



October 29, 2008

Summary of Financial Statements for the Six Months Ended September 30, 2008

Listed company's name: **Shinko Securities Co., Ltd.**

Listed on: 1st Sections of TSE, OSE, NSE

Stock code: 8606

URL: http://www.shinko-sec.co.jp/index_e.html

Representative: Takashi Kusama, President

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The quarterly financial report is scheduled to be submitted on November 12, 2008

1. Consolidated Financial Results for the Six Months Ended September 30, 2008

(April 1, 2008 to September 30, 2008)

(Amounts rounded down to the nearest million yen)

(1) Operating Results

(Percentage figures represent year-on-year changes)

| | Operating revenue | | Net operating revenue | | Operating income | | Ordinary income | |
|--|-------------------|------|-----------------------|------|------------------|-------|-----------------|------|
| | million yen | % | million yen | % | million yen | % | million yen | % |
| Six months ended September 30, 2008 | 63,400 | - | 55,262 | - | (994) | - | 221 | - |
| Six months ended September 30, 2007 | 84,725 | 28.4 | 75,919 | 22.5 | 16,319 | 106.1 | 17,841 | 63.3 |

| | Net income | | Net income per share | Net income per share – fully diluted |
|--|-------------|------|----------------------|---|
| | million yen | % | yen | yen |
| Six months ended September 30, 2008 | 56 | - | 0.07 | 0.07 |
| Six months ended September 30, 2007 | 12,470 | 62.9 | 16.13 | 16.11 |

(2) Financial Position

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|----------------------|--------------|-------------|-------------------------------|----------------------|
| | million yen | million yen | % | yen |
| As of September 2008 | 3,100,467 | 269,795 | 8.5 | 340.63 |
| As of March 2008 | 4,217,842 | 281,064 | 6.5 | 354.88 |

Note: Shareholders' equity: As of September 2008: 263,331 million yen
As of March 2008: 274,389 million yen

2. Dividends

| Record date | Dividend per share | | | | |
|-------------------------------|----------------------|-----------------------|----------------------|-----------------------|-----------|
| | End of first quarter | End of second quarter | End of third quarter | End of financial year | Full year |
| | yen | yen | yen | yen | yen |
| Year ended March 31, 2008 | - | - | - | 10.00 | 10.00 |
| Year ending March 31, 2009 | - | - | - | - | - |
| Year ending March 31, 2009 | - | - | - | - | - |

| | | | | | |
|------------|--|--|--|--|--|
| (forecast) | | | | | |
|------------|--|--|--|--|--|

Note: Revision of dividend forecast during the six months ended September 30, 2008: None
Dividends for the year ending March 31, 2009, are yet to be determined.

3. Forecast of Consolidated Earnings for the Year Ending March 31, 2009 (April 1, 2008 to March 31, 2009)

Note: Revision of earnings forecast during the six months ended September 30, 2008: None
Because the company's earnings are strongly influenced by market conditions, it does not produce forecasts of business results.

4. Other Information

(1) Reclassification of significant subsidiaries (changes to the scope of consolidation) during the period: None

(2) Use of simplified accounting methods and/or accounting methods specific to the preparation of quarterly consolidated financial statements: Yes
Note: For details, see "4. Other information" on page 6 in the "Business Results and Financial Statements" section.

(3) Changes in accounting principles, procedures, and methods of presentation applicable to the preparation of quarterly consolidated financial statements:

1) Changes in accordance with revisions to accounting standards: Yes

2) Changes other than 1) above: Yes
Note: For details, see "4. Other information" on page 6 in the "Business Results and Financial Statements" section.

(4) Number of shares issued and outstanding (common stock)

1) Number of shares issued at end of the period (treasury stock included):

| | |
|-----------------------|--------------------|
| As of September 2008: | 811,118,683 shares |
| As of March 2008: | 811,118,683 shares |

2) Number of shares held in treasury at end of the period:

| | |
|-----------------------|-------------------|
| As of September 2008: | 38,041,986 shares |
| As of March 2008: | 37,935,846 shares |

3) Average number of shares issued (for six months):

| | |
|--------------------------------------|--------------------|
| Six months ended September 30, 2008: | 773,139,996 shares |
| Six months ended September 30, 2007: | 773,027,913 shares |

* Appropriate Use of Financial Forecasts and Other Important Matters

- The company's basic dividend policy calls for dividends to be determined flexibly based on earnings. However, producing adequate forecasts of earnings is difficult since the Group companies are mainly involved in the securities business, and earnings are significantly affected by changes in equity market conditions. Dividends forecasts are therefore not available as of the date of this report.
- Effective this financial year, the Company adopted the "Accounting Standard for Quarterly Financial Reporting" (Accounting Standards Board of Japan (ASBJ) Statement No. 12) and the "Guidance on Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No. 14). Consolidated quarterly financial statements are prepared in accordance with the "Regulation for Terminology, Forms and

Preparation Methods of Quarterly Financial Statements” as revised pursuant to the provisory clause in Item 5, Paragraph 1, Article 7, of the “Cabinet Office Ordinance for Partial Revisions to the Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements and Other Matters” (Cabinet Office Ordinance No. 50, August 7, 2008).

