance for bad debts	-4,987	-3,357	1,630	-4,132
Total assets	3,958,132	3,369,372	-588,759	3,689,766

Summary of Interim Consolidated Financial Statements for the Period Ended September 2007
Shinko Securities (8606)

(In millions of yen)

	First half to 30 September 2006	First half to 30 September 2007	Year-on-year increase/decrease	Financial year to 31 March 2007
Liabilities				
Current liabilities	3,615,347	3,010,159	-605,187	3,330,272
Trading products	1,249,203	735,518	-513,684	1,140,368
Trading securities, etc.	1,247,673	729,462	-518,210	1,137,898
Derivative liabilities	1,530	6,056	4,526	2,469
Trade date accrual	—	36,454	36,454	32,703
Margin transaction liabilities	65,100	33,001	-32,098	58,606
Customers' loans payable for margin transactions	60,836	30,735	-30,101	54,400
Collateral for loaned securities for margin transactions	4,263	2,266	-1,997	4,206
Loans payable secured by securities	1,751,641	1,625,740	-125,901	1,481,385
Amounts receivable on loan transactions	1,614,152	1,445,680	-168,471	1,370,140
Loans payable in gensaki transactions	137,489	180,059	42,569	111,244
Deposits received	60,749	61,339	590	53,148
Received margins	25,807	46,800	20,992	40,228
Accounts for non-received securities and others	47	2	-44	—
Short-term loans payable	322,260	320,970	-1,290	381,208
Commercial paper	124,000	127,500	3,500	117,200
Income taxes payable	1,724	4,746	3,021	7,225
Reserve for bonus	4,300	5,600	1,300	5,720
Reserve for directors' bonus	—	—	—	282
Reserve for point service	—	681	681	401
Reserve for affiliate reorganization loss	—	836	836	536
Other current liabilities	10,511	10,968	456	11,256
Fixed liabilities	80,110	81,563	1,453	84,150
Corporate bonds	33,000	33,000	—	33,000
Long-term loans payable	24,550	30,700	6,150	30,700
Deferred tax liabilities	12,012	11,668	-344	12,096
Reserve for retirement benefits	8,333	4,360	-3,973	5,889
Reserve for directors' retirement benefits	—	303	303	331
Reserve for executive officers' retirement benefits	—	626	626	753
Other fixed liabilities	2,214	906	-1,307	1,378
Statutory reserve	1,057	626	-431	879
Total liabilities	3,696,515	3,092,350	-604,165	3,415,301
Net assets				
Shareholders' equity	242,384	258,884	16,500	255,557
Common stock	125,167	125,167	—	125,167
Capital surplus	82,151	82,492	340	82,448
Capital reserve	51,407	51,407	—	51,407
Other capital surplus	30,744	31,084	340	31,041
Retained earnings	42,740	58,599	15,858	55,279
Other Retained earnings	42,740	58,599	15,858	55,279
Retained earnings carried-forward to next term	42,740	58,599	15,858	55,279
Treasury stock	-7,674	-7,373	300	-7,337
Valuation and translation adjustments	19,232	18,137	-1,094	18,907
Net unrealized gains on other securities, net of taxes	19,232	18,137	-1,094	18,907
Total net assets	261,617	277,022	15,405	274,465
Total liabilities and net assets	3,958,132	3,369,372	-588,759	3,689,766

Non-consolidated Statement of Income

(In millions of yen)

