



Annual Report 2003



CONTENTS

● Message from Management	1
● Corporate Philosophy	2
● Performance in Fiscal 2002	3
● Major Developments in Fiscal 2002	4
● Position of Mitsubishi Securities within MTFG	6
● Management Supervisory Systems	7
● Directors, Corporate Auditors, and Executive Officers	8
● Guide to Services	9
• Services for Individual Customers	10
• Services for Corporate Customers	11
• Fixed Income	12
• Equities	13
• Derivatives	14
• Investment Trusts and Related Activities	15
• Investment Banking	16
Management and Capital Policy Advisory Services	
Bond and Equity Underwriting	
Initial Public Offerings (IPOs)	
Securitization	
Investor Relations Consulting	
M&A and Financial Advisory Services	
• Research	20
• Global Network	22
● Financial Review	23
● Corporate Data	47

This Annual Report has been prepared with the objectives of providing information on the financial results of Mitsubishi Securities (the Company) for the fiscal year ended March 31, 2003, and its corporate strategies. This document is not intended to solicit investments in securities issued by the Company. Information contained in this Annual Report represents views of the Company at the time the report was prepared. The Company does not make any guarantees or representations as to the accuracy or completeness of this information, and it may be subject to change without notice. Please note that the Company cannot be responsible for the omission of or errors in any data, expressions, or other information used in this Annual Report.

We would first like to express our thanks to our shareholders, customers, and other stakeholders for their continuing interest in Mitsubishi Securities.

Thanks to the support of all our stakeholders, we completed and announced our financial results for our first fiscal year as Mitsubishi Securities. This Annual Report for the year ended March 31, 2003 (fiscal 2002), presents our accounts, management policies, a guide to our services, and other information outlining our operations during the fiscal year. We trust it will assist you in better understanding our activities and objectives.

In September 2002, KOKUSAI Securities Co., Ltd., Tokyo-Mitsubishi Securities Co., Ltd., Tokyo-Mitsubishi Personal Securities Co., Ltd., and Issei Securities Co., Ltd., were merged to form Mitsubishi Securities Co., Ltd., the core securities company in the Mitsubishi Tokyo Financial Group (MTFG). As a consequence of extremely challenging market conditions, performance during fiscal 2002 did not meet our expectations, and we reported a net loss for the year. Nonetheless, we are confident that we have created a solid foundation for our operations going forward. Synergies arising from the merger began to emerge and contribute to profitability, and, at the same time we are reducing expenses under a thorough program of cost management that will bring steady improvements in our earnings structure.

We are convinced that our key strength, which distinguishes us from others, is the concentration and integration of the full range of investment banking capabilities of MTFG into one company—Mitsubishi Securities. This combination of financial, human, and other resources enables us to provide total solutions of exceptionally high quality for our clients. We therefore intend to draw fully on our strengths and unite our energies to become a leading company in the new era now dawning in the securities and investment banking sectors. As we move forward with this mission, we look forward to your increasing support and encouragement.

September 2003



Koichi Kane

President

Koichi Kane

Masamichi Yamada

Chairman

Masamichi Yamada

Mitsubishi Securities developed a corporate philosophy statement to mark its formation on September 1, 2002, as the core securities company in MTFG. This philosophy comprises guidelines and a code of conduct, which are intended to form the basis for the activities of all management and staff. We are committed to becoming a leading securities company in the new era by putting this philosophy into action.

Corporate Philosophy

Corporate Vision

1. Mitsubishi Securities aims to contribute to the prosperity of society and of the economy by creating superior value through our activities in the securities, financial, and capital markets.
2. Mitsubishi Securities aims to materialize the prosperity of our customers, increased shareholder value, and improved employee welfare all at the same time.
3. Mitsubishi Securities aims to be the leading company with a global vision in the securities and investment banking industry in the new millennium.

Shared Values

1. Mitsubishi Securities' most important value is the trust of our customers and of society.
Our motto is to be earnest, honest and sincere. All our business activities are conducted in full compliance with laws, regulations and business ethics.
2. Mitsubishi Securities' business begins with customer needs, then products follow.
We do our utmost to serve the diverse needs of our customers in the most effective ways possible, and to provide high-quality solutions promptly and responsively.
3. Mitsubishi Securities pursues high profitability from the creation of value for the prosperity of our customers, shareholders and employees.
No firm without high profitability can continue to deliver prosperity to their customers, shareholders and employees for their prosperity.
We will never stop improving ourselves to be lean and efficient.
4. Mitsubishi Securities values innovation, creativity and entrepreneurship.
The challenge of value creation is the essence of the securities and investment banking industry. We respect people who constantly challenge to explore innovations to develop new products and new ways to create value for our customers and shareholders.
5. Mitsubishi Securities implements fair personnel practices.
We evaluate employees fairly. We place the right person in the right position to provide a work environment in which one can fully develop his/her skills, and can function to the maximum.
6. Mitsubishi Securities works in teamwork, respecting individual values at the same time.
We realize an open and transparent corporate culture with teamwork spirit. We encourage open discussions, and dynamic, vivid thinking.

Performance in Fiscal 2002

At the beginning of fiscal 2002, corporate profitability in Japan showed a trend toward recovery, while personal consumption remained weak. Moreover, toward the end of the fiscal year, uncertainty about future economic trends rose substantially because of concerns about an economic slowdown in the U.S., the worldwide decline in stock prices, growing international tensions, and other factors. Amid these circumstances, the market environment was exceptionally severe, as the Nikkei Stock Average dropped below ¥8,000 in March 2003, the lowest level since the collapse of Japan's bubble economy.

Amid this environment, Mitsubishi Securities reported consolidated total revenues of ¥63.1 billion, an increase over the pro forma sum of the total revenues for the four predecessor companies prior to the merger. Despite this, as a result of the increase in selling, general and administrative expenses accompanying the merger as well as expenses linked to the merger, Mitsubishi Securities reported a consolidated operating loss of ¥22.8 billion and a net loss of ¥53.1 billion.

Turning next to the principal items among consolidated revenues and expenses. Soon after the merger, Mitsubishi Securities began to realize synergies, and commissions totaled ¥37.3 billion while net gain on trading amounted to ¥19.7 billion. In particular, gain on bond trading posted major advances as Mitsubishi Securities combined its broad-ranging capabilities for marketing through its retail network with its ability to offer products as a securities company with strong ties to the wholesale market. Among components of commissions Mitsubishi Securities has been able to diversify its sources of income as a result of the shift of operations from The Bank of Tokyo-Mitsubishi, Ltd. (BTM), such as M&A, securitization, and derivatives.

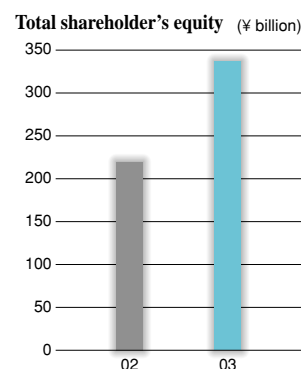
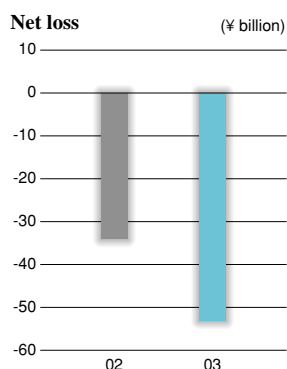
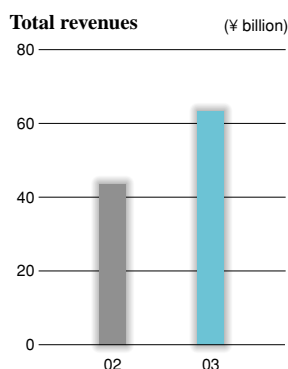
Regarding expenses, despite the increase in costs due to the merger, as a result of intensive efforts to lower expenses, selling, general and administrative expenses amounted to ¥83.7 billion. Moreover, other expenses incurred were ¥9.7 billion in merger expense, ¥4.9 billion in special benefits for an early retirement program implemented prior to the merger, and ¥4.7 billion in expenses for closure and consolidation of branches.

Consolidated Financial Highlights

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Total revenues.....	¥ 63,142	¥43,495	\$ 525,308
Operating loss.....	(22,879)	(31,833)	(190,341)
Net loss.....	(53,155)	(34,052)	(442,222)
Total assets.....	2,946,697	1,256,605	24,514,950
Total shareholders' equity.....	335,738	218,223	2,793,161

Net loss per share:	Yen		U.S. dollars
	2003	2002	2003
Basic.....	¥ (138.72)	¥(126.28)	\$ (1.15)
Diluted.....	—	—	—

Note: Amounts in U.S. dollars are included solely for the convenience of the reader. The exchange rate of ¥120.20 = U.S.\$1.00, the approximate rate prevailing on March 31, 2003, has been applied in translation.



Note: Results for the fiscal year ended March 31, 2003, accompanying the merger on September 1, 2002, are the sum of the consolidated figures for the former KOKUSAI Securities from April through August of 2002 and the financial results for the newly merged company (Mitsubishi Securities) from September 2002 through March 2003.

Major Developments in Fiscal 2002

Mitsubishi Securities Begins Activities and Operations Shifted from BTM

Based on the policy of MTFG to consolidate its securities businesses into a single company, KOKUSAI Securities, Tokyo-Mitsubishi Securities, Tokyo-Mitsubishi Personal Securities, and Issei Securities were merged to form Mitsubishi Securities, which has now become the core securities company within MTFG, providing both wholesale and retail services. Moreover, as a result of the shift of functions and resources from BTM, such as M&A, securitization, and derivatives, Mitsubishi Securities is now well positioned to draw on a comprehensive range of capabilities and provide highly specialized professional services to its clients. Integration of computer systems has proceeded smoothly, based on the thorough

implementation plans developed by the systems and back office processing sections and this smooth transition facilitated the successful completion of the merger.



Building up Collaborative relationships with Banks within MTFG

Mitsubishi Securities has strengthened its capabilities for providing financial products and services by shifting operations related to investment banking business from BTM to establish investment banking capabilities and by promoting collaborative and mutually complementary relationships with BTM and The Mitsubishi Trust and Banking Corporation (MTBC). Through these activities, Mitsubishi Securities is working to expand its customer base

and enhance its profitability. Also, in the area of services for retail customers, Mitsubishi Securities is working to increase the effectiveness of partnership by proceeding with plans for joint branches. Along with these initiatives, in the area of services for corporate customers, Mitsubishi Securities is strengthening cooperation and creating substantially greater synergies by introducing a buddy system with Commercial Banking Offices of BTM.

Implementing the Retail Revival Plan

Mitsubishi Securities is engaged in a major review of its branch network with the objective of strengthening and increasing the efficiency of branch operations and is implementing its Retail Revival Plan, which features the creation of branches jointly with BTM. Completion of the implementation phase of this plan is scheduled for the end of March 2004. Specific points of the plan have included first a reduction in the number of branches from 95 at the time of the merger to 68 in July 2003 through closures and consolidations of branches. Mitsubishi Securities is also reviewing and working to reduce existing floor space and to thereby achieve major reductions



In parallel with these activities, Mitsubishi Securities is actively implementing measures to convert about half of the 68 branches to joint branches with BTM and MTBC to enhance convenience for customers. In addition, through the realization of the synergies made possible by the merger, Mitsubishi Securities is

endeavoring to significantly strengthen its product development and structuring capabilities and offer new products and services, such as variable annuity and privately-placed investment trusts, with the objective of becoming much more responsive to customer needs.

Structuring More Efficient Management Systems

Mitsubishi Securities regards creation of efficient management systems based on thorough cost management as a high priority task. In addition to the reduction of real estate costs by the implementation of the previously mentioned Retail Revival Plan, Mitsubishi Securities has formed a project team

charged with the mission of across-the-board expense reduction. This team is proactively considering specific measures for cost cutting, preparing expense reduction policies, and taking steps toward implementation of expense reduction plans.

Overseas Securities Subsidiaries of BTM Become Mitsubishi Securities Subsidiaries

Mitsubishi Securities is taking steps to offer its customers expanded global services and products by substantially strengthening teamwork with the securities and investment banking activities of MTFG in Japan and other countries. In line with this policy, three securities subsidiaries of BTM have become subsidiaries of Mitsubishi Securities, namely Tokyo-

Mitsubishi Securities (USA), Inc., Tokyo-Mitsubishi International (HK) Limited, and Tokyo-Mitsubishi International (Singapore) Ltd. The names of the three overseas subsidiaries were changed on September 1, 2003, to Mitsubishi Securities (USA), Inc., Mitsubishi Securities (HK), Limited, and Mitsubishi Securities (Singapore), Ltd., respectively.

Me Net Securities Co., Ltd. (Formerly Tokyo-Mitsubishi TD Waterhouse Securities Co., Ltd.) Becomes a Subsidiary

Tokyo-Mitsubishi TD Waterhouse Securities, which was originally established as a joint venture online securities company by BTM and the TD Waterhouse Group, Inc., of the United States, became a subsidiary of Mitsubishi Securities in October 2002 and changed

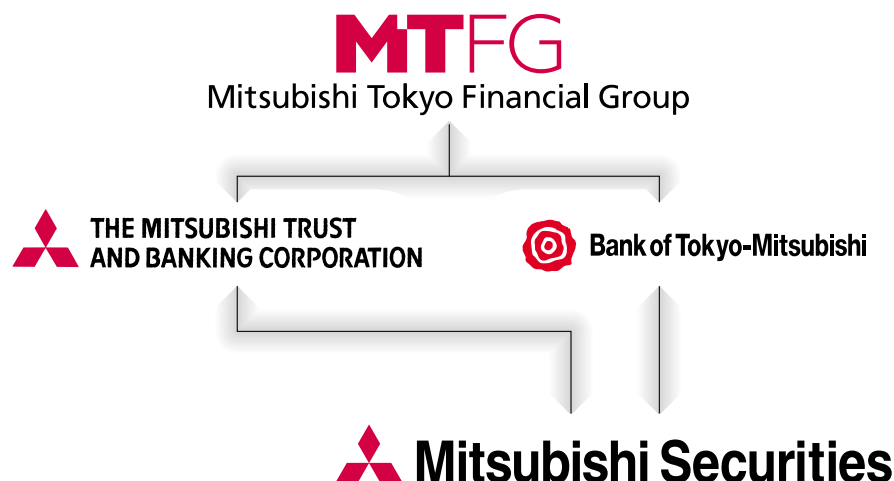
its corporate name to Me Net Securities on November 1, 2002. Under its new corporate name of Me Net Securities, this company provides strong support for investors by offering services based on its state-of-the-art investment analysis tools.

Mitsubishi Securities began operations as the core securities company within MTFG in September 2002. MTFG is the holding company for BTM and MTBC, and its objective is to become an integrated financial group offering a diverse, high quality banking, trust, and securities services. As a subsidiary of BTM, the role of Mitsubishi Securities within MTFG is to provide securities and investment banking services. Accompanying the commencement of operations at Mitsubishi Securities, functions and resources of the M&A, securitization, and derivatives, were shifted from BTM. As a result of this realignment, most of the securities and investment banking functions of MTFG have been concentrated in Mitsubishi Securities, and the functions of various companies within MTFG have been clarified.

