



Mitsubishi Securities Annual Report 2004



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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, 2004, 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 like to begin by expressing our thanks to our shareholders, customers, and other stakeholders for their continuing commitment to Mitsubishi Securities.

Mitsubishi Securities is pleased to report its financial results for the year ended March 31, 2004 (fiscal 2003). This Annual Report presents our accounts, management policies, a guide to our services, and other information outlining our operations during the fiscal year under review. We believe it will assist you in better understanding our activities and objectives.

Thus far, our strategic initiatives, aimed at enhancing profitability, have included shifting the M&A, securitization, and derivatives operations of The Bank of Tokyo-Mitsubishi, Ltd. (BTM), into Mitsubishi Securities and taking steps to develop a global network by making the overseas securities subsidiaries of BTM subsidiaries of Mitsubishi Securities. We have also implemented measures to strengthen collaborative relationships within the Mitsubishi Tokyo Financial Group (MTFG) by setting up joint branches and MTFG Plazas, and taking other joint initiatives. We have also moved forward with a radical cost reduction by taking measures such as restructuring of our branch network. With these initiatives, we have sought to realize synergies and reinforce our business infrastructure.

These strategic initiatives have produced solid results. Compared to operating and net losses in fiscal 2002, we reported a marked gain in profitability for fiscal 2003, with consolidated operating income of ¥28.0 billion and net income of ¥36.1 billion.

Looking forward, major changes are taking place, or are going to take place soon, in Japan's financial and securities markets. Various regulations have been eased, including the removal of restrictions on securities intermediary business, the expanding use of on-line transaction services among investors, and the development of new business fields, including securitization. In order to cope with these major changes in the environment for our operations, we are significantly strengthening our collaborative relationships within MTFG and moving into new business fields. We are fully committed to continued expansion of our business base to enable us to be a leading company in the new era now dawning in the securities and investment banking sectors. As we progress toward our objectives, we look forward to your increasing support and encouragement.

August 12, 2004, MTFG and UFJ Group, which is under the umbrella of the holding company, UFJ Holdings, Inc., announced a basic agreement with regard to management integration. Under this arrangement, Mitsubishi Securities concluded a basic agreement with UFJ Tsubasa Securities Co., Ltd., and will pursue preparation for management integration targeted for completion by October 1, 2005, subject to receiving approval by shareholders and the relevant authorities.

September 2004





Chairman

Yasumasa Gomi



President

Koichi Kane

Mitsubishi Securities developed a corporate philosophy statement to mark its formation on September 1, 2002. 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 2003

In the Japanese economy, during the fiscal year ended March 31, 2004, exports began to increase, accompanying the recovery in the U.S. economy and expansion in the Chinese economy, while private capital investment and corporate profitability showed recovery trends. Toward the end of the fiscal year, economic data showed signs of a recovery in personal consumption and evidence of some improvement in the severe conditions in the employment environment as the number of job openings increased. Since September 2003, as the yen strengthened and the dollar weakened, the Japanese economy showed signs of a steady recovery.

Amid these circumstances, our consolidated total revenues increased 2.16 times over the previous fiscal year, to ¥136.3 billion, and operating income rose to ¥28.0 billion, compared to a operating loss of ¥22.8 billion for the previous fiscal year. Consolidated net income amounted to ¥36.1 billion versus a loss of ¥53.1 billion for the prior fiscal year.

Turning next to the principal items among consolidated revenues and expenses. Our total revenues have expanded sharply as the integration of the four

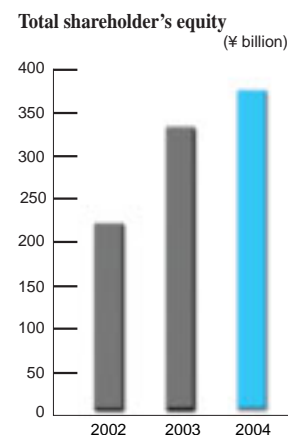
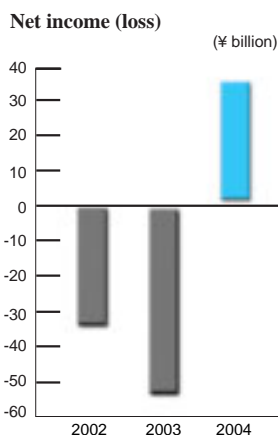
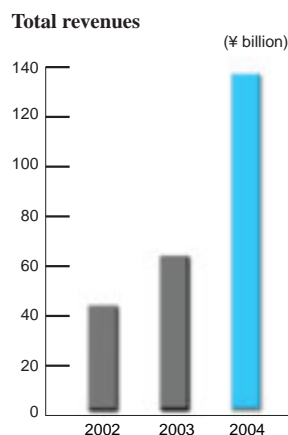
securities companies since the merger in September 2002 has proceeded and businesses shifted from BTM — namely M&A, securitization, and derivatives — have begun to contribute to and strengthen our earnings base. Commissions increased along with the rise in brokerage commission and fees from underwriting and distribution owing to stock market recovery. Moreover, along with the steady growth in income from M&A and securitization, our sources of revenues have become more diverse. In addition, the net gain on trading contributed to expansion in revenues because of the strong performance of bond and derivatives operations as well as customer transactions and trading activities.

Regarding expenses, as a result of comprehensive measures to cut costs, including the integration of headquarters operations and the realignment of our branch network, selling, general and administrative expenses were restrained to ¥99.2 billion, approximately 18% higher than for the previous fiscal year. This was achieved despite a rise in transactions expenses accompanying the growth in business volume after the merger and increases in the volume of transactions as well as higher depreciation.

Consolidated Financial Highlights

Year ended March 31	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
Total revenues.....	¥ 136,321	¥ 63,142	¥ 43,495	\$ 1,289,819
Operating income (loss).....	28,035	(22,879)	(31,833)	265,257
Net income (loss).....	36,132	(53,155)	(34,052)	341,868
Total assets.....	4,714,771	2,946,697	1,256,605	44,609,433
Total shareholders' equity.....	375,214	335,738	218,223	3,550,137
Yen				
Net income (loss) per share:				U.S. dollars
Basic.....	¥ 77.31	¥ (138.72)	¥ (126.28)	\$ 0.73
Diluted.....	72.87	-	-	0.69

Note: Amounts in U.S. dollars are included solely for the convenience of the reader. The exchange rate of ¥105.69 = U.S.\$1.00, the approximate rate prevailing on March 31, 2004, 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 consolidated figures for Mitsubishi Securities from September 2002 through March 2003. Results for the fiscal year ended March 31, 2002 are the consolidated figures for the former KOKUSAI Securities.