Business Results and Financial Statements

1. Analysis of consolidated business results

In the first half (April 1 – September 30, 2008) of the fiscal year ending March 31, 2009, the Japanese economy was beset by a deepening slowdown in both domestic and external demand that has cast a pall over the economic outlook. In the corporate sector, capital spending downshifted in response to an inventory correction in the IT sector and deterioration in the earnings environment due to rising prices of crude oil and other raw materials. In the household sector, consumer spending has stagnated since early spring amid a pickup in energy and food inflation and a slowdown in the improvement in the employment situation. Exports benefited from demand from emerging economies but nonetheless continued to decelerate to in the wake of the US and European economic slowdowns. In the equity market, the Nikkei 225 Index rallied to a recovery high above 14,400 yen in early June, buoyed by US equity market gains and re-rating of Japanese stocks, after beginning the fiscal year in the vicinity of 12,600 yen. Subsequently, however, the equity market turned downward in response to a steep selloff in US equities triggered by soaring crude oil prices and renewed anxiety about systemic risk in financial markets. In late September in particular, the equity market was hard-hit by mounting concern that the financial crisis and recession originating in the US would have severe global economic repercussions. Against such a backdrop, the Nikkei 225 ended the second quarter at a 39-month low around 11,200 yen. In the bond market, the 10-year JGB yield briefly rose above 1.85% in the fiscal first quarter in the wake of the equity market's recovery rally and a rise US long-term yields, but it subsequently retreated under the weight of the global equity market downturn to end the quarter below 1.5%.

Overseas, the US housing market downturn spawned anxiety about the solvency of financial institutions, leading to mounting concern about a credit crunch. US real economic activity grew increasingly sluggish in both the household and corporate sectors. Europe likewise exhibited increasingly widespread signs of an economic slowdown, with exports decelerating and consumer spending dampened by inflation. The US equity market performed well in the fiscal first quarter, rallying to a year-to-date recovery high, but it subsequently sold off in response to high crude oil prices and financial market jitters. The major US equity indices ended the second quarter at 3-year lows. European equity markets also sold off precipitously in September in tandem with their US counterpart. Bond markets witnessed a rise in long-term yields in early summer, partly in response to an ECB rate hike precipitated by a pickup in inflation. As the second quarter progressed, however, long-term yields receded in both the US and Europe amid the equity market selloff, a pullback in crude oil prices, and general risk aversion by investors.

Amid such an environment, the Shinko Group posted fiscal-first-half operating revenues of ¥63.4 billion, 25.1% lower than the first half last fiscal year, and earned consolidated ordinary income of ¥221 million, down 98.7% year on year, and net income of ¥56 million, down 99.5% year on year. Further details are as follows.

(1) Commissions and fees received

Total commissions and fees for the fiscal first half totaled ¥29,395 million, down 33.2% compared to the first half last fiscal year. A breakdown of this income appears below.

• Brokerage commissions

Daily trading volume on the First and Second Sections of the Tokyo Stock Exchange averaged ¥2,348.8 billion in the fiscal first half, down 22.3% compared to the first half last fiscal year. Shinko's brokerage trading volume was 2,294 million shares, down 33.7% year on year, with an aggregate value of ¥2,386.1 billion, down 39.6% year on year. Shinko's brokerage commissions on equity trades totaled ¥9,477 million, down 42.4% year on year.

• Underwriting and selling fees

In the equity issuance market, Shinko participated as an underwriter in seven IPOs, lead-managing on of those issues. Shinko was also an underwriter for four listed companies' secondary equity offerings, lead-managing two of those issues. Shinko also co-underwrote two J-REIT's secondary offerings. As a result, our underwriting commissions on equity totaled ¥253 million, down 84.9% year on year.

In the bond issuance market, we lead-managed 13 offerings, including FILP (Fiscal Investment and Loan Program) agency, electric utility, and nonfinancial corporate issues. As a result, our underwriting commissions on bonds were totaled ¥660 million, up 37.4% year on year.

• Offering, selling and other fees and commissions

This income principally comes from distribution commissions on investment trusts.

We marketed three newly launched foreign equity investment trusts intended to profit from growth in emerging economies: Arabian Blue, which allow investors to benefit from growth in the Middle Eastern and North African economies; the Shinko India Infrastructure Equity Fund; and the DIAM Russia Equity Fund. We also newly marketed the Australian Dollar Principal-Guaranteed Millburn Performance Linked Fund (2008–09), a foreign investment trust that aims to earn CTA (Commodity Trading Advisor) returns and guarantees redemption of the original principal in Australian dollars terms at maturity.