Under these arrangements, Mitsubishi Securities is positioned to make full use of the global network of MTFG. Also, by working as a member of the MTFG, Mitsubishi Securities is able to offer integrated, high-

quality services to meet the increasingly diverse, specialized, and sophisticated needs of its clients, without being constrained by the existing industry segments, such as banking, trust business, and securities. Specific examples of teamwork within MTFG include cooperative developments that provide more convenient services for customers, such as the creation of retail branches jointly with BTM and MTBC for retail customers. At the same time, teamwork within MTFG for serving corporate customers has been strengthened through the introduction of a buddy system with Commercial Banking Offices of BTM.

Going forward, Mitsubishi Securities plans to strengthen its partnership with BTM and MTBC to enhance its capabilities for delivering products and services as well as its responsiveness to customer needs. Along with these activities, Mitsubishi Securities will also work to expand its operating base and to boost profitability.



Principal Shareholders

(As of March 31, 2003)

Ranking	Name of shareholder	%
1	The Bank of Tokyo-Mitsubishi, Ltd.	52.31
2	Toyota Motor Corporation	5.90
3	The Mitsubishi Trust and Banking Corporation	3.65
4	The Master Trust Bank of Japan, Ltd. (Trust account)	2.12
5	Nippon Life Insurance Company	1.67
6	Japan Trustee Services Bank, Ltd. (Trust account)	1.24
7	Daido Life Insurance Company	1.22
8	The State Street Bank and Trust Company	0.97
9	Nippon Life Insurance Company (Special pension account)	0.90
10	Mitsubishi Securities Employee Share Ownership (ESOP)	0.89

(Note) Excluding treasury stocks (belonging to Mitsubishi Securities).



◆ Corporate Governance

The Board of Directors of Mitsubishi Securities is responsible for corporate oversight and supervision of the conduct of business activities. Of the nine members of the Board, three are outside directors including executives currently in office outside MTFG. Inclusion of outside directors serves to energize discussions and debate and brings new perspectives to Board meetings while also enhancing management transparency. Mitsubishi Securities will continue to strengthen management oversight functions through inclusion of independent members to fulfill its corporate citizenship responsibilities as a securities company. Moreover, to provide for stronger supervision of the proper conduct of duties and compliance of Board members, Mitsubishi Securities has formed the Board of Corporate Auditors consisting of five members, four of whom are outside auditors.

While placing emphasis on the role of the Board of Directors to provide corporate oversight and formulate strategy, Mitsubishi Securities has also created an Executive Meeting and delegated authority to its members for decision-making related to overall corporate matters and the conduct of operations with the aim of accelerating decision-making process. Moreover, to make the demarcation between management and executive functions clearer, an Executive Officer System has been introduced.

◆ Internal Controls

Mitsubishi Securities considers compliance and risk management to be issues having the highest management priority and is working to substantially enhance the infrastructure.

In the area of compliance, Mitsubishi Securities has formed a Compliance Committee as an advisory body to the Board of Directors. With members drawn principally from the Board, the Committee meets quarterly to discuss various measures for improving and strengthening compliance systems. Regional Compliance Divisions cover retail business units at the Head Office and branches throughout Japan as well as regional corporate and institutions business, excluding Osaka and Nagoya Corporate Branches. Similarly, Wholesale Compliance Division is in charge of all the product lines, investment banking business, and the corporate and institutions business of the Head Office, including Nagoya and Osaka Corporate Branches. These units are responsible for providing compliance guidance and ensuring business activities be in compliance with all the applicable rules and regulations.

Regarding risk management, Mitsubishi Securities has established the Risk Management Meeting corresponding to the category of the Board of Directors and others, under the provisions of the Inspection Manual for Securities Companies. This committee has been delegated the responsibility for major decisions regarding risk management by the Board of Directors. Other responsibilities of the committee include reviewing reports on market risk, credit risk, liquidity risk, and other types of risks submitted by Divisions with risk management responsibilities and taking appropriate action to ensure risk management is conducted properly.

Along with these activities, Mitsubishi Securities has set up the Inspections Division and the Audit Division to monitor the proper operation of internal control systems. The Inspections Division concentrates on identifying and pointing out problems related to internal control within the sales related sections, principally within the Head Office and branches. On the other hand, the Audit Division examines the appropriateness and effectiveness of internal controls within the administration related sections at the Headquarters (including those responsible for compliance) and suggests, where appropriate, measures for improvement.

(As of June 27, 2003)

Directors and Corporate Auditors

- **Chairman** **Masamichi Yamada**
- **President** **Koichi Kane**
- **Deputy President** **Juntaro Fujii**
Investment Banking, Corporate Advisory, Fixed Income, Equity, Derivative & Structured Products, Research
- **Deputy President** **Kenichi Masuda**
Corporate Center, Compliance, Audit, Inspections
- **Managing Director & Senior Executive Officer** **Kazumi Saito**
Audit Division, Inspections Division
- **Managing Director & Senior Executive Officer** **Tsutomu Tanaka**
Retail Business, Corporate & Institutions Business
- **Director** **Minoru Makihara**
(Mitsubishi Corporation)
(Chairman of the Board)
- **Director** **Katsuaki Watanabe**
(TOYOTA MOTOR CORPORATION)
(Executive Vice President)
- **Director** **Tatsunori Imagawa**
(Mitsubishi Tokyo Financial Group, Inc.)
(Senior Managing Director)
- **Corporate Auditor (Full-Time)** **Iwao Nakagawa**
- **Corporate Auditor (Full-Time)** **Tetsuo Hachiro**
- **Corporate Auditor (Full-Time)** **Shinichi Izutsu**
- **Corporate Auditor** **Takeo Imai**
(Miyake Imai & Ikeda Law Offices)
- **Corporate Auditor** **Asataro Miyake**
(Mitsubishi Tokyo Financial Group, Inc.)
(Senior Managing Director)

- **Senior Executive Officer** **Hiromi Hatanaka**
Compliance Control Division, Regional Compliance Divisions, Wholesale Compliance Division, Market Surveillance Division, Customer Support Division
- **Senior Executive Officer** **Saichiro Motoyama**
Human Resources Division, General Affairs Division
- **Senior Executive Officer** **Kenjiro Yasuda**
Operational Planning Division, Custody Division, Operations Division, System Planning Division
- **Senior Executive Officer** **Hiroshi Yoshimine**
Head of Derivative & Structured Products Group
- **Executive Officer** **Tetsuo Aoki**
Investment Banking Division II, Investment Banking Planning Division
- **Executive Officer** **Izumi Usami**
General Manager of Equity Capital Markets Division
- **Executive Officer** **Takashi Oishi**
Retail Business (Tobu)
- **Executive Officer** **Kouhei Komori**
Retail Business (Western Tokyo)
- **Executive Officer** **Michio Koyama**
General Manager of Financial Planning Division
- **Executive Officer** **Tomoyuki Sato**
General Manager of Asset Management Consulting Division I
- **Executive Officer** **Hiroaki Takamatsu**
Head of Corporate Advisory Group,
General Manager of Corporate Advisory Division II
- **Executive Officer** **Hidekazu Tanaka**
General Manager of Corporate Planning Division
- **Executive Officer** **Hideyuki Nakajima**
Retail Business (Kinki), General Manager of Osaka Branch
- **Executive Officer** **Toshiyuki Hatakama**
General Manager of Trading Division
- **Executive Officer** **Tokuo Banba**
Corporate & Institutions Business DivisionI-IV,
Corporate & Institutions Business (Tokyo)
- **Executive Officer** **Yutaka Masuda**
Retail Business (Eastern Tokyo), General Manager of Head Office
- **Executive Officer** **Kenji Matsumoto**
Retail Business (Seibu)
- **Executive Officer** **Masato Matsumoto**
Corporate & Institutions Business (Western Japan)
- **Executive Officer** **Toshiyuki Morioka**
IPO Business Promotion Division, IPO Consulting & Underwriting Division,
General Manager of Investment Banking DivisionI
- **Executive Officer** **Toyokazu Yanaizumi**
Retail Business (Chubu), General Manager of Nagoya Branch
- **Executive Officer** **Fuminori Yano**
Risk Management Division, Due Diligence Division
- **Executive Officer** **Iwao Yokoyama**
Corporate & Institutions Business (Eastern Japan)

Executive Officers

- **Senior Executive Officer** **Masayuki Iijima**
Debt Syndication Division, Debt Capital Markets Division, Financial Solutions Division
- **Senior Executive Officer** **Kimihide Emae**
Head of Research Group, Financial Institutions Division, Corporate Services Division, Investment Trust Division
- **Senior Executive Officer** **Shigeyasu Kasamatsu**
Corporate Planning Division, Financial Planning Division, Legal Division
- **Senior Executive Officer** **Hidenori Kawasaki**
Head of Equity Group
- **Senior Executive Officer** **Akira Kondoh**
Head of Investment Banking Group
- **Senior Executive Officer** **Seichi Takeda**
Head of Corporate & Institutions Business Group
- **Senior Executive Officer** **Kenji Nakajima**
Corporate & Institutions Business (Central Japan),
General Manager of Nagoya Corporate Branch
- **Senior Executive Officer** **Takashi Nishida**
Head of Fixed Income Group
- **Senior Executive Officer** **Yasuo Nishida**
Head of Retail Business Group

Guide to Services

Mitsubishi Securities responds precisely to the increasingly diverse and sophisticated needs of its customers by providing them with a broad range of products and services while crafting total financial solutions by drawing on its sophisticated, cutting-edge financial technology developed through the organic teamwork of its operating divisions.



●	Services for Individual Customers	10
●	Services for Corporate Customers	11
●	Fixed Income	12
●	Equities	13
●	Derivatives	14
●	Investment Trusts and Related Activities	15
●	Investment Banking	16
	Management and Capital Policy Advisory Services	
	Bond and Equity Underwriting	
	Initial Public Offerings (IPOs)	
	Securitization	
	Investor Relations Consulting	
	M&A and Financial Advisory Services	
●	Research	20
●	Global Network	22

Mitsubishi Securities offers products and services for individual customers by utilizing the network and capabilities of MTFG as a whole. Mitsubishi Securities is working to provide more convenient services for its customers by developing joint branches with BTM and MTBC to offer them proposals and advice regarding their asset management, including consulting service related to recent revisions in Japan's tax code.

Mitsubishi Securities is realigning its branch network from two perspectives, namely through creation of joint branches with BTM and also through increasing efficiency, while pursuing measures to strengthen its operating base and reduce costs at the same time. Specific measures have included reduction in the number of branches from 95 at the time of the merger to 68 in July 2003. Along with these measures, Mitsubishi Securities is actively moving forward with plans to convert about half of the remaining 68 offices into joint branches with BTM and MTBC. (At the end of July 2003, 20 joint branches had been created.) As a consequence, Mitsubishi Securities has been able to provide more convenient services for customers through relocation of certain branches and other measures and has been able to enhance its capabilities for offering securities-related services to customers of BTM.



Since the merger, Mitsubishi Securities has been able to tap into the MTFG network, thereby significantly expanding its capabilities for offering a broad line of financial products and services. Mitsubishi Securities has been able to greatly expand

the range of choice available to MTFG customers, such as public offerings (POs), initial public offerings (IPOs), straight bonds, and foreign currency denominated bonds, and respond effectively to the increasingly diverse needs of individual investors.

In domestic securities markets, major changes have been enacted in Japan's securities tax code with the aim of encouraging individual investors to become active market participants. In response to this development, Mitsubishi Securities has begun to offer "Mitsubishi Securities Tax Reporting and Withholding Accounts" which, together with related support systems, fully meet the needs of individual customers. Since 2002, Mitsubishi Securities has sponsored seminars on the theme of the revised securities tax code at its branches nationwide and these have been very well received by customers.

Mitsubishi Securities also offers its "Triple One Service" account for individual customers, which allows them to choose from three service modes, namely transaction at its branches, services via telephone, and online services. Using the "Mitsubishi Securities Telephone Trade" service, customers can place buy and sell orders and receive asset management advice directly from professionals. Moreover, using "Mitsubishi Securities Online Trade" services, customers can receive asset management support over the Internet. Along with these services, sales personnel provide customers with advice on their asset management at each of Mitsubishi Securities branches nationwide.



Mitsubishi Securities introduced its Corporate Branch structure in December 2002 to respond even more effectively to the increasingly sophisticated and diverse asset management needs of corporate customers. Under the new Corporate Branch structure, the organizational units serving corporate customers (Corporate & Institutions Business Dept.) have been separated from the retail business line. Along with this clarification of organizational lines and responsibilities, Mitsubishi Securities has divided the country into 17 districts serviced by Corporate Branches. As a result of the introduction of this Corporate Branch structure, Mitsubishi Securities is now able to build transactions relationships that are tailored to match the needs of various regions and, in the corporate market, is now positioned to respond to the particular needs of corporate customers by offering specialized and sophisticated information, products, and services. In addition, Mitsubishi Securities concentrated and reduced the number of offices serving corporate clients from 61 nationwide (including offices at the Headquarters) to 37 by June 2003 with the objective of locating its offices more strategically and improving the efficiency of its services for corporations.



Moreover, Mitsubishi Securities has linked the sections in charge of corporate accounts with sections at the Headquarters in charge of products with the aim of offering solutions that are optimal for the diverse needs of corporate customers. Under this new system, Mitsubishi Securities is working to take maximum advantage of the product and service delivery capabilities that were strengthened by the merger, match these to market requirements and thereby provide higher quality information and a more diverse range of financial products and services.

To meet the needs of a wider range of MTFG customers, Mitsubishi Securities is strengthening its working relationships with BTM and MTBC. In April 2003, Mitsubishi Securities and BTM introduced a buddy system, which aims to build stronger teamwork between Corporate Branches of Mitsubishi Securities and Commercial Banking Offices of BTM and thereby promote smoother joint efforts within the MTFG network. Looking ahead, Mitsubishi Securities will continue to perform its roles as the core securities company within MTFG, responding to the needs of BTM and MTBC customers by providing top-quality securities-related products and services.

In the field of fixed income business, building on its stronger trading capabilities created as a result of the merger, Mitsubishi Securities is well positioned to offer its customers in Japan and other countries an extensive array of products. These include not only domestic fixed income instruments, such as Japanese government, municipal, corporate and other bonds, but also bonds denominated in U.S. dollars, euros, and other foreign currencies.

Mitsubishi Securities' trading styles are not biased toward specific markets or products. Instead, optimal risk allocations are made in response to the market environment with the aim of generating maximum returns and positions are controlled based on analysis of fundamentals, quants, and other considerations.

Mitsubishi Securities has transactions relationships with a broad range of customers. These include the majority of domestic financial institutions and foreign financial institutions operating in Japan—Japanese private and public sector corporations—central banks, supranational institutions, and hedge funds from all over the world. In its customer relationships,

Mitsubishi Securities has a philosophy of building broad-ranging relationships and seeks to offer services that gain the trust and meet the expectations of its customers.

Based on its competitive pricing skills, capabilities in providing information and broad customer base, Mitsubishi Securities' domestic over-the-counter trading volume has expanded steadily and it has built a track record placing it high in the ranks of bond traders in the categories of market share, government bonds underwritten in auctions, bond futures and future options trading, and other areas. In addition, Mitsubishi Securities has been selected as a member of the Government Bond Market Council of the Ministry of Finance, has established its position as a major player in both the issue and secondary market for Japanese government bonds, and has won a strong reputation in the market.

Mitsubishi Securities will continue to fulfill its responsibilities as an important player in the secondary bond market and work to provide services and products that will win the satisfaction of its customers.