Since the formation of Mitsubishi Securities from a merger in September 2002, efforts have focused on measures to strengthen its business base and infrastructure. Going forward, we plan to implement the strategies outlined below with the objective of becoming a leading company with a global perspective by pursuing business models, which differ from those of other securities companies and are suited to the new era dawning in the securities and investment banking businesses.

Corporate and Wholesale Business Strategy

We recognize strengthening our comprehensive securities product capabilities within MTFG as one of important issues, and we are already taking actions. First, we are working to strengthen our position in equities by enhancing our capabilities for acting as an intermediary between the primary market and investors. Our approach will be to strengthen our underwriting, trading, research, and sales capabilities simultaneously. Also, we intend to focus on growth businesses and improve our capabilities for offering products and services by tapping the capabilities of MTFG. Specifically, we want to further develop our position in securitization related business that covers a broad range of assets, including real estate and receivables. In addition, we have a strong product development capability in derivatives business along with bond related areas. We, therefore, plan to further enhance and develop our capabilities in these activities. In the corporate revitalization business, we want to draw on our know-how in M&A and other fields and promote well-integrated, joint activities within MTFG.



【MTFG Plaza】

Retail Business Strategy

Mitsubishi Securities is responsible for building a key area that will enable MTFG to offer seamless and comprehensive financial services. For example, in the development of our branch network, we have changed 30 of our total of 69 offices to joint branches with BTM and Mitsubishi Trust and Banking Corporation (MTBC) and are taking other steps to create systems to enhance convenience for customers. In addition, our first MTFG Plaza, the Group's new type of customer service office that provides access channels to a comprehensive range of financial services for

individuals, opened its doors for business in February 2004. Moving forward, restrictions on entry into the securities intermediary business by financial institutions will be removed, as part of Japan's financial deregulation program, and our policy is to respond proactively to this development. At the same time, we will work to expand our client base and strengthen our operational position by offering financial products that draw on the capabilities of the MTFG, including structured bonds for individuals and variable annuity insurance.

Strengthening of Our Global Presence

The overseas securities subsidiaries of BTM located in New York, Hong Kong, and Singapore became subsidiaries of Mitsubishi Securities in fiscal 2003, and, in July 2004, Tokyo-Mitsubishi International in London also joined us as a subsidiary. Closer ties with these overseas offices are expected to enhance our capabilities for working together more flexibly and both speed up and increase the efficiency of our securities and investment banking activities, while also improving teamwork with the overseas network of BTM. Moreover, going forward, we plan to move forward with business initiatives in China. Businesses under consideration are principal investments and M&A as well as handling stocks of Chinese companies.



【Mitsubishi Securities International】



【Mitsubishi Securities (Singapore)】

Development of Business under the MTFG's Integrated Business Group System

Mitsubishi Securities maintains close coordination with MTFG's Integrated Business Groups and its approach is to choose from among banking, trust, and securities products and services offered by Group companies to provide its customers with services that best suit their needs efficiently and quickly. Our role within MTFG is to offer securities and investment banking related

services and to create and expand business opportunities and increase profitability. To promote cooperation within MTFG, we will accelerate the exchange of personnel with other Group companies, establishing commonly shared objectives and policies in the conduct of business operations, introducing incentive criteria, and other approaches.

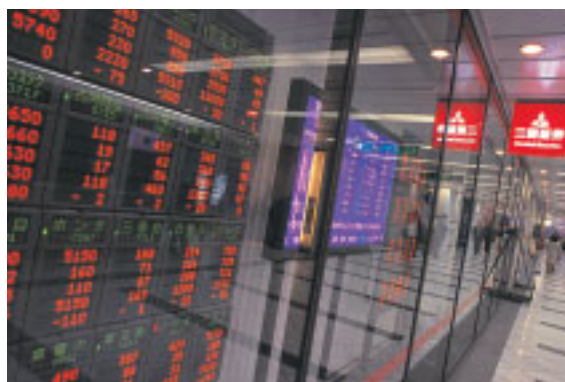
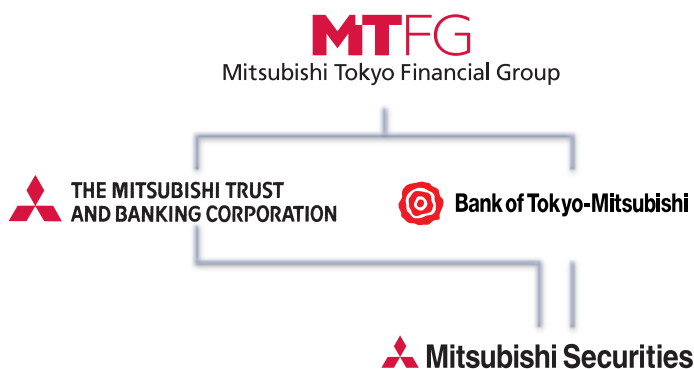
Position of Mitsubishi Securities within MTFG

Mitsubishi Securities is the core securities company within MTFG and offers a broad range of high-quality securities as well as investment banking products and services. MTFG is the holding company for BTM and MTBC, and Mitsubishi Securities is a subsidiary of BTM. MTFG's objective is to become an integrated financial group offering diverse, high-quality banking, trust, and securities services. Within MTFG, the role of Mitsubishi Securities is to act as the securities and investment banking arm of the Group. On commencement of operations at Mitsubishi Securities, part of the functions and resources of the M&A, securitization, and derivatives business areas were shifted from BTM. As a result of this realignment, Mitsubishi Securities is well positioned to offer sophisticated and comprehensive services, and its role as the securities and investment banking company within MTFG is clear. In addition, Mitsubishi Securities concluded a management alliance agreement with MTFG and BTM, and business alliance agreements with BTM to realize maximum Group

synergies.

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, the trust business, and securities.

Beginning in April 2004, MTFG introduced the Integrated Business Group system. Under this system, MTFG intends to shift the axis of its approach to focus on customer needs, divided into retail, corporate, and trust assets, rather than business types — such as banking, trust, and securities, and integrate banking, trust, and securities functions. Mitsubishi Securities works closely with the Integrated Business Groups and conducts its activities by offering the services best suited to customer needs, efficiently and flexibly, from among products and services in the banking, trust, and securities fields.