Against a background of prolonged low interest-rate levels, we also continued to promote existing investment trusts, focusing on dividend-paying investment trusts, which enjoy strong demand from individual investors, and investment trusts related to emerging markets with high economic growth rates.

In the fiscal first half, offering, selling, and other fees and commissions totaled ¥7,223 million, down 31.8% year on year.

• Other fees and commissions

Other fees and commissions include investment trust service fees, sales commissions on wrap accounts and annuities, and M&A and IPO advisory fees. During the quarter, we began marketing Tokio Marine & Nichido Fire Insurance's new Marine Wave II annuities to meet customers' diverse needs for annuity products.

In the fiscal first half, other commissions totaled ¥11,740 million, down 20.2% year on year.

(2) Trading profits

We earned net trading profits on equities of ¥6,011 million, down 28.9% year on year, and net trading profits on fixed-income securities of ¥20,076 million, down 11.1% year on year. Net trading profits for the

fiscal first half totaled ¥26,088 million, down 16.0% year on year.

(3) Financial profit and loss

Financial revenues came to ¥8,467 million, down 10.6% year on year, and financial expenses totaled ¥8,138 million, down 7.5% year on year, resulting in net financial income of ¥329 million, down 50.9% year on year.

(4) Selling, general and administrative expenses

Selling, general and administrative expenses declined 5.6% year on year to ¥56,256 million by virtue of reductions in personnel expenses.

(5) Extraordinary profits and losses

Extraordinary income booked in the first half includes a ¥1,590 million gain on the sale of investment securities and a ¥357 million draw down from a foreign exchange translation adjustment account due to the liquidation of an overseas subsidiary. Extraordinary losses in the fiscal first half include ¥971 million in mark-to-market valuation losses on investment securities and ¥855 million in merger-related expenses. The net results was extraordinary profit of ¥109 million, down 83.9% year on year.

Year-on-year comparisons were included above for reference.

2. Analysis of consolidated financial position

Total consolidated assets ended the fiscal first half at ¥3,100,467 million, a decrease of ¥1,117,375 million from the end of last fiscal year. The decline was mainly due to a ¥189,846 million decrease in trading assets and a ¥937,230 million decrease in collateralized short-term financing agreements.

Total consolidated liabilities ended the fiscal first half at ¥2,830,671 million, a decrease of ¥1,106,106 million from the end of last fiscal year. The decrease was mainly due to a ¥21,803 million decrease in trading liabilities and ¥1,001,958 million decrease in collateralized short-term financing agreements.

Net assets ended the fiscal first half at ¥269,795 million, a decrease of ¥11,268 million from the end of last fiscal year. The decrease was mainly attributable to a ¥3,039 million decrease in net unrealized gains on other securities and a ¥7,675 million drawdown of retained earnings, mainly due to the payment of dividends.

3. Consolidated earnings forecast

Because the main business of our corporate group is the securities business, our earnings are significantly influenced by market conditions and other factors. For this reason, we do not produce forecasts of our business results.

4. Other information

- (1) Reclassification of significant subsidiaries (changes to the scope of consolidation) during the period:
None

- (2) Use of simplified accounting methods and/or accounting methods specific to the preparation of quarterly consolidated financial statements
 - 1) Use of simplified accounting methods
Depreciation of fixed assets
For fixed assets that are depreciated straight-line, we calculate quarterly depreciation expense by prorating annual depreciation expense.
 - 2) Accounting methods specific to the preparation of quarterly consolidated financial statements
None
- (3) Changes in accounting principles, procedures, and methods of presentation applicable to the preparation of quarterly consolidated financial statements
 - 1) Changes in accordance with revisions to accounting standards
 - (a) Effective this fiscal year, the Company adopted the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 14, 2007) and its accompanying “Guidance on the Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14, March 14, 2007). We prepare quarterly consolidated financial statements in accordance with the “Regulations on the Terminology, Format, and Preparation of Quarterly Consolidated Financial Statements.” More specifically, we prepare quarterly consolidated financial statements in accordance with the revised “Regulations on the Terminology, Format, and Preparation of Quarterly Consolidated Financial Statements” pursuant to Article 7, paragraph 7, item 5 of the Supplementary Provisions of the Cabinet Office Ordinance Partially Amending the “Regulations on the Terminology, Format, and Preparation of Financial Statements” (Cabinet Office Ordinance No. 50 of August 7, 2008).
 - (b) Reserve for securities transaction liabilities
We previously accounted for our reserve for securities transaction liabilities in accordance with Article 51 of the now-repealed Securities and Exchange Act and Article 35 of the now-repealed Cabinet Office Ordinance on Securities Companies. Due to the enforcement of the Financial Instruments and Exchange Act and effective from the first quarter of the current fiscal year, we now account for said reserve as a reserve for financial instrument transaction liabilities in accordance with Article 46, paragraph 5 of the Financial Instruments and Exchange Act and Article 175 of the Cabinet Office Ordinance on Financial Instrument Businesses.
The effect of this change on earnings is not significant.
 - (c) Adoption of Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements
Effective from the first quarter of the current fiscal year, we have adopted the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ Practical Issues Task Force Report No. 18, May 17, 2006).
The effect of this change on earnings is not significant.