Mitsubishi Securities has created one of the most outstanding research capabilities in the securities industry and provides in-depth company and strategy reports. Leveraging activities with these research reports, experienced sales staff members provide high-quality services to an expansive group of clients ranging from individual investors to institutional investors in Japan and abroad. Programs are constantly under way to strengthen and enhance the sophistication of equity-related activities.

For individual and corporate investors, in addition to services related to domestic stocks, Mitsubishi Securities offers foreign stocks, convertible bonds denominated in euroyen and foreign currencies, stock lending/borrowing transactions with purchase options, options on individual stocks, and is continuing to expand its lineup of products. For institutional investors, Mitsubishi Securities is working to meet the need for increasingly diverse and sophisticated order placement methods and is active in offering basket, block, and other types of principal transactions. Along with these activities, Mitsubishi Securities is placing substantially greater emphasis on syndicating and distributing equity products that have strong growth potential in the domestic market, including ETFs and REITs. Moreover, Mitsubishi Securities has assigned

staff members to the London and other overseas offices of MTFG and, by working closely with the staff of these offices, make it possible for Mitsubishi Securities to respond to the transaction needs of foreign investors.

Mitsubishi Securities is also strong in the fields of quants and IT, as typified by its work in developing an original market impact model. In this area, Mitsubishi Securities has applied technology for lowering the cost of brokerage order execution, implemented techniques for over-the-counter derivatives, and is quite active in providing information to investors through the publication of periodic quants reports.

As corporate disclosure is becoming an increasingly important factor, Mitsubishi Securities is active in making arrangements for investor relations programs in Japan and overseas to facilitate interactive communication among investors and issuers, both of which are its customers.

Although prolonged weakness in Japan's equity market has created a difficult operating environment, by working to meet the needs of customers appropriately and responsively, Mitsubishi Securities plans to continue to fulfill its responsibilities as a global brokerage house.



To meet the growing need for derivatives, the functions and resources of the renowned derivatives operations of BTM have been shifted to Mitsubishi Securities, the core securities company of MTFG.

As a result of this shift of operations, Mitsubishi Securities has substantially expanded its capabilities – including trading, structuring, and research & product development – to provide comprehensive on and off-balance sheet derivative products. Drawing on the global network of MTFG, Mitsubishi Securities is continuing to strengthen its expertise.

With increased market uncertainty, and in response to the diverse requirements of its customers for hedging financial and business risks or the restructuring of balance sheets, Mitsubishi Securities offers a wide range of derivative products at

competitive prices. These include conventional interest rate and currency based products in addition to new products such as equity and credit derivatives.

In addition, to help customers enhance investment performance, Mitsubishi Securities uses its own sophisticated structuring technologies to provide a wide range of tailor-made products, such as derivatives embedded structured notes and other structured products using trusts, SPCs, and CPs.

In a rapidly expanding derivatives market, where the underlying instrument has diversified from conventional interest rates and currencies to credit, commodities, weather, and economic indices, Mitsubishi Securities aims to provide the most advantageous solutions to its customers through new product research and development.



To respond to a widening range of customer asset management needs emerging as a result of the prolonged lackluster performance of the stock market, low interest rates accompanying persistent deflationary trends, the introduction of defined contribution pension plans, and other developments, Mitsubishi Securities has expanded its activities related to investment trusts, variable annuity, and other investment products.

In its investment trust and related activities, Mitsubishi Securities is expanding its operations in three product areas, namely publicly offered investment trusts, privately placed investment trusts, and variable annuity. In addition to publicly offered investment trusts, which have been available for many years, in recent years Mitsubishi Securities has begun to offer privately placed investment trusts to institutional investors and, following approval in October 2002, variable annuity has been added to the product lineup.

As a result of the merger, the number of publicly offered investment trusts handled by Mitsubishi Securities expanded significantly. Mitsubishi Securities has assembled a broad lineup of investment trusts by various categories and is prepared to respond to a many types of customer requests. One of the unique strategies adopted by Mitsubishi Securities has been to form an independent unit to conduct quantitative and qualitative evaluations of onshore and offshore investment trusts to assist customers in

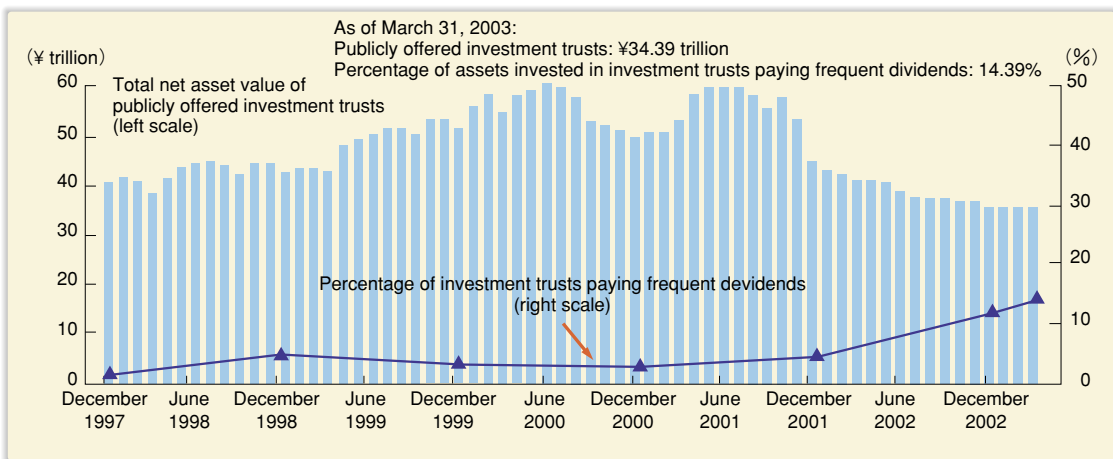
making decisions on the selection of funds for their asset portfolios.

The principal products purchased by individual investors are foreign bond funds that pay dividends on a monthly basis. Mitsubishi was the first securities company in Japan to introduce such funds in 1996, and its pioneering spirit was successful in discovering and nurturing a new class of investors. Funds paying frequent dividends, principally on a monthly basis, currently account for about 15% of the balance of the funds placed in investment trusts in Japan. In particular, Mitsubishi Securities has positioned the Global Sovereign Open Fund as its one of core products for meeting customer needs and is strengthening its support systems for marketing this fund.

For corporations, in addition to funds responding to previously existing investment behavior, requirements for pension fund investment vehicles are rising along with the transfer of the portions of corporate pension plans formerly managed by companies themselves to the government. Requests for assistance from corporations in this area are centered around alternative investment products.

In moving forward with the development of investment trust activities, Mitsubishi Securities will take note of a wide range of customer investment needs and work to enhance its capabilities for offering investment solutions by expanding its product planning and support activities.

Market Size of Investment Trusts Paying Frequent Dividends (December 1997 to March 2003)



Source: Prepared by Mitsubishi Securities based on data of The Investment Trust Association, Japan and KOKUSAI Asset Management Co., Ltd.

The M&A, securitization, and derivatives operations of BTM were shifted to Mitsubishi Securities. As the core securities company within MTFG, it is currently well positioned to provide a full range of investment banking services. With the philosophy “building long-term relationships as the partner of corporate management” and backed by such strengths as access to the global MTFG network, information resources, syndication capabilities, and marketing capabilities, Mitsubishi Securities is fully prepared to provide optimal total solution for customers in the areas of corporate and financial strategies as well as capital strategies.

◆ Management and Capital Policy Advisory Services

The operating environment for corporation is undergoing extreme changes, and to respond to these conditions and implement structural reforms, companies must be flexible to formulate and carry out corporate and capital policies in a short time span. The highly skilled and experienced professional staff members of Mitsubishi Securities are prepared to analyze customers' needs, the operating environment, future corporate strategies, as well as other issues for customers. They will then offer optimal solutions to financial issues, including capital, financial, and shareholder policies. Mitsubishi Securities

professionals have won an excellent reputation for addressing a broad range of issues for customers: the formulation of capital policies that reflect the cost of capital, advice on capital policies to facilitate corporate group realignments, consultation and implementation of share exchanges accompanying realignments, and acting as a purchasing agent for share buyback operations. Mitsubishi Securities professionals have in-depth familiarity with both the primary and secondary markets and capabilities to provide advisory services by utilizing the resources of MTFG's global network.



◆Bond and Equity Underwriting

Mitsubishi Securities assists its customers—which include both Japanese and non-Japanese corporations, financial institutions, and government organizations as well as international organizations—in raising funds from a broad range of sources best suited to their needs, including issuance of bonds, stocks, and bonds with warrants. Mitsubishi Securities is highly regarded in the market for its ability to provide creative ideas and solutions to meet customer needs, for its pricing capabilities that reflect accurate appraisals of market trends and fulfill investor requirements, and for its abilities to manage transactions by making best use of MTFG's global network.

THOMSON DealWatch AWARDS 2002

·Samurai Bonds Deal of the Year 2002
Joint lead manager of the first and fifth through seventh GECC bond (Tokyo-Mitsubishi Securities)

·Straight Bonds Deal of the Year 2002 1st Runner-up
Sole lead manager of the 47 th NTT bond (Mitsubishi Securities)

·Equity-linked Bonds Deal of the Year 2002
Sole lead manager of the first Kanematsu bond (Mitsubishi Securities)

·Share of Domestic Straight Bonds Underwriting (April 2002 to March 2003)			·Share of Samurai Bonds Underwriting (April 2002 to March 2003)			·Share of Public Offering Underwriting (April 2002 to March 2003)		
Securities company	Share		Securities company	Share		Securities company	Share	
1 Nomura Securities	20.18%		1 Nikko Citigroup	30.06%		1 Nomura Securities	38.67%	
2 Daiwa Securities SMBC	18.52%		2 Mitsubishi Securities 16.21%			2 Daiwa Securities SMBC	21.18%	
3 Mizuho Securities	14.50%		3 Morgan Stanley	15.44%		3 Nikko Citigroup	17.29%	
4 Nikko Citigroup	13.68%		4 Nomura Securities	15.32%		4 Mitsubishi Securities 3.51%		
5 Mitsubishi Securities 10.68%			5 Daiwa Securities SMBC	12.36%		5 UFJ Tsubasa Securities	3.18%	
6 UFJ Tsubasa Securities	5.22%		6 Deutsche Securities	2.53%		6 Shinko Securities	3.13%	
7 Goldman Sachs	3.36%		7 Goldman Sachs	2.44%		7 Mizuho Securities	2.41%	
8 Morgan Stanley	3.02%		8 Mizuho Securities	2.26%		8 Goldman Sachs	1.64%	
9 Shinko Securities	2.20%		9 UFJ Tsubasa Securities	0.81%		9 Morgan Stanley	1.04%	
10 Merrill Lynch Japan	2.15%		10 J.P. Morgan Securities	0.71%		10 Tokai Tokyo Securities	0.79%	

(Source: THOMSON DealWatch)

◆Initial Public Offerings (IPOs)

As deregulation proceeds in many industries in Japan, increasing number of companies consider IPOs as an integral part of their growth strategies. Although stock market conditions continue to be staggering, the IPO market remains relatively strong.

Mitsubishi Securities professionals assist its customers planning IPOs through various steps, from the preparation to the final stage. Their extensive experience enables them to offer services and advice at all stages of the IPO process and thereby provide full support to ensure that the IPO is carried out smoothly and quickly.

·IPO Underwriting(April 2002 to March 2003)

Securities company	Share
1 Nomura Securities	32.26%
2 Daiwa Securities SMBC	20.96%
3 Nikko Citigroup	11.24%
4 Mitsubishi Securities 8.55%	
5 UFJ Tsubasa Securities	4.91%
6 Shinko Securities	4.77%
7 Merrill Lynch Japan	3.06%
8 Mizuho Securities	2.15%
9 Okasan Securities	1.81%
10 Tokai Tokyo Securities	1.15%

(Source: THOMSON DealWatch)

◆ **Securitization**

Amid the securitization coming into wide use as a major financing tool, the securitization operations of BTM have been shifted to Mitsubishi Securities. It is now well prepared to offer sophisticated services in this area for its customers.

Mitsubishi Securities ranks high in domestic securitization syndication rankings. It employed credit derivatives and M&A techniques in the residential mortgage securitization for Meiji Life Insurance last year. Through the use of such new techniques, Mitsubishi Securities has gone far beyond the conventional scheme of securitization in order to respond to customers' demands. In addition, in the

real estate securitization arranged for Kinki Nippon Railway, Mitsubishi Securities syndicated the first public bond placement in this type of securitization. Moreover, in the Japanese market for real estate investment trusts (J-REITs), which is expected to grow rapidly in the near future, Mitsubishi Securities has been involved in the underwriting or sales of all of the J-REITs listed to date.

Mitsubishi Securities' vast experience and advanced knowledge enable it to offer securitization as inventive solutions for customers' needs to raise funds, effectively use their assets and improve their management efficiency.

Overall ABS Ranking (January to December 2002)			RMBS (January to December 2002)		
Securities company	Amount (¥ billion)		Securities company	Amount (¥ billion)	
1 Mizuho Securities	657.5		1 Mitsubishi Securities	303.0	
2 Daiwa Securities SMBC	550.6		2 Nomura Securities	228.4	
3 Mitsubishi Securities	483.5		3 UFJ Tsubasa Securities	99.0	
4 UFJ Tsubasa Securities	422.7		4 CS First Boston Securities	99.0	
5 Nomura Securities	387.4		5 Daiwa Securities SMBC	89.2	
6 Merrill Lynch Japan	256.3		6 Nikko Citigroup	74.8	
7 Nikko Citigroup	209.6		7 Goldman Sachs	50.0	
8 J.P. Morgan Securities	146.9		8 Deutsche Securities	48.9	
9 CS First Boston Securities	133.0		9 Morgan Stanley	9.3	
10 Morgan Stanley	115.8				

(Source: Bloomberg L.P.)

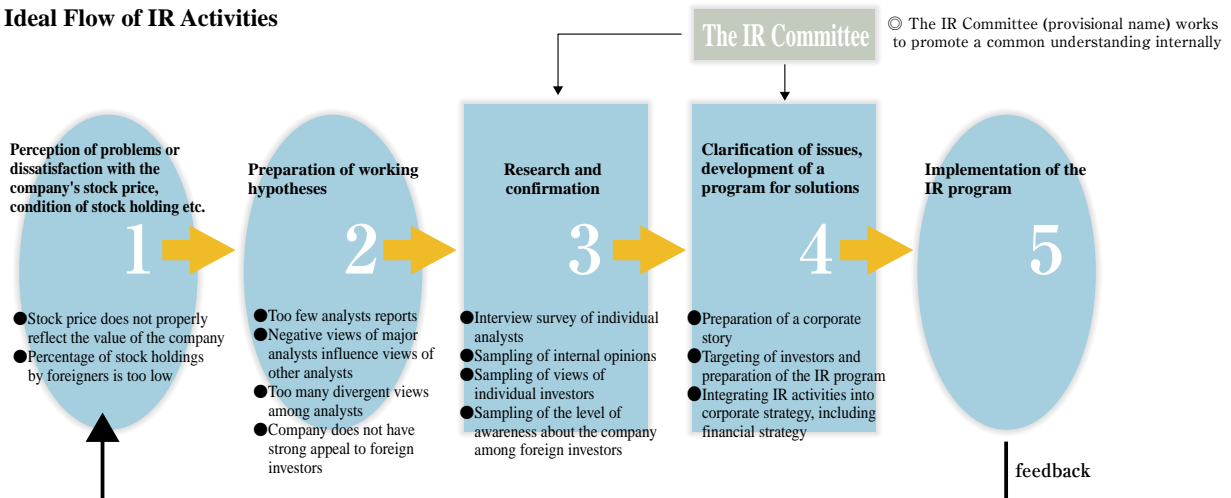
◆ **Investor Relations Consulting**

Investor Relations is a way for issuers to communicate interactively with capital markets. IR programs should promote proper understanding and valuation of issuers in capital markets. It also functions as a process to reflect the voice of markets to issuers' managerial decisions.