	First half from 1 April 2006 to 30 September 2006	First half from 1 April 2007 to 30 September 2007	Year on Year		Financial year from 1 April 2006 to 31 March 2007
			Increase/ decrease	% change	
Operating revenues	61,040	78,919	17,878	129.3	137,514
Commissions and fees received	39,587	38,912	-675	98.3	82,670
Trading profit or loss	16,305	30,748	14,442	188.6	41,897
Profit or loss on investment securities for sale, etc.	—	-14	-14	—	—
Financial revenues	5,147	9,273	4,126	180.2	12,945
Financial expenses	3,832	8,592	4,760	224.2	10,155
Net operating revenues	57,208	70,326	13,118	122.9	127,358
Selling, general and administrative expenses	49,886	55,842	5,956	111.9	104,902
Transaction expenses	7,052	8,092	1,039	114.7	14,838
Personnel expenses	23,314	25,167	1,853	107.9	48,313
Real estate expenses	6,943	7,583	639	109.2	14,035
Office expenses	6,451	7,621	1,169	118.1	14,192
Depreciation	4,246	5,587	1,341	131.6	9,540
Taxes and dues	539	570	31	105.9	1,074
Others	1,338	1,220	-118	91.2	2,908
Operating profit	7,322	14,483	7,161	197.8	22,456
Non-operating revenues	2,691	2,692	1	100.0	4,016
Non-operating expenses	332	313	-19	94.1	616
Ordinary profit	9,681	16,863	7,182	174.2	25,856
Extraordinary profits	1,310	600	-709	45.8	5,778
Extraordinary losses	695	463	-232	66.6	1,885
Net profit before taxes, etc.	10,296	17,000	6,704	165.1	29,749
Income taxes	1,250	4,852	3,602	388.2	8,034
Adjustment amount for income taxes	2,011	-445	-2,456	—	2,140
Net profit	7,034	12,594	5,559	179.0	19,574

Non-consolidated Statement of Changes in Net Assets

First-Half for the Financial Year Ending 31 March 2007 (1 April 2006 - 30 September 2006) (In millions of yen)

	Shareholders' equity							Valuation and translation adjustments	Total net assets
	Common stock	Capital surplus			Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on other securities, net of taxes	
		Capital reserve	Other capital surplus	Total capital surplus					
Balance as of 31 March 2006	125,167	51,407	30,684	82,092	45,323	-7,695	244,887	22,431	267,319
Amounts of changes in 1st half									
Distribution of surplus*					-9,248		-9,248		-9,248
Officer's bonus*					-370		-370		-370
Net profit					7,034		7,034		7,034
Acquisition of treasury stocks						-57	-57		-57
Disposal of treasury stock			59	59		77	137		137
Net amount of change in 1st half for non-stockholder-capital items								-3,198	-3,198
Total amount of change in 1st half	—	—	59	59	-2,583	20	-2,503	-3,198	-5,701
Balance as of 30 September 2006	125,167	51,407	30,744	82,151	42,740	-7,674	242,384	19,232	261,617

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

First-Half for the Financial Year Ending 31 March 2008 (1 April 2007 - 30 September 2007) (In millions of yen)

	Shareholders' equity							Valuation and translation adjustments	Total net assets
	Common stock	Capital surplus			Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on other securities, net of taxes	
		Capital reserve	Other capital surplus	Total capital surplus					
Balance as of 31 March 2007	125,167	51,407	31,041	82,448	55,279	-7,337	255,557	18,907	274,465
Amounts of changes in 1st half									
Distribution of surplus*					-9,275		-9,275		-9,275
Net profit					12,594		12,594		12,594
Acquisition of treasury stocks						-93	-93		-93
Disposal of treasury stock			43	43		57	100		100
Net amount of change in 1st half for non-stockholder-capital items								-769	-769
Total amount of change in 1st half	—	—	43	43	3,319	-35	3,327	-769	2,557
Balance as of 30 September 2007	125,167	51,407	31,084	82,492	58,599	-7,373	258,884	18,137	277,022

Summary of Interim Consolidated Financial Statements for the Period Ended September 2007
Shinko Securities (8606)

Financial year from 1 April 2006 to 31 March 2007

(In millions of yen)