2) Other changes

Adoption of accounting standard for lease transactions

Effective from the first quarter of the current fiscal year, we have early adopted the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13, issued June 17, 1993; last revised March 30, 2007) and its accompanying “Guidance on the Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16, issued January 18, 1994; last revised March 30, 2007). Accordingly, we have changed how we account for non-ownership-transfer finance leases. We now treat such leases as sales transactions, whereas we previously treated them as operating leases. Assets leased in non-ownership-transfer leases are depreciated straight-line method over a useful life equivalent to the lease term to a residual value of zero.

The conventional accounting treatment will still apply to non-ownership-transfer finance leases that commenced on or before March 31, 2008.

The effect of this change on earnings is not significant.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(In million yen)

| | As of September 30, 2008 | As of March 31, 2008 |
|--|--------------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash on hand and bank deposits | 192,055 | 89,788 |
| Cash segregated as deposits related to securities transactions | 63,935 | 49,564 |
| Trading assets | 1,285,611 | 1,475,457 |
| Trading securities, etc. | 1,263,366 | 1,457,309 |
| Derivatives | 22,244 | 18,147 |
| Receivables from brokers, dealers and customers | - | 83,881 |
| Investment securities for sale, etc. | 10,583 | 10,457 |
| Receivables related to margin transactions | 43,213 | 57,372 |
| Customers' loans receivable under margin transactions | 31,313 | 43,394 |
| Collateral for borrowed securities under margin transactions | 11,899 | 13,978 |
| Loans receivable secured by securities | 1,342,450 | 2,279,680 |
| Deposits paid for securities borrowed | 1,342,350 | 2,066,241 |
| Securities purchased under agreements to resell | 100 | 213,438 |
| Advances | 123 | 196 |
| Short-term loans receivable | 111 | 79 |
| Securities | 6,325 | 10,923 |
| Deferred tax assets | 3,598 | 2,367 |
| Other current assets | 21,542 | 20,693 |
| Less: Allowance for doubtful accounts | (15) | (47) |
| Total current assets | 2,969,534 | 4,080,417 |
| Fixed assets | | |
| Tangible fixed assets | 34,045 | 34,195 |
| Intangible fixed assets | 31,037 | 32,959 |
| Investments and other assets | 65,850 | 70,269 |
| Investment securities | 46,138 | 51,344 |
| Long-term deposits | 10,898 | 11,100 |
| Deferred tax assets | 441 | 497 |
| Other | 11,496 | 10,913 |
| Less: Allowance for doubtful accounts | (3,124) | (3,586) |
| Total fixed assets | 130,932 | 137,424 |
| Total assets | 3,100,467 | 4,217,842 |

(In million yen)

| | As of September 30, 2008 | As of March 31, 2008 |
|--|--------------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Trading liabilities | 944,739 | 966,543 |
| Trading securities, etc. | 929,312 | 955,455 |
| Derivatives | 15,427 | 11,087 |
| Payables to brokers, dealers and customers | 20,078 | - |
| Payables related to margin transactions | 15,883 | 18,124 |
| Customers' loans payable under margin transactions | 13,532 | 15,776 |
| Collateral for loaned securities under margin transactions | 2,350 | 2,347 |
| Loans payable secured by securities | 1,188,092 | 2,190,051 |
| Deposits received for securities loaned | 1,139,235 | 1,844,224 |
| Securities sold under agreements to repurchase | 48,857 | 345,827 |
| Deposits received | 40,444 | 39,785 |
| Received margins | 17,185 | 28,442 |
| Accounts for non-received securities and others | 6 | 0 |
| Short-term borrowings | 407,730 | 459,720 |
| Commercial paper | 92,100 | 126,500 |
| Income taxes payable | 745 | 1,450 |
| Accrued employee's bonuses | 3,442 | 4,290 |
| Accrued directors' bonuses | - | 243 |
| Allowance for bonus points redemption | 993 | 858 |
| Other current liabilities | 10,255 | 11,313 |
| Total current liabilities | 2,741,696 | 3,847,323 |
| Fixed liabilities | | |
| Corporate bonds | 33,000 | 33,000 |
| Long-term borrowings | 40,650 | 40,650 |
| Deferred tax liabilities | 6,565 | 7,155 |
| Accrued retirement benefits | 5,273 | 5,149 |
| Reserve for directors' retirement benefits | 683 | 769 |
| Reserve for executive officers' retirement benefits | 925 | 878 |
| Other fixed liabilities | 1,451 | 1,165 |
| Total fixed liabilities | 88,550 | 88,768 |
| Statutory reserve | | |
| Reserve for securities transaction liabilities | - | 685 |
| Reserve for financial instrument transaction liabilities | 424 | - |
| Total statutory reserve | 424 | 685 |
| Total liabilities | 2,830,671 | 3,936,777 |