Through the formation of IR committees, Mitsubishi

Securities plays two roles for issuers. The first is to provide management with information on how capital markets perceive its company and with analysis of such information to assist managers in formulating operational and financial strategies. The second is to help issuers send back messages to investors who have various valuation and perception of the issuers.

Ideal Flow of IR Activities



◆M&A and Financial Advisory Services

Mergers, acquisitions, business integration, and the establishment of holding companies are among the many M&A services provided by Mitsubishi Securities to facilitate the implementation of optimal corporate strategies. M&A-related services demand a long-term approach, and transactions may take from six months to a year—and at times several years—from the identification of potential transaction opportunities to the signing of advisory agreements and final closing. For this reason, building and maintaining relationships of trust with clients on a day-to-day basis is of the essence.

The M&A-related operations of BTM were shifted to Mitsubishi Securities to optimize the Corporate Advisory Group's ability to support the realization of a broad range of corporate strategies, from mergers and acquisitions to corporate planning. Moreover, our M&A professionals are stationed in subsidiaries in New York and Singapore, and Mitsubishi Securities works closely with alliance partners

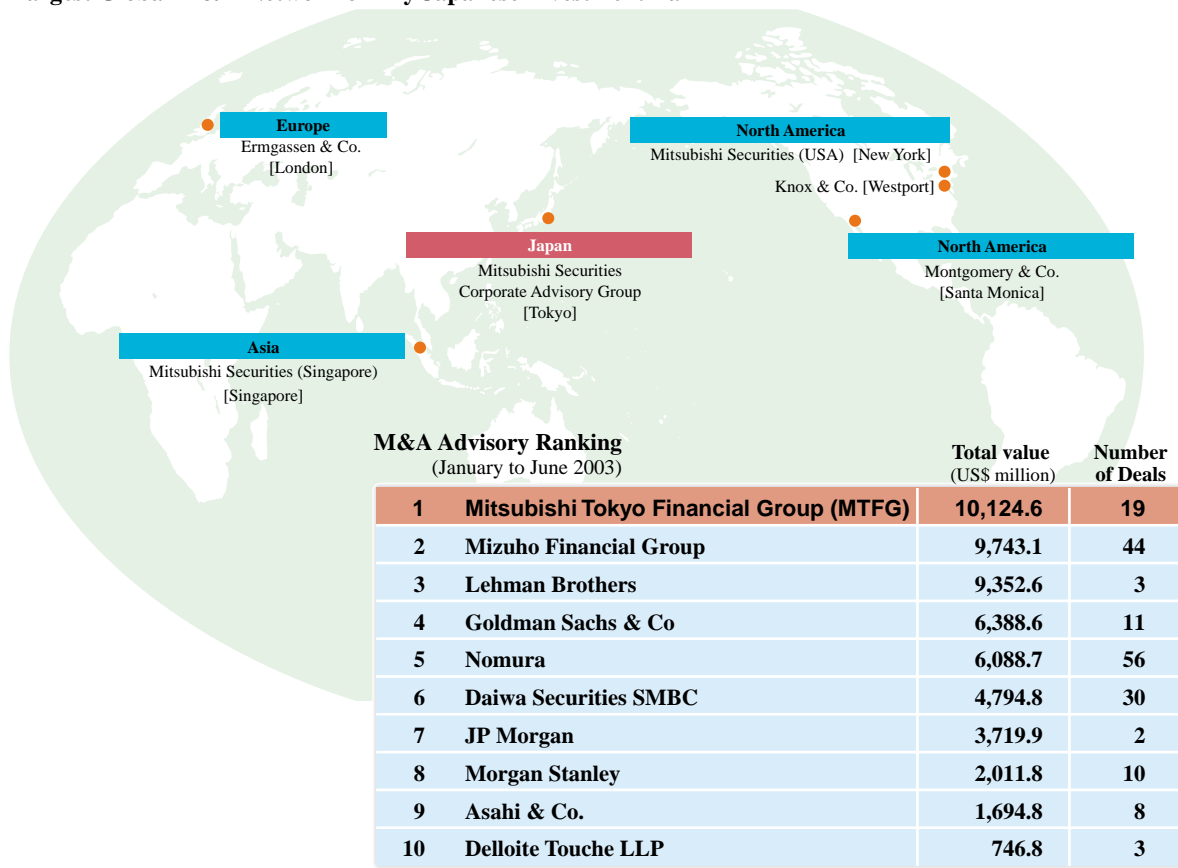
in the United States and Europe to carry out cross-border M&A deals.

In the domestic market, Mitsubishi Securities is also in alliance with a private equity fund management company and provides assistance for management buyouts (MBOs) and a range of other clients needs.

Mitsubishi Securities consistently ranks among the top M&A advisory services in Japan.

Moreover, as part of its advisory services, Mitsubishi Securities offers its Management Planning System (MAPS) to assist its clients in corporate planning. The MAPS service includes not only planning assistance but also simulations of future plans and is an effective tool for enhancing the efficiency of management planning, formulating plans for IPOs, making preparations for going public, and facilitating investor relations and other activities following stock listings.

Largest Global M&A Network of Any Japanese Investment Bank



Note: Completed Mergers & Acquisitions: Japanese Targets, Any Acquirer

(Source: THOMSON Financial, press release, July 2, 2003)

Mitsubishi Securities has four research units—the Investment Information Division, Equity Research Division, Fixed Income Research Division, and Economic Research Division—that provide various types of information in their areas of specialization to a broad range of investors. Through these research activities Mitsubishi Securities seeks to respond to a wide spectrum of customers' information needs, including macroeconomic analyses of Japan, the United States, Europe, and other major countries and regions. Research also covers investment strategies for Japanese stocks and bonds, analyses of fast-moving systemic and regulatory changes in Japan and other countries, and analyses of stock prices and credit quality based on research on industries and individual companies. In addition to issuing periodic reports and holding seminars, the Divisions also prepare special reports and, when appropriate, convene study meetings that address timely topics. Mitsubishi Securities also responds flexibly to the differing research requests of each customer.

As an integral part of its retail securities activities, Mitsubishi Securities provides easy-to-understand, high-quality information to respond to the information needs of its broad base of individual customers. In preparing these reports, research personnel take care to ensure the accuracy and appropriateness of the content, and, to make the content easily understandable even to customers who are just beginning to make investments, write in clear language while making ample use of charts and tables. Moreover, at the branch level, Mitsubishi Securities sponsors various types of seminars, where its investment strategists and analysts act as invited speakers, and is engaged in other activities to provide opportunities for direct communication with its customers. Plans call for further expanding these information channels, and, with the aim of covering a broader range of products and markets, Mitsubishi Securities is continuing to strengthen its information delivery capabilities and systems.

In their equity-related research and analysis, Mitsubishi Securities personnel aim to offer a high level of service by preparing strategies for investing in

Japanese stocks, conducting industry research, analyzing individual company stocks and then making their findings available in published reports and seminars. In the 15th annual rankings of securities analysts, conducted by the Nikkei Financial Daily, Mitsubishi Securities analysts placed first in the categories of "Strategy" and "Retailing (specialty stores/apparel)," and 26 of its analysts were ranked within the top ten across all categories. Also, for the total of all categories, Mitsubishi Securities moved up significantly in ranking to 7th—compared with 12th for the former Tokyo-Mitsubishi Securities and 15th for the former KOKUSAI Securities.

Fixed income research includes surveys and analyses of bond markets, and research findings are made available through periodic reports as well as through the distribution of reports on timely topics via electronic media. In analyst rankings issued by Nikkei Bonds and Financial Weekly, three Mitsubishi Securities analysts placed in the top 10 and its bond-related research activities are highly regarded throughout the industry. To respond to customer requirements, Mitsubishi Securities plans to expand the coverage of fixed income securities to include asset-backed securities (ABS) and mortgage-backed securities (MBS).

In the fields of macroeconomic research and analysis, Mitsubishi Securities economists work to provide customers with information for making investment decisions by analyzing and preparing forecasts for the domestic and foreign economies, focusing especially on Japan, the United States, and Europe, making use of extensive information resources and sophisticated theoretical tools. As the economies of Japan and the world at large continue to confront acute uncertainties, Mitsubishi Securities seeks to supply perspectives—that are based on close familiarity with markets, are not shortsighted, and reflect an understanding of the overall flow of economic trends—to provide support for the investment decisions of its customers. The economic analyses prepared by Mitsubishi Securities are highly regarded by clients and are consistently rated highly in various rankings.

The Nikkei Financial Daily Analyst Rankings

Field	Ranking	Analyst
Equity Strategist	1	Hajime Kitano
Retail (Specialty/Apparel)	1	Hiroshi Koba
Shipbuilding/Plants	2	Toshiharu Morota
Technical Analyst	3	Naohiko Miyata
Small & Medium Caps	3	Hiroataka Tosaki
Forex Analyst	4	Hajime Kitano
Steel, Non-steel (incl. Oil & Mining)	5	Kazuhiro Harada
Precision Instruments	5	Masahiro Nakanomyo
Computer Software	5	Hirotohi Murakami
Industrial Electronics	7	Masahiko Ishino
Pharmaceuticals/Healthcare	7	Yasuhiro Nakazawa
Chemicals	7	Osamu Matsumaru
Textiles/Paper & Pulp	7	Hiroyuki Okasari
Machinery	7	Toshiharu Morota
Trading Firms	7	Hiroki Ihara
Electricity/Gas	8	Tadatoshi Utaka
Computer Software	8	Nobumasa Morimoto
Small & Medium Caps	8	Noboru Yoda
Consumer Electronics	9	Masahiko Ishino
Shipbuilding/Plants	9	Hideki Tamada
Housing/Real Estate	9	Koki Ozawa
Foods (Incl. Fishery, Agriculture, & Forestry)	10	Hideki Morioka
Securities & Insurance	10	Tatsuo Majima
Retail (General)	10	Junichi Kanamori
Construction	10	Toshiya Mizutani
Communications	10	Akihiro Ito

Source : Based on *The Nikkei Financial Daily*, March 24, 2003

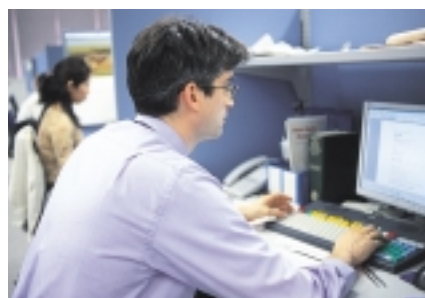
(Survey procedure) The survey was conducted from mid-January through the end of the month by Nikkei Research. Questionnaires were sent to 1,655 fund managers involved in Japanese equities; valid responses were received from 1,181, or 71.4% of the total. Excluded from the survey were so-called "buy-side" analysts at investment trust and investment advisory firms who are responsible for equity investment on behalf of clients.

Note: Translated by Mitsubishi Securities

Nikkei Bonds & Financial Weekly Analyst Rankings

Field	Ranking	Analyst
Economist	5	Kazuo Mizuno
Fixed Income Analyst	6	Jun Ishii
Credit Analyst	7	Takuya Mishima

Source : Based on *Nikkei Bonds & Financial Weekly*, March 17, 2003

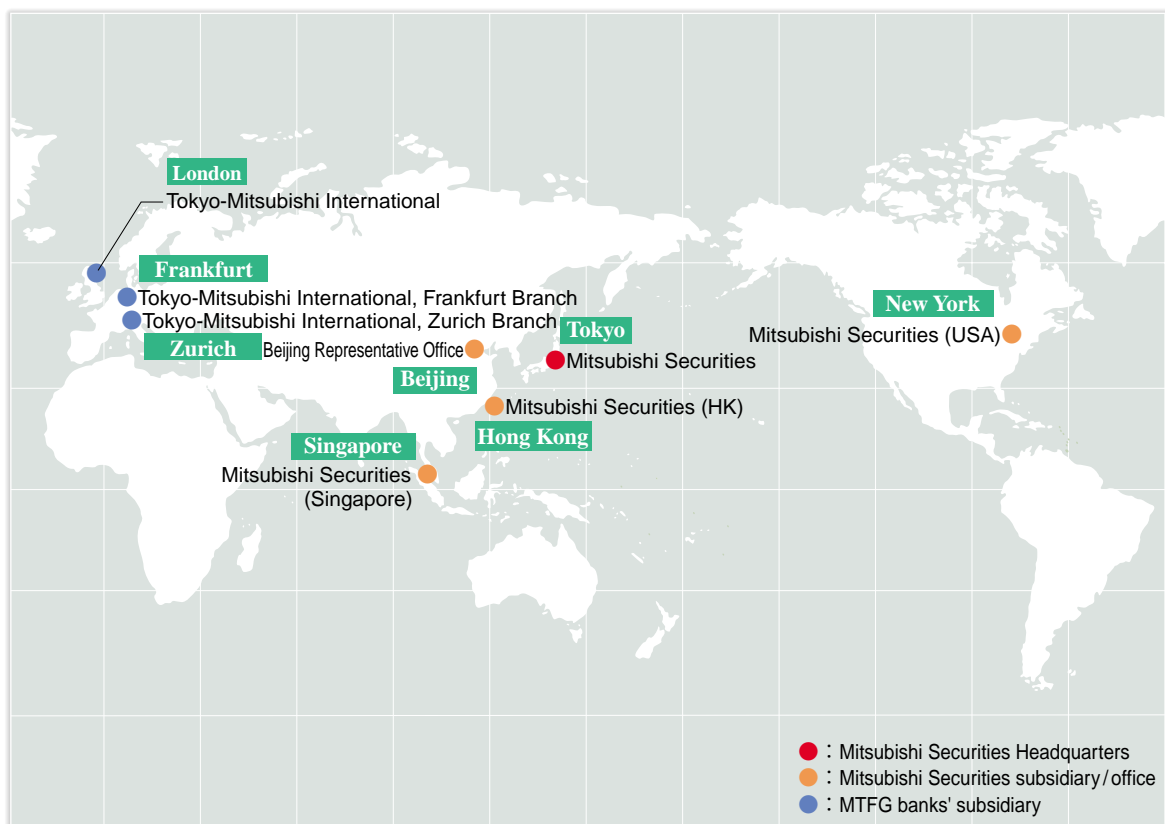


Mitsubishi Securities has worked closely with the overseas offices of MTFG to offer global services. For example, Mitsubishi Securities has built strong track records in distribution and sales of global equity offerings for domestic corporations, in arranging samurai bonds for foreign borrowers, and in other types of international financing. At the same time, Mitsubishi Securities has offered investment products of overseas issuers in the Japanese market and has earned a reputation for excellence in global securities and investment banking activities. Similarly, in M&A and other services that require high-level professional capabilities, Mitsubishi Securities is well positioned to provide sophisticated solutions by working with its alliance partners overseas.