Major Shareholders

(As of March 31, 2004)

Ranking	Name of shareholder	%
1	The Bank of Tokyo-Mitsubishi, Ltd.	53.24
2	Toyota Motor Corporation	6.00
3	The Master Trust Bank of Japan, Ltd. (Trust account)	3.94
4	The Mitsubishi Trust and Banking Corporation	3.72
5	Japan Trustee Services Bank, Ltd. (Trust account)	2.95
6	Nippon Life Insurance Company	1.71
7	Daido Life Insurance Company	1.24
8	The Chase Manhattan Bank, N.A. London	1.18
9	SHARQ	0.94
10	Mitsubishi Securities Employee Share Ownership (ESOP)	0.77

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

Management Supervisory Systems

Corporate Governance

The Board of Directors of Mitsubishi Securities is responsible for supervising the conduct of business activities and for corporate oversight. Of the nine members of the Board, three are outside directors, including executives holding positions outside MTFG. The participation of outside directors on the Board helps to stimulate discussions and debate and enhance 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 four members, three 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 to accelerate decision-making processes. Also, to make the distinction between management and executive functions clearer, Mitsubishi Securities has introduced an Executive Officer System.

Internal Controls

Mitsubishi Securities places the highest management priority to compliance and risk management and is making constant effort to enhance these functions.

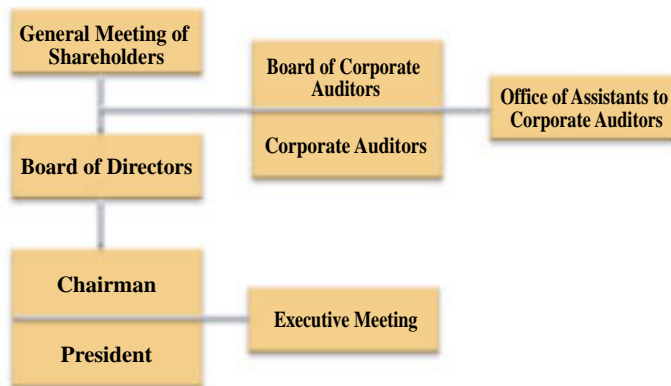
In compliance, Mitsubishi Securities has formed a Compliance Committee to act as advisory body to the Board of Directors. With members drawn principally from

the Board, the committee meets quarterly to discuss various measures for improving and strengthening compliance systems.

Regional Compliance Divisions are in charge of the retail business units of the Head Office and branches and for the corporate sales units of the Head Office and corporate branches. Similarly, the Wholesale Compliance Division is in charge of wholesale business operations, such as the sales and trading operations under the Head Office product divisions and investment banking business. These Compliance Divisions are responsible for providing guidance on compliance and ensuring that business activities are conducted in compliance with all the applicable rules and regulations, and meeting the Company standards.

Regarding risk management, Mitsubishi Securities has established the Risk Management Meeting, which is attended primarily by directors and executive officers in charge of the principal risk management related units and internal control units. 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 liquidity risk, market risk, credit risk, and other types of risk submitted by divisions with risk management responsibilities and structuring systems that ensure risk management is conducted properly.

Along with these activities, Mitsubishi Securities has set up an Inspections Division and an Audit Division, which are independent of other divisions, to examine internal control systems. The Inspections Division concentrates on identifying and pointing out problems related to internal control within sales-related sections. The Audit Division examines the appropriateness and effectiveness of internal control framework within the administration-related sections at the Head Office (including those responsible for compliance) and makes proposals, where appropriate, for improvement.





(As of August 23, 2004)

Directors and Corporate Auditors

Chairman **Yasumasa Gomi**
 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 **Tsutomu Tanaka**
 Retail Business, Corporate & Institutions Business

Managing Director & Senior Executive Officer **Akira Kondoh**
 Head of Investment Banking Group

Director **Minoru Makihara**
 (Mitsubishi Corporation
 Senior Corporate Advisor)

Director **Katsuaki Watanabe**
 (TOYOTA MOTOR CORPORATION)
 (Executive Vice President)

Director **Tatsunori Imagawa**
 (Mitsubishi Tokyo Financial Group, Inc.)
 Deputy President)

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)

Senior Executive Officer **Hiromi Hatanaka**
 Compliance Control Division, Regional Compliance Divisions,
 Wholesale Compliance Division, Market Surveillance Division,
 Customer Support Division, Audit Division, Inspections Division

Senior Executive Officer **Saichiro Motoyama**
 Human Resources Division, General Affairs Division

Senior Executive Officer **Hiroshi Yoshimine**
 Head of Derivative & Structured Products Group

Executive Officer **Tetsuo Aoki**
 Investment Banking Division, Equity Capital Markets Division,
 Investment Banking Planning Division

Executive Officer **Izumi Usami**
 Investment Banking Division

Executive Officer **Takashi Oishi**
 Business Planning Division,
 General Manager of Securities Intermediary Business Division

Executive Officer **Yasuyuki Otsu**
 Financial Solutions Division, General Manager of Financial Solutions Division,
 General Manager of Investment Banking Planning Division Corporate Strategy Planning Office

Executive Officer **Haruyuki Okuda**
 Operational Planning Division, Custody Division, Operations Division,
 System Planning Division

Executive Officer **Kouhei Komori**
 PB Sales Division, General Manager of Consulting Business Promotion Division

Executive Officer **Kiyoshi Sato**
 General Manager of Corporate & Institutions Business Planning Division

Executive Officer **Tomoyuki Sato**
 Eastern Japan Area

Executive Officer **Hiroaki Takamatsu**
 Head of Corporate Advisory Group, General Manager of Corporate Advisory Division

Executive Officer **Hidekazu Tanaka**
 General Manager of Corporate Planning Division

Executive Officer **Toshiyuki Hatakama**
 General Manager of Trading Division

Executive Officer **Tokuo Banba**
 Head of Research Group, Financial Institutions Division, Corporate Services Division

Executive Officer **Yutaka Masuda**
 Western Japan Area

Executive Officer **Yasuhiro Matsumura**
 Managing Director & Chief Executive of Mitsubishi Securities (HK), Limited

Executive Officer **Masato Matsumoto**
 Tokyo Area, Corporate & Institutions Business