(In million yen)

| | As of September 30, 2008 | As of March 31, 2008 |
|--|--------------------------|----------------------|
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 125,167 | 125,167 |
| Capital surplus | 82,973 | 82,969 |
| Retained earnings | 55,096 | 62,771 |
| Treasury stock | (7,412) | (7,373) |
| Total shareholders' capital | <u>255,824</u> | <u>263,534</u> |
| Valuation and translation adjustments | | |
| Net unrealized gains on other securities, net of taxes | 7,295 | 10,334 |
| Foreign currency translation adjustment | 211 | 519 |
| Total valuation and translation adjustments | <u>7,506</u> | <u>10,854</u> |
| Minority interests | <u>6,464</u> | <u>6,675</u> |
| Total net assets | <u>269,795</u> | <u>281,064</u> |
| Total net assets and liabilities | <u>3,100,467</u> | <u>4,217,842</u> |

(2) Consolidated Statements of Income

(In million yen)

Six months ended September 30, 2008

| | | |
|--|-------------------------|--------|
| Operating revenue | | |
| Commissions and fees | | 29,395 |
| Brokerage commissions | | 9,517 |
| Underwriting and selling fees | | 914 |
| Offering and selling fees and commissions | | 7,223 |
| Other commissions and fees | | 11,740 |
| Gain on trading, net | | 26,088 |
| Gain (loss) on sales of investment securities for sale, etc. | | (551) |
| Interest and dividend income | | 8,467 |
| | Total operating revenue | 63,400 |
| Financial expenses | | 8,138 |
| Net operating revenue | | 55,262 |
| Operating costs and expenses | | 56,256 |
| Transaction expenses | | 8,425 |
| Personnel expenses | | 25,442 |
| Real estate expenses | | 7,902 |
| Office expenses | | 5,074 |
| Depreciation and amortization | | 6,647 |
| Taxes and dues | | 644 |
| Other | | 2,120 |
| Operating income (loss) | | (994) |
| Non-operating income | | 2,316 |
| Non-operating expenses | | 1,100 |
| Ordinary income | | 221 |
| Extraordinary gains | | 2,211 |
| Gain on sale of investment securities, net | | 1,590 |
| Reversal of translation adjustments due to liquidation of affiliates | | 357 |
| Reversal of allowance for doubtful accounts | | 1 |
| Reversal of reserve for financial instrument transaction liabilities | | 261 |
| Extraordinary losses | | 2,101 |
| Loss on disposition of fixed assets | | 260 |
| Loss on sale of investment securities, net | | 4 |
| Loss on valuation of investment securities | | 971 |
| Loss on valuation of golf club membership | | 9 |
| Expenses related to merger | | 855 |
| Income before income taxes and minority interests | | 331 |
| Income taxes, etc. | | 405 |
| Adjustment amount for income taxes | | (325) |
| Total income taxes, etc. | | 80 |
| Minority interests | | 194 |
| Net income | | 56 |

(3) Consolidated Cash flow Statement

(In million yen)

Six months ended September 30, 2008

| | |
|---|-------------|
| Cash flow from operating activities | |
| Income before income taxes and minority interests | 331 |
| Depreciation and amortization | 6,705 |
| Adjustment for extraordinary gains and loss | |
| Loss on disposition of fixed assets | 260 |
| (Gain) loss on sale of investment securities, net | (1,586) |
| (Gain) loss on valuation of investment securities, net | 971 |
| Loss on valuation of golf club membership | 9 |
| (Gain) loss on reversal of translation adjustments due to liquidation of affiliates | (357) |
| Interest and dividend income | (8,998) |
| Interest expense | 8,138 |
| Equity in (income) loss of non-consolidated subsidiaries and affiliates | 22 |
| (Increase) decrease in loans receivable | (29) |
| (Increase) decrease in trust cash fund for customer money | (14,398) |
| Increase (decrease) in advances and deposits received | 732 |
| (Increase) decrease in trading liabilities, net of trading assets | 272,003 |
| (Increase) decrease in receivables related to margin transactions | 14,159 |
| Increase (decrease) in payables related to margin transactions | (2,240) |
| (Increase) decrease in loans receivable secured by securities | 937,230 |
| Increase (decrease) in loans payable secured by securities | (1,001,958) |
| Increase (decrease) in allowance for doubtful accounts | (425) |
| Increase (decrease) in accrued employee's bonuses | (1,092) |
| Increase (decrease) in accrued retirement benefits | 85 |
| Increase (decrease) in reserve for financial instrument transaction liabilities | (261) |
| Other | (20,090) |
| Subtotal | 189,211 |
| Interest and dividend income received | 9,644 |
| Interest expenses paid | (8,372) |
| Income taxes, etc. paid | (1,071) |
| Income taxes, etc. refunded | 3,807 |
| Net cash provided by (used in) operating activities | 193,220 |
| Cash flow from investing activities | |
| Payments for investment securities | (2,349) |
| Proceeds from sale and redemption of investment securities | 8,452 |
| Payments for acquisition of tangible fixed assets | (944) |
| Proceeds from sale of tangible fixed assets | 0 |
| Payments for acquisition of intangible fixed assets | (3,031) |
| Payments for long-term deposits | (145) |
| Proceeds from long-term deposits | 394 |
| Other | 322 |
| Net cash provided by (used in) investing activities | 2,699 |