By integrating the overseas securities subsidiaries of BTM, Mitsubishi Securities has significantly enhanced its teamwork throughout the world. In order to build a global network with capabilities to offer broad-ranged services and products to its customers, Mitsubishi Securities has made Tokyo-Mitsubishi Securities (USA), Inc., Tokyo-Mitsubishi International (HK) Limited, and Tokyo-Mitsubishi International (Singapore) Ltd its subsidiaries.

Mitsubishi Securities will continue to utilize the resources and capabilities of its overseas subsidiaries and the global MTFG network to become a trusted partner—capable of providing global solutions for its worldwide investors and issuers.

Global Network



Financial Review

● Consolidated Balance Sheets	24
● Consolidated Statements of Operations	26
● Consolidated Statements of Shareholders' Equity	27
● Consolidated Statements of Cash Flows	28
● Notes to Consolidated Financial Statements	30
● Independent Auditors' Report	46

Mitsubishi Securities Co., Ltd.

Consolidated Balance Sheets

March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2003	2002	2003
Assets			
Cash and cash deposits:			
Cash and cash equivalents	¥ 42,882	¥ 61,454	\$ 356,755
Time deposits	120	83	998
Deposits related to securities transactions	319	301	2,654
Customers' segregated cash in trust	40,500	25,574	336,939
	83,821	87,412	697,346
Loans and receivables:			
Receivables from customers (Note 3)	19,007	16,185	158,128
Call loans	80,000	30,000	665,557
Receivables from brokers, dealers and clearing organizations	108,120	13,593	899,501
Receivables under resale agreements and securities borrowed transactions ...	1,003,650	222,388	8,349,833
Loans and other	20,220	25,015	168,220
	1,230,997	307,181	10,241,239
Less: allowance for doubtful accounts	(5,895)	(3,266)	(49,043)
	1,225,102	303,915	10,192,196
Trading assets (Notes 4 and 5)	1,494,053	670,376	12,429,725
Other assets:			
Property and equipment, at cost (Note 5)	50,605	48,782	421,007
Less: accumulated depreciation	(21,934)	(22,300)	(182,479)
	28,671	26,482	238,528
Non-trading debt securities	—	99,840	—
Other securities	21,705	1,000	180,574
Investments in equity securities (Notes 4 and 5)	13,253	13,677	110,258
Investments in affiliates	1,573	962	13,087
Lease deposits	24,413	18,838	203,103
Deferred income taxes (Note 9)	3,625	7,044	30,158
Other assets	50,481	27,059	419,975
	143,721	194,902	1,195,683
Total assets	¥ 2,946,697	¥ 1,256,605	\$24,514,950

March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2003	2002	2003
Liabilities, minority interests and shareholders' equity			
Loans and payables:			
Bank and other loans (Note5):			
Banks and other	¥ 309,253	¥ 296,555	\$ 2,572,820
Commercial paper	69,000	130,500	574,043
Long-term borrowings	1,902	724	15,824
Loans on margin transactions (Note 5)	3,265	992	27,163
Payables to customers (Note 3)	46,767	32,362	389,077
Payables under repurchase agreements and securities loaned transactions ...	1,419,285	353,714	11,807,695
Other	10,989	12,983	91,423
	1,860,461	827,830	15,478,045
Trading liabilities (Note 4)	671,800	136,291	5,589,018
Accrued and other liabilities:			
Income taxes payable	407	627	3,386
Accrued severance benefits and pension costs (Note 10)	11,662	12,924	97,022
Deferred income taxes (Note 9)	488	542	4,060
Other	11,293	8,506	93,952
	23,850	22,599	198,420
Bonds (Note 8)	50,528	50,528	420,366
Total liabilities	2,606,639	1,037,248	21,685,849
Minority interests	4,320	1,134	35,940
Shareholders' equity:			
Common stock:			
Authorized —1,000,000,000 shares			
Issued ——— 472,092,843 shares in 2003			
275,187,617 shares in 2002			
Outstanding — 465,061,262 shares in 2003			
268,414,502 shares in 2002			
	65,255	65,255	542,887
Additional paid-in capital	228,285	58,802	1,899,210
Retained earnings	49,943	100,801	415,499
Unrealized gain (loss) on investments securities	(20)	782	(167)
Foreign currency translation adjustments	128	295	1,065
Less:treasury stock, at cost — 7,031,581 shares in 2003			
6,773,115 shares in 2002 (Note 11)	(7,853)	(7,712)	(65,333)
Total shareholders' equity	335,738	218,223	2,793,161
Total liabilities, minority interests and shareholders' equity	¥ 2,946,697	¥ 1,256,605	\$24,514,950

The accompanying notes to consolidated financial statements are an integral part of these statements.

Mitsubishi Securities Co., Ltd.

Consolidated Statements of Operations

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2003	2002	2003
Revenues:			
Commissions (Note 12)	¥ 37,381	¥ 35,878	\$ 310,990
Net gain on trading	19,710	1,516	163,977
Interest and dividend income	6,051	6,101	50,341
Total revenues	63,142	43,495	525,308
Interest expense	2,234	2,208	18,586
Net revenues.....	60,908	41,287	506,722
Selling, general and administrative expenses (Note 13)	83,787	73,120	697,063
Operating loss	(22,879)	(31,833)	(190,341)
Other, net (Note 14)	(26,366)	(1,264)	(219,351)
Loss before income taxes	(49,245)	(33,097)	(409,692)
Income taxes:			
Current	337	685	2,804
Deferred	3,903	123	32,471
	4,240	808	35,275
Minority interests in net income (loss)	(330)	147	(2,745)
Net loss	¥ (53,155)	¥ (34,052)	\$ (442,222)
Net loss per share:			
Basic	¥ (138.72)	¥ (126.28)	\$ (1.15)
Diluted	—	—	—

The accompanying notes to consolidated financial statements are an integral part of these statements.

Mitsubishi Securities Co., Ltd.

27

Consolidated Statements of Shareholders' Equity

	Millions of yen						
	Common stock	Additional paid-in capital	Retained earnings	Unrealized gain (loss) on investments securities	Foreign currency translation adjustments	Treasury stock	Total shareholders' equity
Balance as of March 31, 2001	¥65,255	¥ 58,802	¥140,262	¥1,217	¥(260)	¥(6,157)	¥259,119
Net loss for the year	—	—	(34,052)	—	—	—	(34,052)
Cash dividends paid-common stock	—	—	(5,409)	—	—	—	(5,409)
Unrealized gain (loss) on investments securities	—	—	—	(435)	—	—	(435)
Foreign currency translation adjustments ...	—	—	—	—	555	—	555
Treasury stock purchased.....	—	—	—	—	—	(1,555)	(1,555)
Balance as of March 31, 2002	65,255	58,802	100,801	782	295	(7,712)	218,223
Net loss for the year	—	—	(53,155)	—	—	—	(53,155)
Cash dividends paid-common stock	—	—	(2,416)	—	—	—	(2,416)
Net increase due to Merger	—	169,483	4,713	—	—	(2)	174,194
Unrealized gain (loss) on investments securities	—	—	—	(802)	—	—	(802)
Foreign currency translation adjustments ...	—	—	—	—	(167)	—	(167)
Treasury stock purchased.....	—	—	—	—	—	(139)	(139)
Balance as of March 31, 2003	¥65,255	¥228,285	¥ 49,943	¥ (20)	¥ 128	¥(7,853)	¥335,738

	Thousands of U.S. dollars (Note 2)						
	Common stock	Additional paid-in capital	Retained earnings	Unrealized gain (loss) on investments securities	Foreign currency translation adjustments	Treasury stock	Total shareholders' equity
Balance as of March 31, 2002	\$542,887	\$ 489,202	\$838,611	\$6,505	\$2,454	\$(64,160)	\$1,815,499
Net loss for the year	—	—	(442,222)	—	—	—	(442,222)
Cash dividends paid-common stock	—	—	(20,100)	—	—	—	(20,100)
Net increase due to Merger	—	1,410,008	39,210	—	—	(17)	1,449,201
Unrealized gain (loss) on investments securities	—	—	—	(6,672)	—	—	(6,672)
Foreign currency translation adjustments ...	—	—	—	—	(1,389)	—	(1,389)
Treasury stock purchased.....	—	—	—	—	—	(1,156)	(1,156)
Balance as of March 31, 2003	\$542,887	\$1,899,210	\$415,499	\$ (167)	\$1,065	\$(65,333)	\$2,793,161

The accompanying notes to consolidated financial statements are an integral part of these statements.

Mitsubishi Securities Co., Ltd.

Consolidated Statements of Cash Flows

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2003	2002	2003
Cash flows from operating activities:			
Net loss	¥ (53,155)	¥ (34,052)	\$ (442,222)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	9,014	6,560	74,991
Increase (decrease) in accrued severance benefits and pension costs	(1,961)	108	(16,314)
Increase (decrease) in allowance for doubtful accounts	2,279	(82)	18,960
Net (gain) loss on investments securities	2,899	(18,568)	24,118
Impairment loss on property	—	6,453	—
Special amortization of other assets	—	3,323	—
Pension plan settlement cost	—	9,942	—
Special benefits for earlier retirement	875	—	7,280
Merger expense	4,783	—	39,792
Restructuring expense	4,357	—	36,248
Deferred income taxes	3,903	123	32,471
Other	1,210	331	10,067
Changes in operating assets and liabilities:			
Customers' segregated cash in trust	(1,806)	2,263	(15,025)
Receivables from customers	13,378	6,874	111,298
Receivables from brokers, dealers and clearing organizations	(18,827)	42,417	(156,631)
Receivables under resale agreements and securities borrowed transactions and payables under repurchase agreements and securities loaned transactions, net	131,687	(97,701)	1,095,566
Trading assets and liabilities, net	60,890	(152,050)	506,572
Payables to customers	(5,750)	(2,700)	(47,837)
Income taxes payable	(324)	(119)	(2,696)
Loans and other and other assets and liabilities, net	(11,778)	(9,492)	(97,986)
Net cash provided by (used in) operating activities	141,674	(236,370)	1,178,652
Cash flows from investing activities:			
Decrease of time deposits more than three months	178	10,008	1,480
Increase in other securities	(21,920)	—	(182,363)
Purchase of non-trading debt securities	(139,999)	(229,834)	(1,164,717)
Proceeds from redemption of non-trading debt securities	239,840	180,000	1,995,341
Purchases of investments in equity securities	(2,689)	(1,739)	(22,371)
Proceeds from sale of investments in equity securities	2,310	24,124	19,218
Purchases of property and equipment	(6,367)	(2,773)	(52,970)
Proceeds from sale of property and equipment	1,038	—	8,636
Decrease (increase) in call and other loans	(50,146)	35,204	(417,188)
Increase in other assets	(16,435)	(10,311)	(136,730)
Net cash provided by investing activities	5,810	4,679	48,336

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2003	2002	2003
Cash flows from financing activities:			
Increase (decrease) in bank and other loan	(195,734)	180,187	(1,628,402)
Redemption of bonds	—	(30,000)	—
Purchases of treasury stock	—	(1,628)	—
Payment of cash dividends	(2,416)	(5,409)	(20,100)
Other	(140)	73	(1,165)
Net cash (used in) provided by financing activities	(198,290)	143,223	(1,649,667)
Effect of exchange rate changes on cash and cash equivalents	(343)	527	(2,853)
Net decrease in cash and cash equivalents	(51,149)	(87,941)	(425,532)
Cash and cash equivalents at beginning of year	61,454	149,730	511,264
Net increase in cash and cash equivalents accompanied with acquisition ...	39,490	—	328,535
Net increase in cash and cash equivalents accompanied with current consolidation	535	—	4,451
Net decrease in cash and cash equivalents accompanied with exclusion from consolidation	(7,448)	(335)	(61,963)
Cash and cash equivalents at end of year	¥ 42,882	¥ 61,454	\$ 356,755
Supplemental information on cash flows:			
Cash paid during the year for:			
Interest	¥ 4,627	¥ 2,673	\$ 38,494
Income taxes	661	804	5,499

The accompanying notes to consolidated financial statements are an integral part of these statements.

1. Basis of Presentation and Summary of Significant Accounting Policies

(1) Description of Business

Mitsubishi Securities Co., Ltd. (the "Company") and its consolidated subsidiaries operate in one operating segment and are engaged in a fully integrated securities business serving individual, institutional and governmental customers located principally in Japan. Such services include equity and fixed income brokerage, trading, underwriting, distribution and clearance, asset management and private banking and investment banking and corporate finance advisory.

KOKUSAI Securities Co., Ltd., Tokyo-Mitsubishi Securities Co., Ltd., Tokyo-Mitsubishi Personal Securities Co., Ltd. and Issei Securities Co., Ltd. merged on September 1, 2002, based a merger agreement, which was approved at respective shareholders meetings on June 27, 2002. The merged company was named Mitsubishi Securities Co., Ltd.

(2) Basis of Presentation

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries have been compiled from those prepared by the Company and its consolidated subsidiaries as required under the Securities and Exchange Law of Japan and have been prepared in accordance with accounting principles and practices generally accepted and applied in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The accompanying consolidated financial statements of the Company and its subsidiaries are essentially a translation of those included in the securities annual report filed with the Ministry of Finance and the respective stock exchanges as required by the provisions of the Securities and Exchange Law and the related regulations in Japan, and they are also filed with the Financial Supervisory Agency in practice.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles and practices generally accepted in Japan but is presented herein as additional information.

Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

(3) Basis of Consolidation

The accompanying consolidated financial statements for the years ended March 31, 2003 and 2002 include the accounts of the Company and significant companies which are controlled directly or indirectly by the Company. All significant intercompany balances and transactions have been eliminated in consolidation. The Company's investments in affiliated companies over which it has the ability to exercise significant influence are accounted for by the equity method and the Company's share of those affiliates' income is included in consolidated income.

The accounts of the Company's overseas consolidated subsidiaries are based on their financial statements prepared in conformity with generally accepted accounting principles and practices prevailing in the respective countries in which they have been incorporated. In general, no adjustments to the accounts of the overseas consolidated subsidiaries have been reflected in the accompanying consolidated financial statements in order to present them in compliance with Japanese accounting principles and practices followed by the Company.

(4) Foreign Currency Translation

In accordance with accounting principles generally accepted in Japan, the financial statements of the overseas consolidated subsidiaries are translated into yen on the basis of the year-end rates except that the components of shareholders' equity are translated at historical rates.

All assets/liabilities denominated in foreign currencies are translated into yen at the year-end exchange rates except the investments in affiliates.

(5) Trading Assets and Liabilities, Non-Trading Debt Securities and Investments in Equity Securities

The Company and its consolidated subsidiaries adopted "Accounting Standard for Financial Instruments", a new accounting standard for financial instruments issued by the Business Accounting Deliberation Council which became effective April 1, 2000. This standard requires that securities be classified by their holding objectives into "trading," "held to maturity" and "other" securities. Other securities include marketable securities and non-marketable securities.

Gains and losses on trading assets/liabilities and commission income and related expenses are recorded on a trade date basis.