Executive Officer **Toshiyuki Morioka**
 IPO Business Promotion Division, IPO Consulting & Underwriting Division,
 General Manager of IPO Business Promotion Division

Executive Officer **Toyokazu Yanaizumi**
 Telephone Trade Division, Online Trade Division,
 Employees Investment Business Division,
 General Manager of Marketing Business Promotion Division

Executive Officer **Fuminori Yano**
 Risk Management Division, Due Diligence Division

Executive Officer **Hajime Watanabe**
 General Manager of Corporate Advisory Division

Executive Officers

Senior Executive Officer **Masayuki Iijima**
 Deputy Head of Investment Banking Group,
 Debt Syndication Division, Debt Capital Markets Division

Senior Executive Officer **Kimihide Emae**
 Head of Corporate & Institutions Business Group, 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 **Kokichi Komagata**
 Deputy Head of Investment Banking Group, Investment Banking
 Planning Division, Global Capital Markets Division

Senior Executive Officer **Seiichi Takeda**
 Chief Executive Officer of Mitsubishi Securities International plc

Senior Executive Officer **Seiji Naito**
 Head of Fixed Income Group

Senior Executive Officer **Kenji Nakajima**
 Central Japan Area

Senior Executive Officer **Hideyuki Nakajima**
 Osaka, Kyoto Area

Senior Executive Officer **Yasuo Nishida**
 Head of Retail Business Group, Investment Trust Division,
 General Manager of Head Office

Guide to Services

Mitsubishi Securities offers precise responses to the increasingly diverse and sophisticated requirements of its customers by offering a broad range of products and services and creating total financial solutions based on its sophisticated, cutting-edge financial technology developed through the organic teamwork of its operating divisions.



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Services for Individual Customers

Mitsubishi Securities aims to offer individual customers top-quality consulting services in response to their requests and inquiries related to asset management and to provide them optimal proposals that draw on the full capabilities of MTFG. Mitsubishi Securities personnel work to gain a detailed grasp of customer needs based on information related to their lifestyles, risk tolerance, and future financial plans. After taking into account market and economic conditions, Mitsubishi Securities provides advice on building assets by offering proposals for products and portfolio composition that meet the needs of individual customers.

Broad Product Lineup

Mitsubishi Securities is constantly working to expand and improve its offerings of products. Drawing on the worldwide network of MTFG, Mitsubishi Securities is well positioned to provide a broad, global line of products, ranging from public offerings (POs), initial public offerings (IPOs), domestic and foreign bonds, structured bonds, to investment trusts and variable annuity insurance marketed jointly with BTM and MTBC.

Service Infrastructure

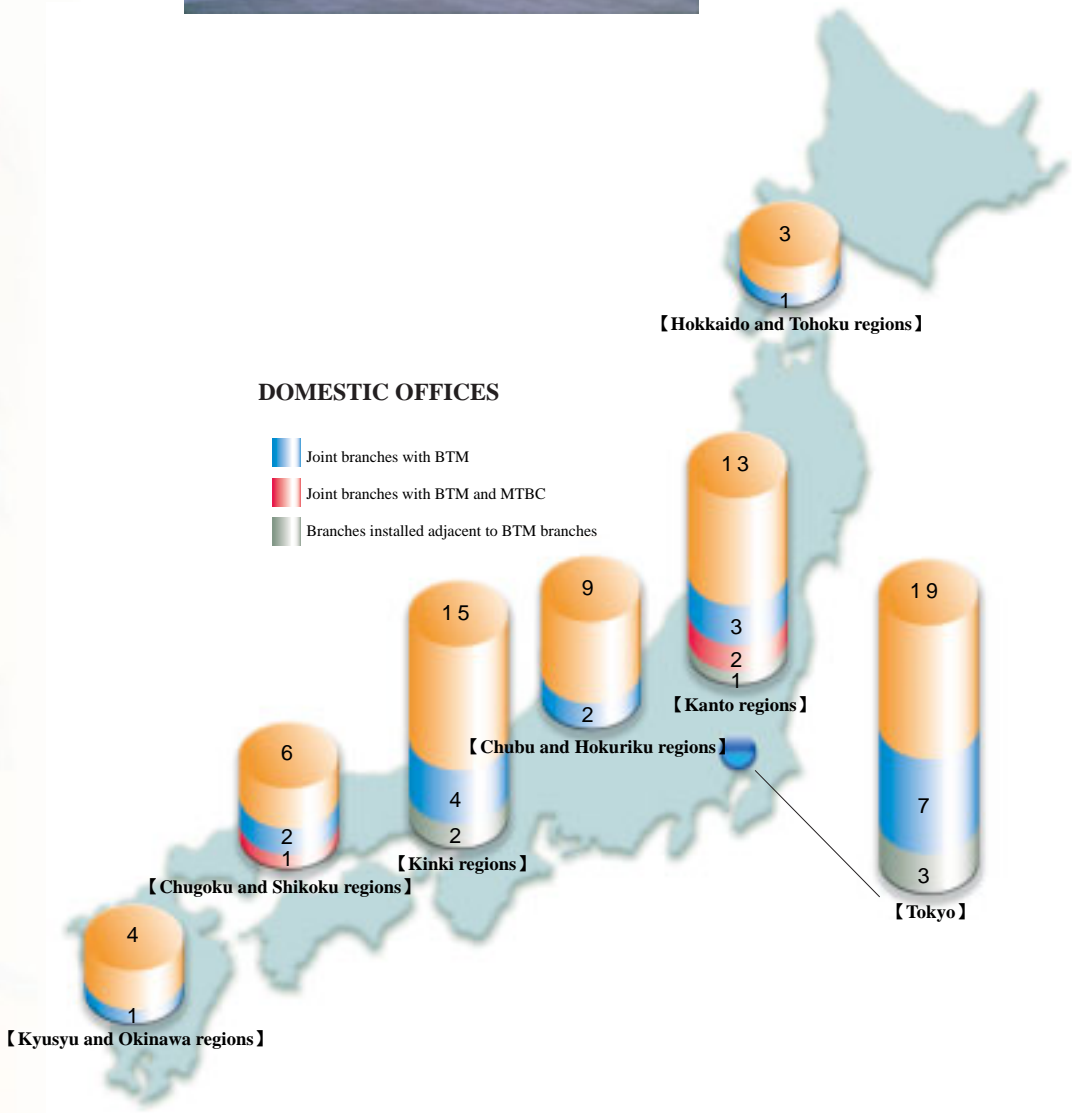
Mitsubishi Securities has conducted a thorough review and realignment of its branch network and is actively setting up joint offices with BTM and MTBC. Mitsubishi Securities has 69 offices, including its Head Office and branches, and, as of July 31, 2004, 30 of these had already been converted to joint branches with BTM and MTBC. Moreover, in February 2004, MTFG opened its first MTFG Plaza in Tokorozawa City, near Tokyo. MTFG Plazas are a new, integrated channel for retail customers that provide comprehensive financial services.