Six months ended September 30, 2008

| | |
|--|-----------------|
| Cash flow from financing activities | |
| Increase (decrease) in short-term borrowings | (51,990) |
| Increase (decrease) in commercial papers | (34,400) |
| Repurchase of treasury stocks | (38) |
| Proceeds from disposition of treasury stock | 3 |
| Dividend payment | (7,689) |
| Cash dividends to minority shareholders | (297) |
| Net cash provided by (used in) financing activities | <u>(94,412)</u> |
| Effect of foreign exchange rate changes on cash and cash equivalents | 259 |
| Increase (decrease) in cash and cash equivalents | 101,766 |
| Cash and cash equivalents at beginning of period | <u>87,654</u> |
| Cash and cash equivalents at end of period | <u>189,421</u> |

Effective this financial year, the Company has adopted the “Accounting Standard for Quarterly Financial Reporting” (ASBJ, March 14, 2007; ASBJ Statement No. 12) and its accompanying “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ, March 14, 2007; ASBJ Guidance No. 14). The consolidated financial statements for three months ended September 30, 2008, were prepared based on the revised “Regulation on the Terminology, Format, and Preparation Methods of Quarterly Financial Statements,” pursuant to the provisory clause of Item 5, Paragraph 1, Article 7 of the “Cabinet Office Ordinance on Partial Revision of the Regulations on the Terminology, Format, and Preparation Methods of Financial Statements and Other Matters” (Cabinet Office Ordinance No. 50, August 7, 2008).

(4) Note on the going-concern assumption: Not applicable

(5) Note on significant changes in the amount of shareholders' equity: None

For reference

Consolidated Statements of Income for the Six Months Ended September 30, 2007

(In million yen)

| | Six months ended September 30, 2007 |
|--|-------------------------------------|
| Operating revenue | 84,725 |
| Commissions and fees | 44,005 |
| Gain on trading, net | 31,061 |
| Gain (loss) on sales of investment securities for sale, etc. | 181 |
| Interest and dividend income | 9,477 |
| Financial expenses | 8,806 |
| Net operating revenue | 75,919 |
| Operating costs and expenses | 59,599 |
| Transaction expenses | 9,105 |
| Personnel expenses | 29,337 |
| Real estate expenses | 7,849 |
| Office expenses | 4,432 |
| Depreciation and amortization | 6,030 |
| Taxes and dues | 800 |
| Other | 2,043 |
| Operating income | 16,319 |
| Non-operating income | 2,504 |
| Non-operating expenses | 982 |
| Ordinary income | 17,841 |
| Extraordinary gains | 1,258 |
| Gain on sale of fixed assets | 337 |
| Gain on sale of investment securities, net | 419 |
| Gain on liquidation of affiliates | 214 |
| Reversal of reserve for securities transaction liabilities | 252 |
| Reversal of allowance for doubtful accounts | 33 |
| Extraordinary losses | 570 |
| Loss on sale of fixed assets | 17 |
| Loss on disposition of fixed assets | 48 |
| Loss on sale of investment securities, net | 26 |
| Write-down of investment securities | 268 |
| Expenses related to merger | 210 |
| Income before income taxes and minority interests | 18,528 |
| Income taxes, etc. | 5,927 |
| Adjustment amount for income taxes | (410) |
| Minority interests | 542 |
| Net income | 12,470 |

Consolidated Cash flow Statement for the Six Months Ended September 30, 2007

(In million yen)