Trading assets/liabilities are carried at fair value, or amounts that approximate fair value, and unrealized gains and losses are recognized in earnings. Fair value is generally based on listed market prices or broker or dealer price quotations. Certain over-the-counter ("OTC") derivative instruments are valued using pricing models that consider, among other factors, current and contractual market prices, time value, and yield curve and/or volatility factors of the underlying positions.

Non-trading debt securities classified as held to maturity are recorded at amortized cost.

Marketable securities classified as other securities are stated at market value as of the balance sheet date and the cost of securities sold is determined by the moving average method. Unrealized gain or loss on marketable securities classified as other securities is included as a component of shareholders' equity. Under this accounting standard, if the fair value of the marketable securities classified as other securities has declined significantly, such securities are written down to fair value thus establishing a new cost basis, and the amount of each write-down is charged to income as an impairment loss, unless the fair value is deemed to be recoverable. The Company has established a policy for the recognition of an impairment loss under the following conditions:

- ① All securities whose fair value has declined by more than 50%
- ② Securities whose fair value has declined by more than 30% but less than 50% and for which a recovery to fair value is not deemed probable

Non-marketable securities classified as other securities are stated at cost and the cost of securities sold has been determined by the moving average method.

The Company's investments in equity securities include marketable and non-marketable equity securities which have been acquired for the Company's operating purposes. The Company makes such operating investments and holds them for the long-term in order to promote existing and potential business relationships. In doing so, the Company is following customary business practices in Japan which, through cross-shareholdings, provide a way for companies to manage their shareholder relationships. Such investments consist mainly of equity securities of various financial institutions such as Japanese commercial banks, regional banks and insurance companies.

(6) Purchase and Repurchase Transactions

The Company engages in Gensaki transactions which originate in the Japanese financial market. Gensaki transactions involve the selling/purchasing of commercial paper, certificates of deposit, Japanese government bonds and various other debt securities to/from an institution wishing to make a short-term investment, with the Company agreeing to reacquire/resell them from/to the institution on a specified date at a specified price. There are no margin requirements for Gensaki transactions nor is there any right of security substitution. Under "Accounting Standard for Financial Instruments", Gensaki transactions are recorded as financing transactions in the consolidated financial statements.

(7) Securities Borrowed and Loaned

Under "Accounting Standard for Financial Instruments" securities borrowed and securities loaned are accounted for as financing transactions. Securities borrowed and securities loaned that are cash collateralized are recorded on the accompanying consolidated balance sheets at the amount of cash collateral advanced or received. Securities borrowed transactions generally require the Company to provide the counterparty with collateral in the form of cash or other securities. For securities loaned transactions, the Company generally receives collateral in the form of cash or other securities. The Company monitors the market value of the securities borrowed or loaned and requires additional cash or securities, as necessary, to ensure that such transactions are adequately collateralized.

(8) Property and Equipment

Depreciation of property and equipment is computed by the declining-balance method over the estimated useful lives of the respective assets except buildings acquired on or after April 1, 1998 by the Company and its domestic consolidated subsidiaries, which are being depreciated by the straight-line method over the useful lives. Significant additions are capitalized at cost. Maintenance and repairs are charged to income.

(9) Amortization of Software

Computer software intended for use by the Company is being amortized by straight-line method based on a useful life of five years.

(10) Goodwill

The terms of amortization for Goodwill are evaluated based on the examination of the goodwill of each consolidated subsidiary and generally will not exceed 20 years. If the amount is immaterial, goodwill is expensed at the time of the acquisition.

(11) Allowance for Doubtful Accounts

The allowance for doubtful accounts has been provided based on the Company's and its consolidated subsidiaries' historical experience with respect to write-offs and an estimate of the amount of specific uncollectible accounts.

(12) Retirement and Severance Benefits for Employment

An accrual for employees' retirement benefits has been provided on the balance sheet based on an estimate of the projected benefit obligation and the employees' pension plan assets as of balance sheet date.

A new pension accounting rule became effective from the fiscal year beginning on April 1, 2000 that requires companies to choose one of two methods for accounting for prior service cost upon adoption. One method is to expense prior service cost upon adoption of the new pension accounting rule. The second method is to amortize prior service cost over the average remaining service period of active employees (12-16 years) by the straight-line method. The Company elected to expense prior service cost when the new rule was adopted.

Prior service cost not related to the adoption of the new pension accounting rule is being amortized for certain terms up to the average remaining service period of active employees (12~16 years) by the straight-line method.

Unrecognized net gain or loss is being amortized for certain terms up to the average remaining service period of active employees (12~16 years) by the straight-line method.

At the Board of Directors' meeting held on February 28, 2003, the Company decided to revise retirement and severance benefits plan in order to unify the plans of the companies that participated in the merger. The Company instituted a new modified retirement and severance benefit plan on April 1, 2003 and as result, the retirement benefit obligation of the combined companies was reduced by ¥3,446 millions (\$28,669 thousand). Also as a result of the new modified plan retirement benefit expenses will be reduced by ¥287 millions (\$2,388 thousand) in succeeding years on a consolidated basis.

As of April 1, 2002, the Company estimated the discount rate for calculating its pension obligation to be 2.5%. However, to be consistent with the adopted discount rate of The Bank of Tokyo-Mitsubishi, Ltd. (hereinafter "BTM"), which became the parent company of the Company as a result of the merger, the Company changed its discount rate to 1.1% as of March 31, 2003. As a result applying this new discount rate, the Company accrued ¥6,147 millions (\$51,140 thousand) as additional unrecognized net loss. In addition, the Company expects retirement benefit expense to increase by ¥512 millions (\$4,260 thousand) in succeeding years related to the average remaining service period of active employees (12~16 years).

(13) Leases

The leased property, other than the finance leases which transfer ownership to the lessee, is not capitalized and the related rental and lease expenses are charged to income as incurred.

(14) Income Taxes

The Company computes and records income taxes currently payable based upon taxable income determined in accordance with the applicable tax laws. Deferred tax assets and liabilities are recognized for the tax consequences of "temporary differences" and "loss carry forwards" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable for the period plus the change during the period in deferred tax assets and liabilities.

(15) Shareholders' Equity

On October 1, 2001, an amendment (the "Amendment") to the Commercial Code of Japan (the "Code") became effective. The Amendment eliminates the stated par value of all shares issued by companies in Japan. Accordingly, this resulted in all outstanding shares of the Company having no par value as of October 1, 2001. The Amendment also provides that all share issuances after September 30, 2001 will be shares with no par value. Prior to the date on which the Amendment became effective, the Company's shares had a par value of ¥50 per share.

The Code provides that an amount equal to at least 10% of the amount to be disbursed as distributions of earnings should be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account. The Code also stipulates that, to the extent that the sum of additional paid-in capital account and the legal reserve exceed 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders.

(16) Appropriation of Retained Earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the financial period, and the accounts for that period, therefore, do not reflect such appropriations. Refer to Note 19.

(17) Per Share Data

The Company and its domestic consolidated subsidiaries have adopted Accounting Standards No. 2, "Accounting Standard for Earning per Share", and Financial Accounting Standards Implementation Guidance No. 4, "Implementation Guidance for Accounting Standard for Earnings per Share" which were issued by Financial Accounting Standards Foundation, effective from the beginning of the year ended March 31, 2003. The effect of this change on the per share data as of and for the year ended March 31, 2003 was not material.

(18) Cash Equivalents

Cash equivalents, as presented in the statements of cash flows, are defined as low-risk, highly liquid, short-term investments (maturing within three months from the acquisition date) which are readily convertible to cash.

2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The exchange rate of ¥120.20 = U.S.\$1.00, the approximate rate prevailing on March 31, 2003, has been applied in translation. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

3. Receivables from and Payables to Customers

Receivables from and payables to customers as of March 31, 2003 and 2002 consisted of the following:

March 31,	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Receivables:			
Receivables from customers on margin transactions	¥ 17,801	¥ 16,075	\$ 148,095
Receivables from customers	1,206	110	10,033
	¥ 19,007	¥ 16,185	\$ 158,128

Receivables from customers on margin transactions are stated at amounts equal to the purchase prices of the relevant securities and such transactions are collateralized by customers' securities or cash deposits.

March 31,	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Payables:			
Cash received for customers' accounts	¥ 28,789	¥ 20,736	\$ 239,509
Proceeds from securities sold for customers' accounts on margin transactions	5,838	5,857	48,569
Cash deposits received from customers primarily for margin and futures transactions	12,140	5,769	100,999
	¥ 46,767	¥ 32,362	\$ 389,077

Proceeds from securities sold for customers' accounts on margin transactions are stated at the selling prices of the relevant securities on the respective transaction dates.

4. Financial Instrument

(1) Risk Management

The Company's Risk Management Committee establishes risk management policies and serves in an oversight capacity in the management of market and credit risks. Market risk is managed principally by position limits, loss limits and limits for liquidity. Position limits are established by an internal control model based on the value at risk method. The validity and risk against events are examined periodically by back-test or stress test.

Credit risk, include counterparty risk, issuer risk and country risk. Counterparty risk is managed principally by credit lines which limit the Company's credit exposure to each counterparty by transaction type based on the counterparty's credit rating. The credit line is determined by the Company's Risk Management Committee. The Risk Management Committee can delegate its authority in making credit line decisions to executive officers under certain conditions. Issuer risk is managed principally by portfolio control in order to avoid concentration. In addition, position limits for securities held by the Company are established based on credit rating. Country risk is managed principally by position limits established by the Risk Management Committee against each country.

The risk management divisions within the trading division and the Risk Management Department independently reports results to management daily.

(2) Securities and Derivatives

The Company's trading positions arise mainly from trading activities conducted either to make a market or to meet clients' needs. The Company utilizes various derivative products to control the risks inherent in its trading positions. The trading products that the Company utilizes include the following:

- ① Trading securities, such as stocks and bonds
- ② Derivative instruments listed on stock exchanges such as stock index futures and options, Japanese government bond futures and options
- ③ Over the counter derivative instruments, such as swap transaction, forward foreign exchange contracts, currency option, options transactions

The risks associated with the above derivative instruments include market risk, which arises from changes in the market prices of the underlying instrument or commodity such as equities, interest rates and foreign exchange rates, and credit risk which arises from the possibility that a counterparty to a derivative transaction may fail to perform its contractual obligations.

Trading assets and liabilities of the Companies as of March 31, 2003 and 2002 consisted of the following:

March 31,	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Trading assets:			
Stocks	¥ 85,421	¥ 46,097	\$ 710,657
Bonds	1,317,640	496,327	10,962,063
Commercial paper and certificates of deposits	57,990	107,976	482,446
Beneficiary certificates and others	5,223	17,448	43,453
Derivative products	27,779	2,528	231,106
	¥1,494,053	¥670,376	\$12,429,725

March 31,	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Trading liabilities:			
Stocks	¥ 19,360	¥ 5,839	\$ 161,065
Bonds	626,595	128,636	5,212,937
Derivative products	25,845	1,816	215,016
	¥ 671,800	¥ 136,291	\$ 5,589,018

As of March 31, 2003 and 2002, the fair values of significant derivative products are summarized as follows:

March 31,	Millions of yen				Thousands of U.S. dollars	
	2003		2002		2003	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Options	¥ 5,644	¥ 2,132	¥ 333	¥ 516	\$ 46,955	\$ 17,737
Forward contracts	2,509	836	1,707	589	20,873	6,955
Swaps	19,626	22,877	488	711	163,278	190,324
	¥27,779	¥25,845	¥ 2,528	¥1,816	\$231,106	\$215,016

(3) Investments in Equity Securities

During the years then ended impairment losses of ¥2,433 millions (\$20,241 thousand) and ¥1,426 millions were recognized for marketable securities held, as of March 31, 2003 and 2002, respectively.

5. Bank and Other Loans and Pledged Assets

The following assets as of March 31, 2003 and 2002 were pledged as collateral for obligations of the Company:

March 31, 2003	Millions of yen				
	Obligations Secured by pledged assets	Pledged Assets			
		Trading assets	Investments Securities	Property	Total
Bank and other loans	¥164,814	¥ 29,075	¥ 114	¥ 5,391	¥ 34,580
Loans on margin transactions	3,265	—	4,202	—	4,202
	¥168,079	¥ 29,075	¥ 4,316	¥ 5,391	¥ 38,782

March 31, 2002	Millions of yen				
	Obligations Secured by pledged assets	Pledged Assets			
		Trading assets	Investments Securities	Property	Total
Bank and other loans	¥146,135	¥118,904	¥ 114	¥ 5,319	¥124,337
Loans on margin transactions	992	5,126	913	—	6,039
	¥147,127	¥124,030	¥ 1,027	¥ 5,319	¥130,376

March 31, 2003	Thousands of U.S. dollars				
	Obligations Secured by pledged assets	Pledged Assets			
		Trading assets	Investments Securities	Property	Total
Bank and other loans	\$1,371,165	\$241,889	\$ 948	\$ 44,850	\$287,687
Loans on margin transactions	27,163	—	34,959	—	34,959
	\$1,398,328	\$241,889	\$ 35,907	\$ 44,850	\$322,646

In addition, borrowed securities in aggregate amounts of ¥141,250 million (\$1,175,125 thousand) and ¥35,203 million as of March 31, 2003 and 2002, which have not been included in the accompanying consolidated balance sheets, were pledged as collateral for bank and other loans.

Trading assets of ¥850 million (\$7,072 thousand), short-term borrowed securities of ¥10,624 million (\$88,386 thousand), investments securities of ¥3,405 million (\$28,328 thousand), and securities pledged by customers on margin transactions of ¥24 million (\$200 thousand) as of March 31, 2003 which have not been included in the accompanying consolidated balance sheets, were deposited as margins money for futures transactions.

Investments securities of ¥8,215 million, and securities pledged by customers on margin transactions of ¥3,391 million, which were deposited as margin money for futures transactions, have not been included in the accompanying consolidated balance sheets as of March 31, 2002.

Short-term borrowed security of ¥13,200 million (\$109,817 thousand) and investments securities of ¥912 million (\$7,587 thousand) as of March 31, 2003, and securities pledged by customers on margin transactions in aggregate amounts of ¥556 millions as of March 31, 2002 were pledged as collateral for delivery versus payment transactions.

Held to maturity debt securities of ¥99,840 million as of March 31, 2002 were pledged as collateral in connection with real time gross settlements for government bonds.

6. Securities Financing Transactions and Collateral Received

As of March 31, 2003 and 2002, the securities pledged and received under financing transactions are summarized as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Pledged Securities:			
Securities loaned on margin transactions	¥ 5,125	¥ 6,485	\$ 42,637
Securities pledged for loans on margin transactions	3,264	991	27,155
Loaned securities	955,783	75,628	7,951,606
Securities sold on Gensaki transactions	471,077	278,180	3,919,110
Other	1,546	—	12,862
Received Securities:			
Securities received on margin transactions	15,338	15,485	127,604
Securities borrowed on margin transactions	30,457	10,134	253,386
Borrowed securities	1,354,277	221,592	11,266,864
Securities bought on Gensaki transactions	13,403	62,524	111,506

7. Borrowing facilities

As of March 31, 2003 and 2002, the Company and the consolidated subsidiaries had unused committed line of credit amounting to ¥224,600 millions (\$1,868,552 thousand) and ¥194,341 millions, respectively.