In December 2004, restrictions on securities intermediary business by financial institutions will be lifted, as part of Japan's program of financial

deregulation. Mitsubishi Securities is considering ways to take full advantage of this deregulatory move. As the core securities company in MTFG, Mitsubishi Securities plans to expand its points of interface with customers and implement new business models that will take advantage of the convenience of these additional channels and expand market opportunities.

Triple One Service

In response to the greater diversity of ways for individuals to invest, Mitsubishi Securities is working to expand its Internet, telephone, and other non-face-to-face access services. As part of these activities, Mitsubishi Securities offers its Triple One Service, which allows customers to choose from three service modes with the same account at their convenience, via the Internet, by telephone, or at a branch. Also, 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 service, customers can receive asset management support over the Internet. This service responds to the needs of customers whose needs are not covered by branches.



Services for Corporate Customers

Mitsubishi Securities serves its corporate customers through its Corporate & Institutions Business Divisions and 17 Corporate Branches located in business centers nationwide. The Corporate Branches unite the corporate service units (Corporate & Institutions Business Dept.) of offices in each of 17 districts. (Please refer to the chart on the right for the location of offices as at the end of July 2004.) This service infrastructure allows Mitsubishi Securities to offer specialized information, products, and services and to respond effectively to the increasingly sophisticated and diverse asset management needs of its corporate customers.

Cooperation with Product Divisions

Mitsubishi Securities aims to offer services and solutions that are optimal for the diverse needs of corporate customers by linking the corporate sales units with product divisions in the Head Office.

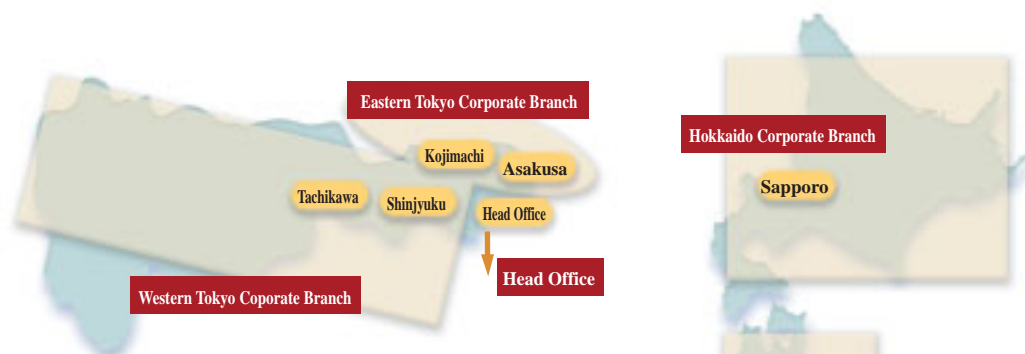
Close Collaboration within MTFG

To respond to the needs of a wider range of MTFG customers, Mitsubishi Securities is strengthening its collaborative relationships with BTM and MTBC. Mitsubishi Securities and BTM have introduced a buddy system aimed at building stronger and smooth cooperation between Corporate Branches of Mitsubishi Securities and Commercial Banking Offices of BTM. As the core securities company within MTFG, Mitsubishi Securities continues its efforts to provide even higher-quality products and services to meet the requirements of its customers as well as BTM and MTBC customers.

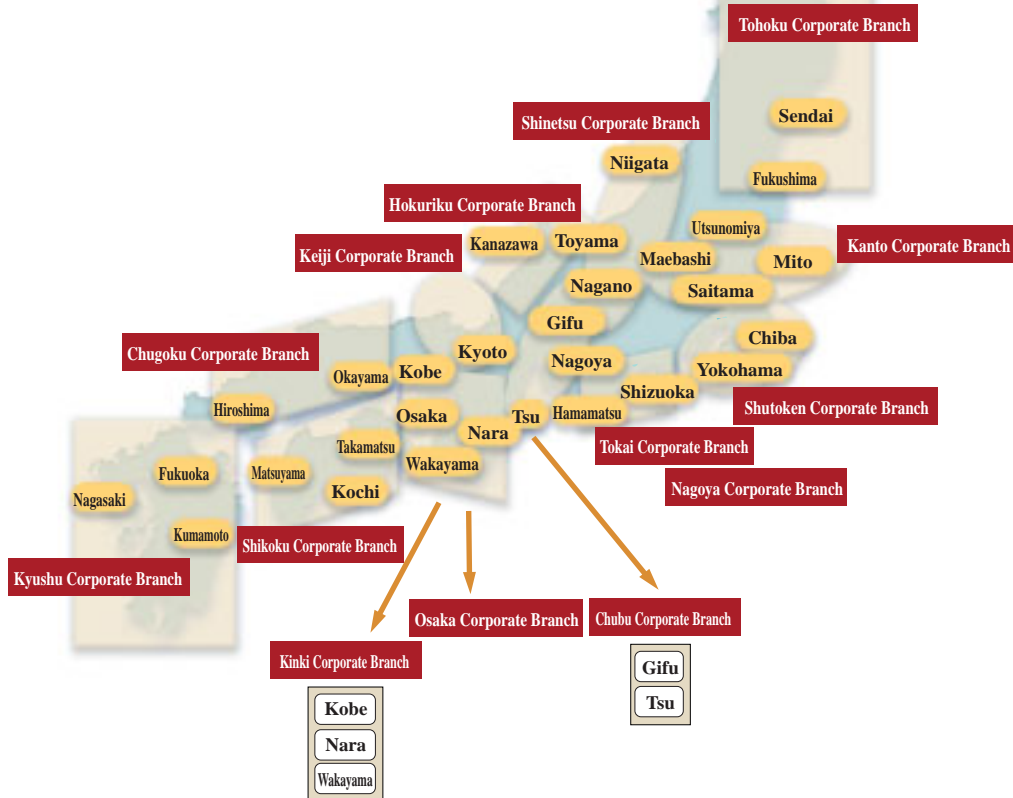




Network of Corporate & Institutions Business Group



Enlarged Map of Tokyo and Yamanashi Prefecture



Fixed Income

In the fixed income securities business, Mitsubishi Securities is well positioned to offer its customers in Japan and other countries an extensive array of investment vehicles, based on its cutting-edge trading capabilities. 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, with a broad array of interest rate features. Moreover, in the fast-growing market for securitized investment products, Mitsubishi Securities is drawing on its abundant accumulation of know-how and sophisticated quantitative and qualitative analytical capabilities to contribute to the further development of the market for securitized products.