| | Six months ended September 30, 2007 |
|---|-------------------------------------|
| I Cash flow from operating activities | |
| Income before income taxes and minority interests | 18,528 |
| Depreciation and amortization | 6,114 |
| Adjustment for extraordinary gains and losses | |
| Gain on sale of fixed assets | (337) |
| Loss on sale or disposition of fixed assets | 65 |
| Gain on sale of investment securities, net | (419) |
| Write-down and loss on sale of investment securities | 294 |
| Reversal of reserve for securities transaction liabilities | (252) |
| Reversal of allowance for doubtful accounts | (33) |
| Interest and dividend income | (10,204) |
| Interest expense | 8,806 |
| Equity in income of non-consolidated subsidiaries and affiliates | (24) |
| (Increase) decrease in loans receivable | 39 |
| (Increase) decrease in trust cash fund for customer money | 20,135 |
| Increase (decrease) in advances and deposits received | 7,990 |
| (Increase) decrease in trading liabilities, net of trading assets | (132,178) |
| (Increase) decrease in receivables related to margin transactions | 14,224 |
| Increase (decrease) in payables related to margin transactions | (25,706) |
| (Increase) decrease in loans receivable secured by securities | 4,314 |
| Increase (decrease) in loans payable secured by securities | 144,354 |
| Increase (decrease) in allowance for doubtful accounts | (743) |
| Increase (decrease) in accrued employee's bonuses | (537) |
| Increase (decrease) in accrued retirement benefits | (1,565) |
| Other | 4,847 |
| Subtotal | 57,713 |
| Interest and dividend income | 10,329 |
| Interest expenses | (8,793) |
| Income taxes, etc. paid | (8,337) |
| Net cash provided by (used in) operating activities | 50,911 |
| I Cash flow from investing activities | |
| Payments for investment securities | (2,220) |
| Proceeds from sale and redemption of investment securities | 3,121 |
| Payments for acquisition of tangible fixed assets | (868) |
| Proceeds from sale of tangible fixed assets | 505 |
| Payments for acquisition of intangible fixed assets | (4,582) |
| Proceeds from sale of intangible fixed assets | 45 |
| Payments for long-term deposits | (312) |
| Proceeds from long-term deposits | 58 |
| Other | 706 |
| Net cash provided by (used in) investing activities | (3,547) |
| II Cash flow from financing activities | |
| Increase (decrease) in short-term borrowings | (62,358) |
| Increase (decrease) in commercial papers | 10,300 |
| Repurchase of treasury stocks | (93) |
| Proceeds from disposition of treasury stock | 100 |
| Dividend payment | (9,219) |
| Proceeds from issuance of shares to minority shareholders | 75 |
| Cash dividends to minority shareholders | (688) |
| Net cash provided by (used in) financing activities | (61,883) |

| | |
|--|----------|
| I Effect of foreign exchange rate changes on cash and cash equivalents | (60) |
| V Increase (decrease) in cash and cash equivalents | (14,580) |
| V Cash and cash equivalents at beginning of period | 121,014 |
| VI Cash and cash equivalents at end of period | 106,433 |

6. Other Information

(1) Commissions and fees

1) Breakdown by items

(In million yen)

| | Six months ended September 30, 2007 (A) | Six months ended September 30, 2008 (B) | (B)-(A) | |
|--|---|---|----------|-------|
| | | | Amount | % |
| Brokerage commissions | 16,512 | 9,517 | (6,995) | 57.6 |
| Equities | 16,459 | 9,477 | (6,982) | 57.6 |
| Bonds | 18 | 13 | (4) | 73.5 |
| Underwriting and selling fees | 2,165 | 914 | (1,251) | 42.2 |
| Equities | 1,685 | 253 | (1,431) | 15.1 |
| Bonds | 480 | 660 | 179 | 137.5 |
| Offering and selling fees and commissions | 10,600 | 7,223 | (3,377) | 68.1 |
| Other commissions and fees | 14,727 | 11,740 | (2,986) | 79.7 |
| Total | 44,005 | 29,395 | (14,610) | 66.8 |

2) Breakdown by instruments

(In million yen)

| | Six months ended September 30, 2007 (A) | Six months ended September 30, 2008 (B) | (B)-(A) | |
|------------------------|---|---|----------|------|
| | | | Amount | % |
| Equities | 18,304 | 9,844 | (8,459) | 53.8 |
| Bonds | 889 | 881 | (7) | 99.1 |
| Beneficiary securities | 20,330 | 15,377 | (4,953) | 75.6 |
| Others | 4,481 | 3,291 | (1,189) | 73.5 |
| Total | 44,005 | 29,395 | (14,610) | 66.8 |

(2) Trading profit

(In million yen)

| | Six months ended September 30, 2007 (A) | Six months ended September 30, 2008 (B) | (B)-(A) | |
|---------------|---|---|---------|------|
| | | | Amount | % |
| Equities | 8,458 | 6,011 | (2,446) | 71.1 |
| Bonds, others | 22,602 | 20,076 | (2,526) | 88.8 |
| Bonds | 24,626 | 19,119 | (5,507) | 77.6 |
| Others | (2,023) | 957 | 2,980 | - |
| Total | 31,061 | 26,088 | (4,972) | 84.0 |