8. Bonds Issued

Bonds issued and outstanding were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Unsecured convertible Euro yen bonds:			
1.25% due 2013	¥ 528	¥ 528	\$ 4,393
Unsecured convertible Euro yen bonds:			
0.25% due 2014	50,000	50,000	415,973
	¥50,528	¥50,528	\$420,366

Unsecured convertible Euro yen bonds, unless previously redeemed, are convertible into shares of common stock of the Company at the following conversion prices as of March 31, 2003:

	Conversion price per share	Convertible up to and including
1.25% convertible Euro yen bonds due 2013	¥ 929.00	September 23, 2013
0.25% convertible Euro yen bonds due 2014	1,745.00	September 23, 2014

Under the provisions of the issues, the conversion prices are subject to certain adjustments, such as in the case of stock splits.

The aggregate annual maturities of bonds as of March 31, 2003 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 528	\$ 4,393
2014	50,000	415,973
	¥50,528	\$420,366

9. Income Taxes

Deferred income taxes reflect the net tax effects of differences between the financial reporting and tax bases of assets and liabilities and of tax loss carry forwards. These temporary differences result in taxable or deductible amounts in future years and are measured using the tax rates and laws that will be in effect when such differences are expected to reverse.

The significant components of deferred tax assets and liabilities as of March 31, 2003 and 2002 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Deferred tax assets:			
Net operating loss	¥ 34,935	¥ 5,343	\$ 290,641
Accrued severance benefits and pension cost	4,020	4,493	33,444
Excess depreciation expense	556	622	4,626
Loss on investments in equity securities	3,218	1,910	26,772
Special amortization of other assets	—	1,183	—
Pension plan settlement cost	—	4,046	—
Impairment loss on property	2,819	3,331	23,452
Allowance for doubtful accounts	2,755	405	22,920
Accrued bonus	865	767	7,196
Merger expense	1,873	—	15,582
Restructuring expense	1,714	—	14,260
Other	1,267	425	10,541
Total deferred tax assets	54,022	22,525	449,434
Valuation allowance	(47,762)	(14,720)	(397,354)
Deferred tax assets, net of valuation allowance	6,260	7,805	52,080
Deferred tax liabilities:			
Unrealized gain on securities	(6)	(547)	(50)
Eliminated intercompanies profit/loss	(1,068)	(532)	(8,885)
Accrued dividend	(289)	(114)	(2,404)
Loss on investments in affiliates	(1,729)	—	(14,385)
Other	(31)	(110)	(258)
Total deferred tax liabilities	(3,123)	(1,303)	(25,982)
Net deferred tax assets	¥ 3,137	¥ 6,502	\$ 26,098

On the consolidated balance sheets, deferred tax assets and liabilities represent the sum of net deferred tax assets and liabilities within the same tax jurisdiction.

The effective tax rates reflected in the accompanying consolidated statements of operations differ from the statutory tax rate primarily due to the effect of permanent nondeductible expenses. The Company does not disclose the detail of such differences because of loss before income taxes.

Due to changes in Japanese Local Tax Law which introduced Taxation of Corporations by the Size of their Businesses, the Company applied the revised statutory tax rate on the temporary differences expected to be realized after April 1, 2004. The effect on net deferred tax assets and liabilities, and provisions for income taxes is not material.

10. Accrued Severance Benefits and Pension Costs

An employee of the Company whose employment is terminated is entitled, in most cases, to a lump-sum payment, the amount of which is determined on the basis of length of service, the current basic salary and the conditions at the time of termination or retirement. In addition to the lump-sum payment plan, the Company has a trusted contributory pension plan covering substantially all of its employees.

Directors and statutory auditors of the Company are not covered by these plans since retirement benefits paid to officers of the Company must be approved by the shareholders.

The Company and most subsidiaries in Japan withdrew from the Japan Securities Dealers Employees' Pension Fund ("JSDE Fund") and the Company recorded a pension plan settlement cost amounting to ¥658 million (\$5,474 thousand) and ¥9,942 million in the 2003 and 2002 statements of operations, respectively, based on the shortage of pension assets as calculated by the JSDE Fund.

From April 1, 2003, the Company and most subsidiaries in Japan adopted the Mitsubishi Security Corporation Pension Plan as a defined contribution plan and abolished the lump-sum payment plan.

The following table sets forth the funded and accrued status of the retirement and severance benefit plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2003 and 2002:

March 31,	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Retirement benefit obligation	¥(33,407)	¥(30,586)	\$(277,929)
Plan assets at fair value	13,009	13,291	108,228
Unfunded retirement benefit obligation recognized on the balance sheets	(20,398)	(17,295)	(169,701)
Unrecognized net loss	12,182	4,371	101,348
Unrecognized prior service cost	(3,446)	—	(28,669)
Accrued severance benefits and pension costs	¥(11,662)	¥(12,924)	\$ (97,022)

The components of retirement benefit expenses for the years ended March 31, 2003 and 2002 are outlined as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Service cost	¥2,156	¥2,052	\$17,937
Interest cost	752	787	6,256
Expected return on plan assets	(320)	(386)	(2,662)
Recognized net	385	78	3,203
	¥2,973	¥2,531	\$24,734

Assets of the plan are administered by independent trustees and insurance companies. The Company's policy is to fund amounts as are necessary on an actuarial basis to provide assets sufficient to meet the benefits to be paid for the funded plan, subject to the limitation on deductibility imposed by applicable income tax regulations.

The assumptions used in accounting for the above plans are summarized as follows:

March 31,	2003	2002
Discount rate	1.1%	2.5%
Expected return on plan assets	2.5	3.0

11. Stock Option Plan

Under the Commercial Code of Japan, companies are permitted to purchase a certain number of their own shares in the market in order to implement a stock option plan when approved by the shareholders. The Securities and Exchange Law and the related regulations also permit including the purchased shares in treasury stock on the consolidated balance sheets.

Pursuant to resolutions approved at the Company's general shareholders' meetings, the Company is offering stock option plans which provide directors, executive officers, qualified employees and certain other persons with options to purchase shares (at the respective exercise prices stipulated in each plan) as follows:

The date of approval at the shareholders' meeting	Exercise period	Shares
June 29, 1999	July 1, 2001 to June 30, 2003	1,575,000
June 29, 2000	July 1, 2002 to June 30, 2005	2,057,000
June 28, 2001	July 1, 2003 to June 30, 2006	2,272,000
		5,904,000

No related compensation costs were incurred for the years ended March 31, 2003 and 2002.

12. Commissions

Commissions earned for the years ended March 31, 2003 and 2002 consisted of the following:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Brokerage	¥12,790	¥11,826	\$106,406
Underwriting and distribution	10,448	12,399	86,922
Other	14,143	11,653	117,662
	¥37,381	¥35,878	\$310,990

13. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2003 and 2002 are summarized as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Employees' compensation and benefits	¥38,382	¥36,850	\$319,318
Brokerage and other commissions	3,824	1,189	31,814
Communication and transportation	7,439	6,529	61,889
Real estate expenses	13,138	10,946	109,301
Data processing and office supplies	6,488	5,309	53,977
Taxes other than income taxes	875	733	7,279
Depreciation	2,607	2,249	21,688
Amortization	6,407	4,311	53,303
Other	4,627	5,004	38,494
	¥83,787	¥73,120	\$697,063

14. Other Income (Expenses)

The components of "Other, net" in the consolidated statements of operations for the years ended March 31, 2003 and 2002 are as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Net gain (loss) on investments securities	¥ (2,899)	¥18,568	\$ (24,118)
Allowance for doubtful accounts	(2,441)	—	(20,308)
Impairment loss on property	—	(6,453)	—
Special amortization of other assets	—	(3,323)	—
Pension plan settlement cost (Note 10)	(658)	(9,942)	(5,474)
Special benefit for earlier retirement	(4,953)	—	(41,206)
Merger Expense	(9,772)	—	(81,298)
Restructuring Expense	(4,708)	—	(39,168)
Other	(935)	(114)	(7,779)
	¥ (26,366)	¥ (1,264)	\$ (219,351)

15. Leases

Capital leases, except for lease agreements which does not transfer of ownership of the leased property to the lessee, are summarized as follows:

March 31,	Millions of yen					
	Acquisition costs		Accumulated depreciation		Net book value	
	2003	2002	2003	2002	2003	2002
Equipment	¥1,418	¥103	¥ 690	¥ 65	¥ 728	¥ 38
Software	801	3	430	1	371	2
	¥2,219	¥106	¥1,120	¥ 66	¥1,099	¥ 40

March 31, 2003	Thousands of U.S. dollars		
	Acquisition costs	Accumulated depreciation	Net book value
Equipment	\$11,797	\$5,741	\$6,056
Software	6,664	3,577	3,087
	\$18,461	\$9,318	\$9,143

Lease payments, depreciation and interest expense for these capital leases for the years ended March 31, 2003 and 2002 are summarized as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Lease payments	¥ 354	¥ 30	\$ 2,945
Depreciation	376	28	3,128
Interest expense	22	1	183

Future lease commitments are summarized as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Future minimum lease payments due:			
Within one year	¥ 423	¥ 20	\$ 3,519
More than one year	890	22	7,404
	¥ 1,313	¥ 42	\$10,923

16. Per Share Data

The per share data are summarized as follows:

Years ended March 31,	Yen		U.S. dollars
	2003	2002	2003
Net loss per share	¥ (138.72)	¥ (126.28)	\$ (1.15)
Shareholders' equity per share	721.92	813.00	6.01

The underlying date of computation of basic net income and shareholders' equity per share is based on the weighted average number of shares of common stock outstanding during each year and the number of shares outstanding at each balance sheet date, respectively. Diluted net income per share is not presented because of net loss.

The computation of net loss per share for the year ended March 31, 2003 is as follows:

Year ended March 31,	Millions of yen	Thousands of U.S. dollars
	2003	2003
Numerator:		
Net loss	¥(53,155)	\$ (442,222)
Denominator:		
Weighted average shares (thousands shares)	383,157	383,157

The newly adopted disclosure rule for per share data does not require disclosure of data for the fiscal year ended March 31, 2002.

17. Related Party Transactions

During the year ended March 31, 2003 and 2002, the Company entered into loan agreements of ¥80,000 million (\$665,557 thousand) and ¥160,000 million, respectively, with BTM, which had a 53.4% and 33.7% interest in the Company as of March 31, 2003 and 2002, respectively. In addition, receivables from BTM related to securities borrowed transactions was ¥50,443 million (\$419,659 thousand) and payables related to securities loaned to BTM was ¥172,073 million (\$1,431,556 thousand) as of March 31, 2003. The balance of loans receivable from BTM as of March 31, 2003 and 2002 were ¥80,000 million (\$665,557 thousand) and nil, respectively.

During the year ended March 31, 2003 and 2002, the Company issued commercial paper, of which ¥100,000 million (\$831,947 thousand) and ¥70,000 million were purchased by Toyota Motor Corporation, which has a 6.0% and 10.1% interest in the Company as of March 31, 2003 and 2002, respectively. The balance of commercial paper held by Toyota Motor Corporation as of March 31, 2003 and 2002 were nil and ¥50,000 million, respectively.

18. Supplemental information of Cash Flow Statement

(1) Breakdowns of assets and liabilities of newly consolidated subsidiaries

The information below presents that the breakdown of assets and liabilities of Me Net Securities Co., Ltd., a newly acquired subsidiary, and the relationship between the acquisition price of Me Net Securities Co., Ltd. and net gain from acquiring the subsidiary's equities.

Year ended March 31,	Millions of yen	Thousands of U.S. dollars
	2003	2003
Current assets	¥ 5,439	\$ 45,250
Non-current assets	596	4,958
Consolidated adjustment accounts	2,124	17,671
Current liabilities	(199)	(1,656)
Non-current liabilities	(506)	(4,210)
Minority interests.....	(2,624)	(21,830)
Acquisition price of equities of Me Net Securities Co., Ltd.....	4,830	40,183
Acquisition price until the prior consolidated year end	(165)	(1,373)
Acquisition price assumed by merger	(165)	(1,373)
Net: acquisition price in the current consolidated year end	4,500	37,437
Cash and cash equivalents in Me Net Securities Co., Ltd.	(4,635)	(38,560)
Net: gain from acquiring Me Net Securities Co., Ltd.	¥ (135)	\$ (1,123)

(2) Significant non-cash transaction

Details of assets and liabilities assumed from Tokyo-Mitsubishi Securities Co., Ltd., Tokyo-Mitsubishi Personal Securities Co., Ltd. and Issei Securities Co., Ltd. consolidated in 2003 are as follows: In addition, the additional paid-in capital increased by merger is ¥169,483 million (\$1,410,008 thousand).

Tokyo-Mitsubishi Securities Co., Ltd.:

As of September 1, 2002	Millions of yen
Current assets	¥2,099,414
Non-current assets	8,948
Total assets	2,108,362
Current liabilities	1,952,378
Non-current liabilities	514
Total liabilities	1,952,892
Net assets	¥ 155,470

Tokyo-Mitsubishi Personal Securities Co., Ltd.:

As of September 1, 2002	Millions of yen
Current assets	¥30,942
Non-current assets	6,727
Total assets	37,669
Current liabilities	23,800
Non-current liabilities	634
Total liabilities	24,434
Net assets	¥13,235

Issei Securities Co., Ltd.:

As of September 1, 2002	Millions of yen
Current assets	¥10,174
Non-current assets	1,281
Total assets	11,455
Current liabilities	4,265
Non-current liabilities	473
Total liabilities	4,738
Net assets	¥ 6,717

19. Subsequent Event

The following appropriations of retained earnings were approved at a meeting of the Company's shareholders held on June 27, 2003:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Cash dividends (¥3.00 = \$0.03per share)	¥1,395	\$11,606

As stated in Note 1. (16), such appropriations have not been reflected in the accompanying consolidated financial statements.



■ Certified Public Accountants
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo 100-0011
C.P.O. Box 1196, Tokyo 100-8641

■ Phone: 03 3503-1191
Fax: 03 3503-1277

Independent Auditors' Report

The Board of Directors
Mitsubishi Securities Co., Ltd.