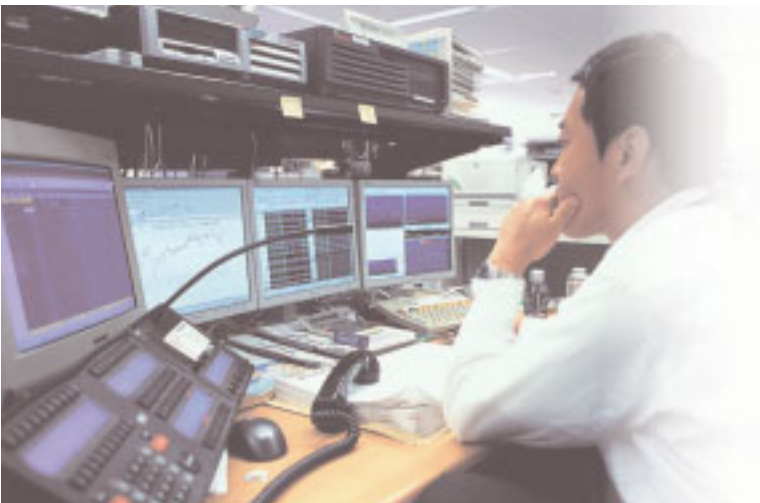
Leading Player in Japan

Mitsubishi Securities has transactions relationships with a broad range of customers. These include domestic institutional investors and foreign financial institutions operating in Japan, public- and private-sector corporations, and individuals as well as non-resident entities, including Asian, European, and American central banks and hedge funds. In addition to understanding and responding appropriately to a wide range of customer needs with carefully tailored services, Mitsubishi Securities works to build stronger relationships with its customers by constantly improving the quality of its services. For example, to meet the increasingly diverse bond investment needs of individual customers, Mitsubishi Securities offers Japanese government bonds for individuals, which first became available in February 2003, and a wide range of bonds denominated in foreign currencies, including U.S. dollars, euros, and Australian dollars.

Building on its broad lineup of investment products and its extensive customer base, Mitsubishi Securities has won the position of a major player in Japan's bond market and ranks high in terms of market share, bid amount at government bond auctions, bond options transactions, and other categories.

Global Services

The U.K. securities subsidiary of BTM has recently become a subsidiary of Mitsubishi Securities, thus completing its global network spanning the key centers of Tokyo, Europe, North America, and Asia. Looking forward, Mitsubishi Securities plans to make full use of the strengths this global network offers to supply investment products and execute transactions and to substantially strengthen its capabilities for offering information, with the aim of increasing customer satisfaction.



Equities

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.

Expanding the Product Lineup

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 borrowing and lending transactions with 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, matching, and other types of 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 real estate investment trusts (REITs). Moreover, Mitsubishi Securities has assigned staff members to its New York, Hong Kong, and London subsidiaries and, by working closely with these offices, is responding to the transaction needs of foreign investors.

Providing Timely Information

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.

Going forward, Mitsubishi Securities is committed to fulfilling its responsibilities as a global brokerage house, responding appropriately and flexibly to the needs of each of its customers.



Derivatives

Under growing diversity of customers' requirements for risk management, Mitsubishi Securities fully takes advantage of its comprehensive derivatives functions to provide top-quality, tailor-made solutions to meet their needs.

Comprehensive Derivatives Functions

Along with development of new lines of business, requirements of corporations for risk management are becoming increasingly diverse. In addition to conventional needs for enhancing performance on the asset side or hedging risk on the liability side, new needs are arising from changes in the business environment, such as improvement of deposit-loan ratio in advance of the introduction of new capital standards to be set by the Bank for International Settlements (BIS). Business risk management - such as hedging fluctuation of sales due to adverse changes in weather - is also another new topic.

To meet the growing need for corporate risk management solutions, the functions and resources of the renowned derivatives operations of BTM have been shifted to Mitsubishi Securities, the core investment banking arm of MTFG. As a result of this realignment, Mitsubishi Securities has substantially expanded its capabilities - including trading, structuring, research and product development - to provide comprehensive derivatives products.

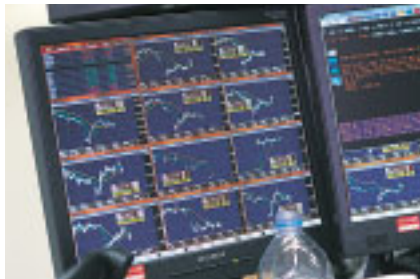
Hence, Mitsubishi Securities is now one of the few securities companies in Japan with comprehensive derivatives functions and has enhanced its capability to offer sophisticated solutions endorsed by the global network of MTFG.

Sophisticated Solutions

Together with swaps, options, and other conventional interest rate and currency rate derivatives, Mitsubishi Securities also offers a wide range of new products - including equity, credit, weather, and commodity derivatives - at competitive prices backed by its advanced risk management expertise.

Additionally, Mitsubishi Securities uses its sophisticated structuring technologies to provide a wide range of tailor-made products, such as derivatives embedded structured notes/loans, structured products using trusts, SPC's and CP's, and securities lending transactions.

In a rapidly expanding derivatives market, where the underlying instruments have diversified from the conventional products such as interest rates and currency rates to credit, weather, commodity, and economic indices, Mitsubishi Securities aims to provide the most advantageous solutions to its customers through new product research and development.



Investment Trusts and Related Business Activities

Growing Awareness of Investment Trusts

Such developments in the economic environment as the recovery of the world economy, the rapid development of China and other emerging market economies, the revitalization of domestic companies and the introduction of a preferential tax treatment for publicly offered equity investment trusts for January 2004 are breathing new life into the investment trust market. Being in such an environment, we are now observing the signs of changes in our customers' investment activities. These include growing diversification of individual customers' investment styles that is based on the concept of medium and long-term portfolio construction, such as the globally diversified investment and the accumulative investment. A shift to alternative investments of corporate customers from such traditional assets as equities and bonds are now being observed.