(3) Capital adequacy requirement ratio

(In million yen)

| | | As of September 30, 2008 | As of March 31, 2008 |
|--|--|-----------------------------|-------------------------|
| Basic items | Total capital (A) | 247,151 | 246,689 |
| Supplemental items | Difference in valuation (valuation gains) of other securities | 7,239 | 10,073 |
| | Reserve for financial instrument transaction liabilities, etc. | 387 | 648 |
| | Allowance for doubtful accounts | 17 | 50 |
| | Subordinated long-term borrowings | 18,000 | 18,000 |
| | Subordinated short-term borrowings | 42,000 | 42,000 |
| | Total (B) | 67,644 | 70,771 |
| Deducted assets (C) | | 89,718 | 91,298 |
| Equity after deduction (A) + (B) - (C) (D) | | 225,077 | 226,162 |
| Amount equivalent to risk | Amount equivalent to market risk | 24,631 | 23,736 |
| | Amount equivalent to counterparty risk | 8,516 | 7,330 |
| | Amount equivalent to fundamental risk | 28,326 | 29,019 |
| | Total (E) | 61,473 | 60,086 |
| Capital adequacy requirement ratio (D)/(E) * 100 (%) | | 366.1 | 376.3 |

Note: The capital adequacy requirement ratio above is based on non-consolidated figures.

(4) Consolidated Quarterly Statements of Operations

(In million yen)

| | Second quarter ended | Third quarter ended | Fourth quarter ended | First quarter ended | Second quarter ended |
|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | September 2007 | December 2007 | March 2008 | June 2008 | September 2008 |
| | Jul. 1, 2007 - Sep. 30, 2007 | Oct. 1, 2007 - Dec. 31, 2007 | Jan. 1, 2008 - Mar. 31, 2008 | Apr. 1, 2008 - Jun. 30, 2008 | Jul. 1, 2008 - Sep. 30, 2008 |
| Operating revenue | 40,176 | 35,277 | 26,511 | 36,617 | 26,783 |
| Commissions and fees | 20,608 | 19,120 | 14,752 | 15,396 | 13,998 |
| Brokerage commissions | 7,739 | 6,308 | 4,505 | 5,748 | 3,769 |
| Equities | 7,713 | 6,263 | 4,473 | 5,727 | 3,749 |
| Bonds | 6 | 9 | 8 | 8 | 5 |
| Underwriting and selling fees | 917 | 578 | 693 | 415 | 498 |
| Equities | 669 | 357 | 545 | 72 | 181 |
| Bonds | 248 | 220 | 147 | 343 | 316 |
| Offering and selling fees and commissions | 4,723 | 4,626 | 3,090 | 3,192 | 4,030 |
| Other commissions and fees | 7,228 | 7,607 | 6,462 | 6,040 | 5,700 |
| Gain (loss) on trading, net | 14,689 | 12,830 | 7,324 | 17,040 | 9,047 |
| Equities | 4,826 | 3,440 | 715 | 5,602 | 408 |
| Bonds, other | 9,863 | 9,390 | 6,609 | 11,438 | 8,638 |
| Bonds | 7,895 | 8,291 | 1,674 | 14,124 | 4,995 |
| Other | 1,968 | 1,098 | 4,934 | (2,686) | 3,643 |
| Gain (loss) on sales of investment securities for sale, etc. | (92) | (769) | (1,716) | (17) | (533) |
| Interest and dividend income | 4,970 | 4,095 | 6,151 | 4,197 | 4,270 |
| Financial expenses | 4,500 | 4,168 | 4,873 | 4,263 | 3,874 |
| Net operating revenue | 35,675 | 31,109 | 21,638 | 32,353 | 22,908 |
| Operating costs and expenses | 29,783 | 28,413 | 28,430 | 28,961 | 27,295 |
| Transaction expenses | 4,796 | 4,235 | 4,319 | 4,425 | 4,000 |
| Personnel expenses | 14,284 | 13,600 | 12,569 | 13,257 | 12,184 |
| Real estate expenses | 3,977 | 3,857 | 4,006 | 4,056 | 3,845 |
| Office expenses | 2,295 | 2,311 | 2,859 | 2,462 | 2,612 |
| Depreciation and amortization | 2,950 | 3,217 | 3,103 | 3,314 | 3,333 |
| Taxes and dues | 337 | 277 | 293 | 367 | 276 |
| Other | 1,141 | 913 | 1,277 | 1,077 | 1,042 |
| Operating income | 5,891 | 2,695 | (6,791) | 3,392 | (4,387) |
| Non-operating income | 1,227 | 1,028 | 978 | 1,153 | 1,162 |
| Non-operating expenses | 582 | 673 | 445 | 548 | 551 |
| Ordinary income | 6,537 | 3,051 | (6,259) | 3,997 | (3,775) |
| Extraordinary gains | 929 | 2,127 | 342 | 361 | 1,850 |
| Extraordinary losses | 261 | 717 | 3,157 | 316 | 1,785 |
| Income before income taxes and minority interests | 7,205 | 4,461 | (9,074) | 4,042 | (3,710) |
| Income taxes, etc. | 3,565 | (454) | (2,860) | 151 | 254 |
| Adjustment amount for income taxes | (1,933) | 2,344 | (103) | 1,086 | (1,411) |
| Minority interests | 352 | 223 | (696) | 99 | 94 |
| Net income | 5,220 | 2,347 | (5,413) | 2,704 | (2,647) |