We have audited the accompanying consolidated balance sheets of Mitsubishi Securities Co., Ltd. and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi Securities Co., Ltd. and consolidated subsidiaries at March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2003 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

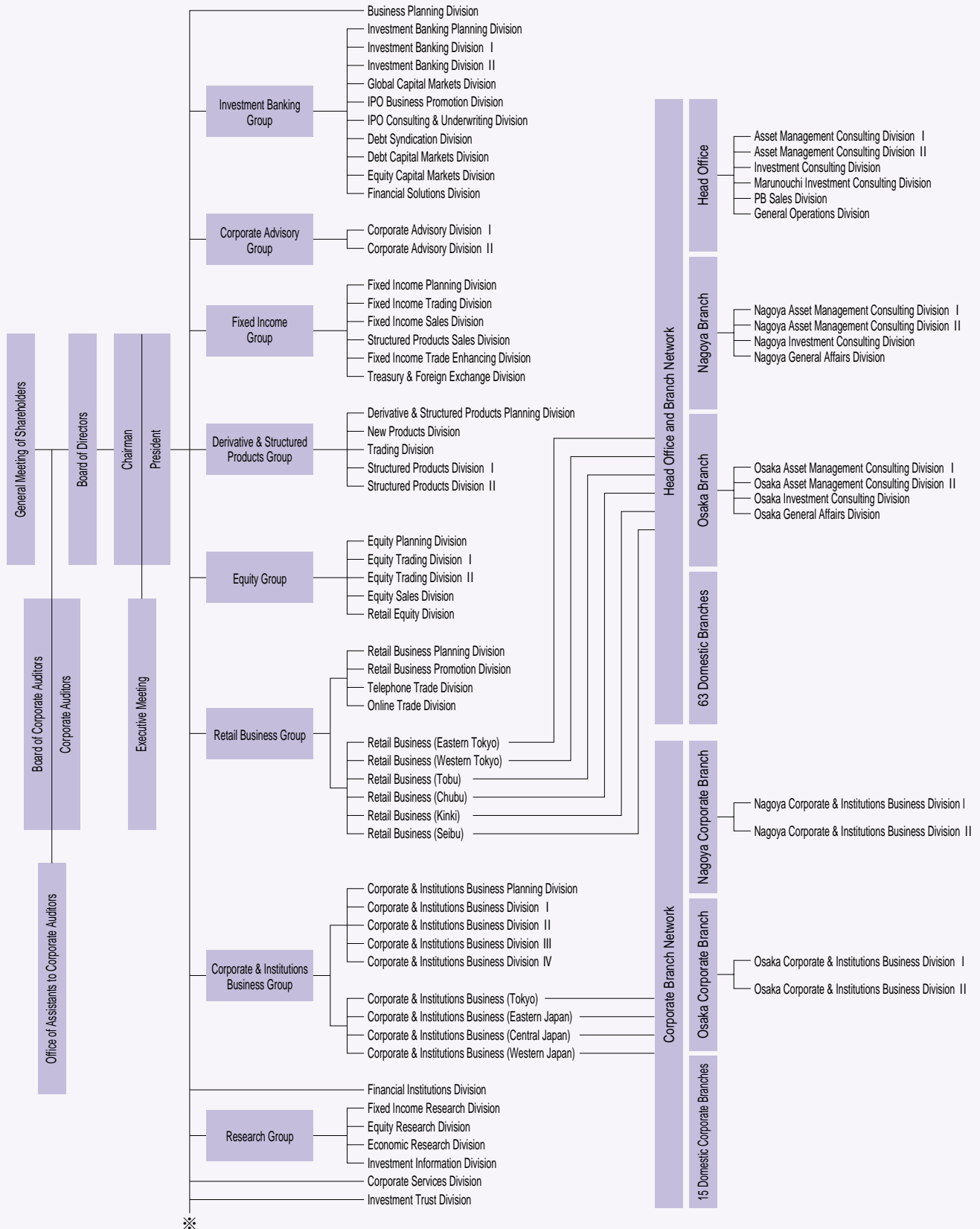
Shin Nihon & Co.

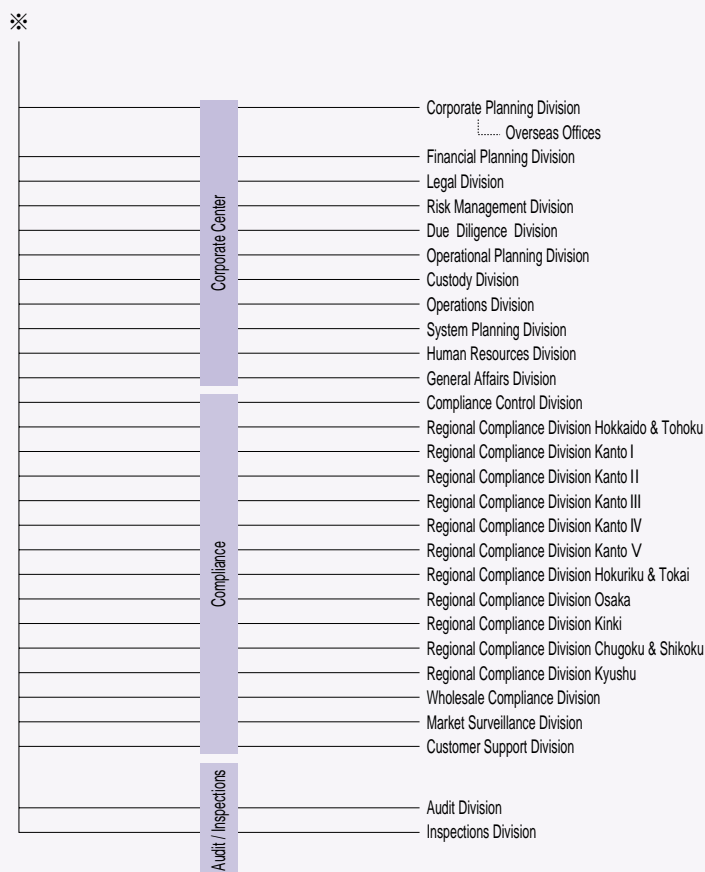
June 27, 2003

See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of Mitsubishi Securities Co., Ltd. and consolidated subsidiaries under Japanese accounting principles and practices.

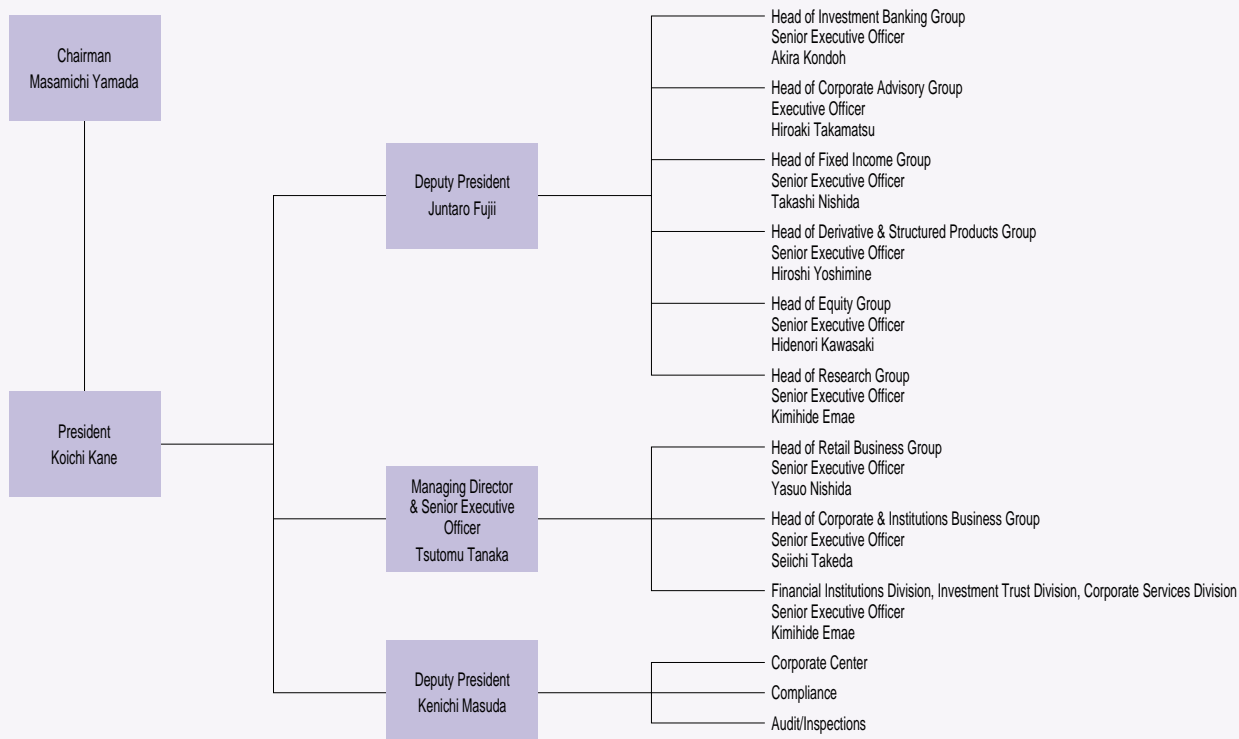
Corporate Data

Organization Chart





☆Report line of each Group



CONSOLIDATED SUBSIDIARIES

Me Net Securities Co., Ltd.

Principal Business Online securities business
 Established March 2000
 Common Stock ¥5,000,000,000
 1-7-27, Roppongi, Minato-ku, Tokyo 106-0032, Japan
 Telephone 81-3-3505-8989

KOKUSAI Capital Co., Ltd.

Principal Business Venture capital business
 Established December 1985
 Common Stock ¥3,100,000,000
 1-7-2, Nihonbashi Kayabacho, Chuo-ku, Tokyo 103-0025, Japan
 Telephone 81-3-3668-6211

KOKUSAI Business & System Services Co., Ltd.

Principal Business Development and administration of data processing systems and contracted securities back-office operations
 Established June 1990
 Common Stock ¥350,000,000
 2-1-50, Kitakase, Saiwai-ku, Kawasaki-shi, Kanagawa 212-0057, Japan
 (Registered Head Office 2-5-2, Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan)
 Telephone 81-44-587-3811

KOKUSAI Estate Co., Ltd.

Principal Business Real estate rental and property management service and contracted back-office operations
 Established June 1987
 Common Stock ¥50,000,000
 2-5-2, Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan
 Telephone 81-3-6213-6370

KOKUSAI Card System Co., Ltd.

Principal Business Mitsubishi Securities Card issuance services
 Established January 1986
 Common Stock ¥100,000,000
 2-5-2, Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan
 Telephone 81-3-6213-6399

Mitsubishi Securities (USA), Inc.

Principal Business Securities business
 Established January 1987
 Common Stock US\$69,000,000
 1251 Avenue of the Americas, New York, N.Y.10020-1104, U.S.A
 Telephone 1-212-782-6868

Mitsubishi Securities (HK), Limited

Principal Business Securities and banking business
 Established March 1973
 Common Stock US\$80,000,000
 16/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong, People's Republic of China
 Telephone 852-2520-2460

Mitsubishi Securities (Singapore), Ltd.

Principal Business Mergers and acquisitions business
 Established November 1985
 Common Stock S\$14,700,000
 9 Raffles Place, #01-01, Republic Plaza, Singapore 048619, Republic of Singapore
 Telephone 65-6536-7818

EQUITY-METHOD AFFILIATES

KOKUSAI Asset Management Co., Ltd.

Principal Business Investment trust management and investment advisory
 Established March 1983
 Common Stock ¥2,680,000,000
 1-3-11, Nihonbashi Honcho, Chuo-ku, Tokyo 103-0023, Japan
 Telephone 81-3-3241-9101

Tradeone Systems Co., Ltd.

Principal Business Development and administration of back-office systems for online securities brokers
 Established March 2001
 Common Stock ¥3,600,000,000
 3-7-2, Nihonbashi Honcho, Chuo-ku, Tokyo 103-0023, Japan
 Telephone 81-3-5652-5611

Mitsubishi Tokyo Wealth Management Securities, Ltd.

Principal Business Securities business
 Established March 2002
 Common Stock ¥1,000,000,000
 1-1-1, Uchisaiwaicho, Chiyoda-ku, Tokyo 100-0011, Japan
 Telephone 81-3-3595-6011

Mitsubishi Tokyo Wealth Management (Switzerland), Ltd.

Principal Business Private banking business
 Established July 2002
 Common Stock SF50,000,000
 67, Rue du Rhone, 1207, Geneva, Switzerland
 Telephone 41-22-718-6600

OVERSEAS REPRESENTATIVE OFFICE

Beijing Representative Office

Established November 1986
 705 Beijing Fortune Building, No.5 Dong San Huan Bei-lu, Chao Yang District, Beijing, 100004 People's Republic of China
 Telephone 86-10-6590-8770

● History of Mitsubishi Securities

April	2002	KOKUSAI Securities, Tokyo-Mitsubishi Securities, Tokyo-Mitsubishi Personal Securities and Issei Securities signed contract on merger.
June	2002	Merger agreement and its amendment were approved at the annual shareholders' meetings of KOKUSAI Securities, Tokyo-Mitsubishi Securities, Tokyo-Mitsubishi Personal Securities and Issei Securities.
September	2002	KOKUSAI Securities, Tokyo-Mitsubishi Securities, Tokyo-Mitsubishi Personal Securities and Issei Securities merged to create Mitsubishi Securities (Head Office: 2-5-2 Marunouchi, Chiyoda-ku, Tokyo).
January	2003	Moved Head office to 2-4-1 Marunouchi, Chiyoda-ku, Tokyo
May	2003	Made Tokyo-Mitsubishi International (Singapore) Ltd, into a wholly owned subsidiary
June	2003	Made Tokyo-Mitsubishi International (HK) Limited, into a wholly owned subsidiary
July	2003	Made Tokyo-Mitsubishi Securities (USA), Inc., into a wholly owned subsidiary

● History of KOKUSAI Securities

March	1948	Established as Yachiyo Securities Co., Ltd.
October	1981	Merged with Koa Securities and Nomura Securities Investment Trust Sales, to form KOKUSAI Securities Co., Ltd.
October	1984	Established a wholly owned subsidiary KOKUSAI Europe Limited
October	1986	Established a wholly owned subsidiary KOKUSAI Securities (Hong Kong) Limited
May	1987	Listed on the Second Section of the stock exchanges in Tokyo, Osaka, and Nagoya
June	1988	Established a wholly owned subsidiary KOKUSAI America Incorporated
March	1989	Listed on the First Section of the stock exchanges in Tokyo, Osaka, and Nagoya
December	1999	Signed a business alliance agreement with Bank of Tokyo-Mitsubishi and Tokyo-Mitsubishi Securities

● History of Tokyo-Mitsubishi Securities

October	1994	Established as Mitsubishi Diamond Securities Co., Ltd.
April	1996	Name changed to Tokyo-Mitsubishi Securities Co., Ltd.
July	1999	Took over all business of Mitsubishi TB Securities Co., Ltd.
December	1999	Signed a business alliance agreement with Bank of Tokyo-Mitsubishi and KOKUSAI Securities

● History of Tokyo-Mitsubishi Personal Securities

October	1926	Established as Kaga Shouten Co., Ltd
March	1944	Name changed to Kaga Securities Co., Ltd.
May	1969	Name changed to Ryoko Securities Co., Ltd.
April	1999	Merged with Dainana Securities Co., Ltd., name changed to Tokyo-Mitsubishi Personal Securities Co., Ltd.

● History of Issei Securities

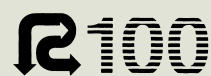
March	1945	Established as Nanou Securities Co., Ltd.
July	1949	Name changed to Suzuya Securities Co., Ltd.
March	1952	Name changed to Suzuichi Securities Co., Ltd.
June	1953	Name changed to Issei Securities Co., Ltd.

Corporate Data (As of March 31, 2003)

Company	Mitsubishi Securities Co., Ltd.
Established	March 4, 1948
Common stock	¥65,254 million
Employees	4,140
Rating	A2 (Moody's Investors Service) A (Rating and Investment Information, Inc.)
Total number of shares issued	472,092,843 shares
Number of shareholders	18,232
Stock exchange listings	Tokyo, Osaka, Nagoya
Address	Marunouchi Bldg. 4-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-6317, Japan
Telephone	81-(3) 6213-8500
URL	http://www.mitsubishi-sec.co.jp
Transfer agent	The Mitsubishi Trust and Banking Corporation 81-(3) 5391-1900

Further Information

Mitsubishi Securities Co., Ltd.
Investor Relations Dept., Corporate Planning Division
Telephone 81-(3) 6213-6555
Facsimile 81-(3) 6213-6568
E-mail ir@mitsubishi-sec.co.jp





Mitsubishi Securities