	Shareholders' equity							Valuation and translation adjustments	Total net assets
	Common stock	Capital surplus			Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on other securities, net of taxes	
		Capital reserve	Other capital surplus	Total capital surplus					
Balance as of 31 March 2006	125,167	51,407	30,684	82,092	45,323	-7,695	244,887	22,431	267,319
Amounts of changes during the year									
Distribution of surplus*					-9,248		-9,248		-9,248
Officer's bonus*					-370		-370		-370
Net profit					19,574		19,574		19,574
Acquisition of treasury stocks						-123	-123		-123
Disposal of treasury stock			356	356		481	837		837
Net amount of change during the year for non-stockholder-capital items								-3,524	-3,524
Total amount of change during the year	—	—	356	356	9,956	357	10,670	-3,524	7,146
Balance as of 31 March 2007	125,167	51,407	31,041	82,448	55,279	-7,337	255,557	18,907	274,465

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

[Non-consolidated financial statements]

These non-consolidated financial statements follow the provisions of Ministry of Finance (MoF) Ordinance No.38 (1977) entitled “The Rules for Terms, Formats, and Preparation Method of Interim Financial Statements” (“Rules for Interim Financial Statements”) and also comply with the provisions stipulated in Articles 38 and 57 of said ordinance. In addition, they are compiled in accordance with Cabinet Office Ordinance No.52 (2007) entitled “Cabinet Office Ordinance Concerning Financial Instruments Business” and the self-regulations entitled “Uniform Accounting Standards of Securities Companies” (Self-Regulation of the Japan Securities Dealers’ Association on 18 September 2007).

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

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

1. Valuation method for securities

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

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

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

1) Shares of subsidiaries and affiliates

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

2) Other securities

a) Securities, etc. that have market values:

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

b) Securities, etc. that have no market values

Valued using the moving-average cost method.

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

2. Depreciation methods used for fixed assets

(1) Tangible fixed assets

The fixed-percentage method is mainly used.

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

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

The straight-line method is used.

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

3. Accounting standards for reserves and allowances

(1) Allowance for bad debts

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

(2) Reserve for bonus

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

(3) Reserve for directors' bonus

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

(4) Reserve for point service

To prepare for the cost burden for use of the Shinko Point Service in the future, the expected required amount is calculated for this term based on the usage rate.

Shinko Point Service commenced from October of 2006; and, the rational usage rate cannot be calculated; therefore, the amount reported for the end of this period is the amount equivalent to the total points given out to customers.

(5) Reserve for affiliate reorganization loss

In line with the commencement of closing procedures for Shinko Securities (Europe), the estimated amount of the cost burden involving office closing will be posted.

(6) Reserve for retirement benefits

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

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

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

(7) Reserve for directors' retirement benefits

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

(8) Reserve for executive officers' retirement benefits

To prepare for the payment of retirement benefits for executive officers, the necessary amount for the end of this interim period will be posted in accordance with the inhouse regulations.

4. Handling of lease transaction

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

5. Method of hedge accounting

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

6. Accounting for consumption tax, etc.

The tax exclusion method is applied.

[Change in Accounting Method]

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

2. Financial contributions to limited partnerships had been recorded on "Investment securities" under "Fixed Asset"; however, with the increase in individual investments of recent years heightening its monetary importance, they will be recorded as "Investing securities for sale, etc." under "Current Assets." With this change, current assets increased 10.117 billion yen and fixed assets decreased accordingly.

In line with the above, the profit/loss and expenses for limited partnerships, which had been allocated as "Non-operating revenues" and "Non-operating expenses," respectively, will be allocated in "Profit or loss on investment securities for sale, etc.," resulting in an increase in an operating profit by 14 million yen. Ordinary

Summary of Interim Consolidated Financial Statements for the Period Ended September 2007
Shinko Securities (8606)

profit and interim net profit before taxes, etc. are not affected by this change.

Furthermore, in the interim consolidated cash flow statement, cash flow generated from investment to limited partnerships had been included in “Cash flow from investment activities”, but will be included in “Cash flow from operating activities” from this interim period.