Our Products: Investment trust and related business activities are centered around the three main products: publicly offered investment trusts, privately placed investment trusts, and variable annuities (which Mitsubishi Securities began to offer in November 2002).

Publicly Offered Investment Trusts: According to the particularly comprehensive factors of the time, Mitsubishi Securities has developed its lineup of investment trust products and has established follow-up systems that respond effectively and promptly to customers' inquiries at all times through close team play of our branches nationwide.

The most popular investment trust type in Japan, that is, foreign bond funds with monthly dividend-type, was first introduced by Mitsubishi Securities in 1996. At present, the multiple dividend-type investment trusts

have grown to account for 22%* of the assets under management in the domestic investment trusts as of April 30, 2004. These multiple dividend-type investment trusts, as represented by Global Sovereign Open, are being offered by Mitsubishi Securities.

Privately Placed Investment Trusts: Recent investment trends among corporate customers have been their growing interest in privately placed investment trusts in addition to the conventional style of publicly offered investment trusts. The investment merit of the privately placement investment trusts is that each customer can create the specific investment policy and the investment terms. Mitsubishi Securities possesses the sophisticated ability to carefully screen the best investment trusts in the world for our customers in collaboration with the Group's strong global network.

Variable Annuities: To meet the requests coming from each customer's different lifestyle and life planning, Mitsubishi Securities offers its cutting-edge products managed by leading insurance companies of the world and provides ever-greater satisfaction with its finest customer services.

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



Investment Banking

As the core securities company within MTFG, Mitsubishi Securities offers a full lineup of investment banking services with the philosophy “building long-term relationships as the partner of corporate management.” 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 solutions for customers in the areas of corporate and financial strategies as well as capital policy.

Management and Capital Policy Advisory Services

The operating environment for corporations is undergoing massive change, and, to respond to these conditions promptly and implement structural reforms, corporations must be flexible in formulating and carrying out corporate strategies and capital policies. The highly professional and experienced staff of Mitsubishi Securities are prepared to offer clients optimal advice regarding capital, financial, and shareholder policies based on their knowledge of systemic reforms and other changes in the operating environment as well as precise analyses of the business conditions companies confront and the strategies they are implementing. With these capabilities, Mitsubishi Securities is well prepared to respond to the latent

needs of its corporate clients and offer products and services that provide solutions to the issues they are addressing. Mitsubishi Securities has built a strong track record in many related areas and is highly regarded by its customers for the services it provides. These include formulating capital policies that take account of the cost of capital, providing advice on capital policy from the perspective of corporate group realignments, advising on and executing share transfers related to company realignments, and acting as purchasing agent for share buybacks. Special strengths of the advisory services offered by Mitsubishi Securities include in-depth familiarity with both the primary and secondary markets and the capability to access and tap the comprehensive capabilities of MTFG’s global network.



Bond Underwriting

Working through its nationwide network of retail and corporate branches, Mitsubishi Securities has created broad and powerful marketing capabilities. These capabilities have been positioned well for acting as lead manager of bonds issued by electric power companies and government-related organizations as well as quarterly issues of bank debentures of BTM and a large number of other major bond offerings. Mitsubishi Securities is highly acclaimed for the strong bond placement capabilities it has built up acting as lead manager of bond placements. As a consequence, Mitsubishi Securities ranks in the top group of securities companies and has a strong market presence in the major bond markets, including those for issuance of electric power, government-related, and corporate

bonds, Samurai bonds; and bonds targeted to individual investors.

Building on its record of accomplishments in bond underwriting, Mitsubishi Securities provides meticulous and strong support for its customers, thus enabling them to gain access to a growing diversity of low-cost funding sources to meet their needs. Services include developing policies for obtaining and maintaining credit ratings and providing assistance in preparation for bond issues, including the development and implementation of debt IR programs. Mitsubishi Securities is also well known for its execution, including the choice of appropriate timing and development of proper placement strategies based on accurate market analysis. Mitsubishi Securities' services are comprehensive and they extend to providing proposals and other assistance for secondary market making.

• Domestic Straight Bonds Lead Manager

[April 2003 to March 2004]

Ranking	Securities company	Share(%)
1	Daiwa Securities SMBC	19.9
2	Nomura Securities	19.3
3	Mizuho Securities	16.1
4	Mitsubishi Securities	12.2
5	Nikko Citigroup	10.8
6	UFJ Tsubasa Securities	6.9
7	Goldman Sachs	5.5
8	Morgan Stanley	3.3
9	Merrill Lynch Japan	1.6
10	Shinko Securities	1.6

(excluding self-funding)

• Samurai Bonds Bookrunner

[April 2003 to March 2004]

Ranking	Securities company	Share(%)
1	Nikko Citigroup	32.2
2	Nomura Securities	16.1
3	Daiwa Securities SMBC	15.1
4	Mitsubishi Securities	10.5
5	Mizuho Securities	8.7
6	J.P.Morgan Securities	5.1
7	Morgan Stanley	3.8
8	Lehman Brothers	3.2
9	CS First Boston Securities	2.6
10	Deutsche Securities	1.5

(excluding self-funding) (Source:Thomson Financial, THOMSON DealWatch)

Awards Received in Fiscal 2003

Samurai Bond Deals

- THOMSON DealWatch Awards: Samurai Bond House of the Year

Joint lead manager for the first Volkswagen Financial Services N.V. bond

- THOMSON DealWatch Awards: Samurai Bond Deal of the Year
- International Financing Review (IFR): Samurai Bond of the Year
- Nikkei Bonds & Financial Weekly: Samurai Bond Best Deal
- Finance Asia: Best Samurai Bond of the Year

Joint lead manager for the first, second, and third GE Japan Funding bond and the first GE Japan Funding floating rate bond

- THOMSON DealWatch Awards: Straight Bond Debut Deal of the Year
- Asiamoney: Japan Bond Deal of the Year

Equity Underwriting

Mitsubishi Securities is prepared to offer a full range of services for equity underwriting, including public offerings (POs) as well as the issuance of bonds with warrants. The range of services extends from offering underwriting proposals that respond in-depth to company needs to providing accurate analyses of market and investor trends, offering the information resources and marketing capabilities of the MTFG global network, and providing IR consulting services.