[Notes to non-consolidated balance sheets]

	First half to 30 September 2006	First half to 30 September 2007	Financial year to 31 March 2007 (In millions of yen)
1. Accumulated depreciation of tangible fixed assets	6,549	6,604	6,445
2. Guarantee obligations	18,819	15,258	16,837
(guarantee exercise anticipated)	(18,730)	(15,179)	(16,752)

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

3. Subordinated borrowings

Among our corporate bonds and long-term borrowings (including those that mature within one year), there are the following subordinated obligations (corporate bonds and borrowings with special subordinating conditions) as defined in Article 176 of Cabinet Office Ordinance No.52 (2007) entitled “Cabinet Office Ordinance Concerning Financial Instruments Business”.

	First half to 30 September 2006	First half to 30 September 2007	Financial year to 31 March 2007 (In millions of yen)
Corporate bonds	13,000	13,000	13,000
Long-term borrowings (incl. those that mature within one year)	40,050	38,550	40,050

[Notes to non-consolidated statement of income]

	First half from 1 April 2006 to 30 September 2006	First half from 1 April 2007 to 30 September 2007	Financial year from 1 April 2006 to 31 March 2007 (In millions of yen)
Extraordinary profits			
Profit from sale of investment securities	145	77	4,442
Software licensing fees	859	—	859
Profit from affiliate liquidation	—	214	—
Reversal from reserve for securities transaction liabilities	63	252	242
Reversal from allowance for bad debts	242	55	234
Extraordinary losses			
Loss from sale of fixed assets	—	3	—
Loss from disposition of fixed assets	61	37	171
Loss from sale of investment securities	—	26	21
Write-down of investment securities	106	185	293
Loss from change in IT system	526	—	615
Provision of reserve for past directors' retirement benefits	—	—	224
Provision of reserve for affiliate reorganization loss	—	—	536
Merger expenses	—	210	—
Provision of allowance for bad debts	0	—	21

[Notes to consolidated statement of shareholders' equity]

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

Matters related to type and quantities of treasury stock

	Shares at end of previous period (x 1,000)	Shares increased in this interim period (x 1,000)	Shares decreased in this interim period (x 1,000)	Shares at end of this interim period (x 1,000)
Treasury stock				
Common stock	40,437	118	408	40,148
Total	40,437	118	408	40,148

(Notes)

1. The number of common stock held in treasury stock increased by 118,000 shares. This increase resulted from the purchase of odd-lot shares.
2. The number of common stock held in treasury stock decreased by 408,000 shares. A decrease of 11,000 shares resulted from a request to increase a purchase of odd-lot shares, while a decrease of 397,000 shares resulted from the excretion of stock option rights.

First-Half for the Financial Year Ending 31 March 2008 (1 April 2007 - 30 September 2007)

Matters related to type and quantities of treasury stock

	Shares at end of previous period (x 1,000)	Shares increased in this interim period (x 1,000)	Shares decreased in this interim period (x 1,000)	Shares at end of this interim period (x 1,000)
Treasury stock				
Common stock	38,172	157	298	38,031
Total	38,172	157	298	38,031

(Notes)

1. The number of common stock held in treasury stock increased by 157,000 shares. This increase resulted from the purchase of odd-lot of shares.
2. The number of common stock held in treasury stock decreased by 298,000 shares. A decrease of 6,000 shares resulted from a request to increase a purchase of odd-lot shares, while a decrease of 292,000 shares resulted from the excretion of stock option rights.

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

Matters related to type and quantities of treasury stock

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

(Notes)

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

Data on Non-consolidated Settlement of Accounts

1. Commissions and fees received

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

	First half from 1 April 2006 to 30 September 2006	First half from 1 April 2007 to 30 September 2007	Year on year		Financial year from 1 April 2006 to 31 March 2007
			Increase/ decrease	% change	
Brokerage commissions	17,470	15,644	-1,825	89.6	35,357
(Equities)	(17,361)	(15,593)	(-1,768)	(89.8)	(35,175)
(Bonds)	(79)	(18)	(-61)	(23.4)	(117)
Underwriting & selling fees	3,839	2,164	-1,675	56.4	8,234
(Equities)	(3,190)	(1,684)	(-1,506)	(52.8)	(7,098)
(Bonds)	(648)	(480)	(-168)	(74.0)	(1,119)
Offering & selling fees and commissions	8,861	10,513	1,652	118.6	18,925
Other fees and commissions	9,416	10,589	1,172	112.5	20,153
Total	39,587	38,912	-675	98.3	82,670

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

	First half from 1 April 2006 to 30 September 2006	First half from 1 April 2007 to 30 September 2007	Year on year		Financial year from 1 April 2006 to 31 March 2007
			Increase/ decrease	% change	
Equities	20,923	17,424	-3,498	83.3	42,830
Bonds	1,161	885	-275	76.3	2,076
Beneficiary securities	13,209	16,456	3,246	124.6	28,290
Others	4,293	4,145	-148	96.5	9,472
Total	39,587	38,912	-675	98.3	82,670

2. Trading profits (In millions of yen)

	First half from 1 April 2006 to 30 September 2006	First half from 1 April 2007 to 30 September 2007	Year on year		Financial year from 1 April 2006 to 31 March 2007
			Increase/ decrease	% change	
Equities	2,006	8,461	6,454	421.6	8,033
Bonds, others	14,299	22,286	7,987	155.9	33,864
(Bonds)	(15,209)	(24,310)	(9,101)	(159.8)	(37,059)
(Others)	(-910)	(-2,023)	(-1,113)	(-)	(-3,195)
Total	16,305	30,748	14,442	188.6	41,897

Summary of Interim Consolidated Financial Statements for the Period Ended September 2007
Shinko Securities (8606)

3. Volume of equity trading (except for futures contracts) (In millions of shares/millions of yen)

	First half from 1 April 2006 to 30 September 2006		First half from 1 April 2007 to 30 September 2007		% change from same period last year		Financial year from 1 April 2006 to 31 March 2007	
	# of shares	Total value	# of shares	Total value	# of shares	Total value	# of shares	Total value
Total	5,160	9,440,574	6,007	5,745,321	116.4	60.9	11,660	15,678,124
(Dealing)	(1,510)	(1,633,439)	(2,543)	(1,793,457)	(168.4)	(109.8)	(4,108)	(3,373,338)
(Brokerage)	(3,650)	(7,807,135)	(3,464)	(3,951,864)	(94.9)	(50.6)	(7,551)	(12,304,786)
Brokerage ratio	70.7%	82.7%	57.7%	68.8%			64.8%	78.5%
Shares of total for TSE	0.92%	0.81%	0.71%	0.64%			0.88%	0.78%

4. Volume of underwriting, offering, and selling (In millions of shares/millions of yen)

			First half from 1 April 2006 to 30 September 2006	First half from 1 April 2007 to 30 September 2007	% change from same period last year	Financial year from 1 April 2006 to 31 March 2007
Underwritten	Equities	(# of shares)	37	8	23.2	72
	Equities	(Total value)	64,762	31,313	48.4	155,937
	Bonds	(Total at face value)	387,486	458,060	118.2	958,915
	Commercial paper, foreign instruments, etc.	(Total at face value)	2,149,306	3,201,527	149.0	5,045,879
Offered and sold*	Equities	(# of shares)	37	8	23.2	72
	Equities	(Total value)	67,892	32,889	48.4	163,250
	Bonds	(Total at face value)	671,576	813,268	121.1	1,562,946
	Beneficiary securities	(Total at face value)	1,661,587	1,964,652	118.2	3,616,902
	Commercial paper, foreign instruments, etc.	(Total at face value)	2,149,086	3,200,727	148.9	5,090,591

* Includes volume sold and volume privately placed.

5. Capital adequacy requirement ratio (In millions of shares/millions of yen)

		As of 30 September 2006	As of 30 September 2007	As of 31 March 2007
Basic items	Total capital (A)	242,384	258,884	246,282
Supplemental items	Difference in valuation (valuation revenues) of other securities, etc.	19,232	18,137	18,907
	Reserve for securities transaction liabilities, etc.	1,057	626	879
	Allowance for bad debts	123	78	106
	Subordinated long-term debt	13,000	18,000	18,000
	Subordinated short-term debt	40,050	33,550	35,050
	Total (B)	73,463	70,392	72,943
Deducted assets (C)		100,346	96,910	98,370
Non-fixed equity amount (D)	(A)+(B)-(C)	215,501	232,366	220,855
Amount equivalent to risk	Amount equivalent to market risk	20,754	16,985	19,369
	Amount equivalent to counterparty risk	6,876	6,790	6,678
	Amount equivalent to fundamental risk	24,642	27,212	25,607
	Total (E)	52,272	50,988	51,654
Capital adequacy requirement ratio	(D)/(E)*100	412.2%	455.7%	427.5%

(Reference)

Quarterly Changes in Consolidated Statement of Income

(In millions of yen)

	Second quarter of previous financial year	Third quarter of previous financial year	Fourth quarter of previous financial year	First quarter of current financial year	Second quarter of current financial year
Operating revenues	29,797	35,402	41,070	41,567	37,351
Commissions and fees received	18,310	20,585	22,497	20,802	18,109
Brokerage commissions	7,333	8,292	9,595	8,326	7,318
(Equities)	(7,268)	(8,253)	(9,559)	(8,299)	(7,293)
(Bonds)	(53)	(21)	(15)	(11)	(6)
Underwriting & selling fees	2,040	2,237	2,157	1,248	916
(Equities)	(1,778)	(1,971)	(1,936)	(1,016)	(667)
(Bonds)	(261)	(266)	(204)	(231)	(248)
Offering & selling fees and commissions	4,439	4,560	5,503	5,830	4,682
Other fees and commissions	4,497	5,494	5,242	5,397	5,191
Trading profit or loss	8,090	11,408	14,183	16,232	14,515
Equities	770	3,237	2,789	3,631	4,830
Bonds, others	7,320	8,171	11,393	12,601	9,684
(Bonds)	(8,954)	(10,347)	(11,503)	(16,593)	(7,716)
(Others)	(-1,634)	(-2,175)	(-109)	(-3,991)	(1,968)
Profit or loss on investment securities for sale, etc.	—	—	—	158	-172
Financial revenues	3,396	3,408	4,389	4,374	4,899
Financial expenses	2,566	2,875	3,447	4,198	4,393
Net operating revenues	27,230	32,526	37,623	37,368	32,958
Selling, general and administrative expenses	24,228	26,463	28,552	27,805	28,037
Transaction expenses	3,713	3,939	3,845	3,880	4,211
Personnel expenses	10,953	11,760	13,238	12,881	12,285
Real estate expenses	3,502	3,451	3,640	3,654	3,928
Office expenses	3,282	4,003	3,736	3,705	3,915
Depreciation	1,897	2,552	2,741	2,806	2,780
Taxes and dues	254	244	291	326	243
Others	624	510	1,060	548	671
Operating profit	3,002	6,062	9,070	9,563	4,920
Non-operating revenues	564	277	1,046	2,206	485
Non-operating expenses	302	44	238	8	304
Ordinary profit	3,263	6,296	9,878	11,761	5,102
Extraordinary profits	925	2,930	1,536	328	272
Extraordinary losses	670	104	1,085	304	159
Net profit before taxes, etc.	3,519	9,123	10,330	11,785	5,214
Income taxes	1,220	1,640	5,144	2,000	2,852
Adjustment amount for income taxes	-4	1,369	-1,240	1,333	-1,779
Net profit	2,303	6,113	6,426	8,452	4,142