In its equity underwriting activities, Mitsubishi Securities begins by analyzing the current condition of its clients and, in the course of providing consulting on

capital policy and financial strategy, identifies latent client needs and offers optimal solutions. The professional staff of Mitsubishi Securities have an in-depth understanding of their clients and capital markets and the ability to provide the right products and services under a consistent scenario. These capabilities are one of Mitsubishi Securities' major strengths.

Also, Mitsubishi Securities has compiled an extensive track record and developed a strong market presence not only in Japan but also in overseas markets, with special strengths in the euro and Swiss markets through close collaboration with its overseas subsidiaries.

•Public Offerings Underwriting

[April 2003 to March 2004]

Ranking	Securities company	Share (%)
1	Nomura Securities	29.1
2	Daiwa Securities SMBC	26.6
3	Nikko Citigroup	22.6
4	Mitsubishi Securities	4.5
5	Shinko Securities	3.6
6	USJ Tsubasa Securities	3.1
7	Mizuho Securities	2.1
8	Deutsche Securities	1.0
9	Morgan Stanley	1.0
10	UBS Securities	0.8

(Source: THOMSON DealWatch)

•Japanese Equity-related Foreign Bonds Bookrunner

[April 2003 to March 2004]

Ranking	Securities company	Share (%)
1	Nomura Securities	29.7
2	Merrill Lynch	16.1
3	UBS	13.6
4	Goldman Sachs	9.6
5	Mitsubishi Tokyo Financial Group (MTFG)	7.3
6	Citigroup	7.2
7	CS First Boston	4.2
8	Mizuho Group	4.0
9	Deutsche Bank	3.4
10	Daiwa Securities SMBC	2.1

(Source: Thomson Financial, THOMSON DealWatch)



Initial Public Offerings (IPOs)

Mitsubishi Securities provides active support for growth companies having plans for listing their shares. Staff having in-depth familiarity with accounting, legal systems, screening procedures for listing, finance, and other related matters offer assistance to companies seeking to list their shares and guide them smoothly throughout the listing process, by providing advice on capital policy or organizational changes for listing preparation. Especially in the fields of IT and biotechnology, Mitsubishi Securities offers the services of experienced professionals with the latest knowledge who can actively support the efforts of companies in these fields to increase their corporate value by preparing business strategies and growth scenarios.

One of the special strengths of Mitsubishi Securities in IPOs is its ability to access the information resources and solution-providing capabilities of MTFG. The comprehensive services that Mitsubishi Securities can offer in this area have received high marks from many entrepreneurs, and Mitsubishi Securities' track record

Securitization and Real Estate Finance

Mitsubishi Securities is an active player in the structured finance area, including the securitization of financial assets and real estate as well as real estate investment trusts (REITs). In the area of securitization of financial assets, Mitsubishi Securities has syndicated 42 securitized products with a total value of approximately ¥380 billion since it began operations somewhat more than one year ago. These arrangements have covered a broad range of asset categories, including securitized products backed by leasing receivables, credit claims, apartment loan assets, and other loans. Moreover, in the fields of real estate securitization and finance, the total value of deals arranged by Mitsubishi Securities has exceeded ¥1

Overall ABS Ranking

[April 2003 to March 2004]

Rank	Securities company	Lead managed (# of issues)	Amount (¥Million)
1	Mizuho Securities	30	557,350
2	Daiwa Securities SMBC	16	383,100
3	Morgan Stanley	8	359,530
4	Shinsei Securities	7	313,050
5	Nikko Citigroup	9	247,300
6	Mitsubishi Securities	19	227,000
7	Nomura Securities	9	157,100
8	BNP Paribas Securities	10	151,926
9	UFJ Tsubasa Securities	9	146,910
10	CS First Boston Securities	6	119,840

(Source: Nikkei Bonds & Financial Weekly)

IPOs Underwriting

[April 2003 to March 2004]

Ranking	Securities company	Share (%)
1	Nomura Securities	23.9
2	Daiwa Securities SMBC	23.5
3	Nikko Citigroup	21.6
4	Shinko Securities	4.4
5	Morgan Stanley	4.2
6	Mitsubishi Securities	3.9
7	UFJ Tsubasa Securities	3.5
8	Mizuho Securities	2.7
9	Ichiyoshi Securities	1.3
10	Mizuho Investors Securities	1.2

(Source: THOMSON DealWatch)

of successful IPOs is continuing to grow.

By introducing attractive, growth companies to capital markets, Mitsubishi Securities aims to bring new vitality to capital markets as a whole and believes its ultimate mission is to create a more vibrant economy in Japan.

trillion, and it has won the position of lead manager for underwriting two REITs. These accomplishments place Mitsubishi Securities among the top players in the securitization and real estate finance fields.

Working through the MTFG network, Mitsubishi Securities keeps in close touch with the needs of a broad range of corporate customers and investors. In addition, its abilities for crafting solutions based on sophisticated professional know-how and its strong syndication power are key strengths in the field of securitization and real estate finance.

As securitization of assets comes into wide use among corporations, Mitsubishi Securities has targeted this and real estate finance as important growth businesses.

J-REITs Lead Manager (# of issues)

and Underwriting

[April 2003 to March 2004]

Rank	Securities company	Lead managed (# of issues)	Amount (¥Million)	Rank	Securities company	Lead managed (# of issues)	Amount (¥Million)
1	Mizuho Securities	30	557,350	1	Nikko Citigroup	4	92,888
2	Daiwa Securities SMBC	16	383,100	2	Nomura Securities	2	79,298
3	Morgan Stanley	8	359,530	3	Daiwa Securities SMBC	2	78,395
4	Shinsei Securities	7	313,050	4	Mitsubishi Securities	2	37,071
5	Nikko Citigroup	9	247,300	5	Merrill Lynch Japan	2	23,558
6	Mitsubishi Securities	19	227,000	6	UBS Securities	2	9,551
7	Nomura Securities	9	157,100	7	Mizuho Securities	1	32,547
8	BNP Paribas Securities	10	151,926	8	Morgan Stanley	1	9,840
9	UFJ Tsubasa Securities	9	146,910	9	UFJ Tsubasa Securities	0	10,751
10	CS First Boston Securities	6	119,840	10	Shinko Securities	0	5,186

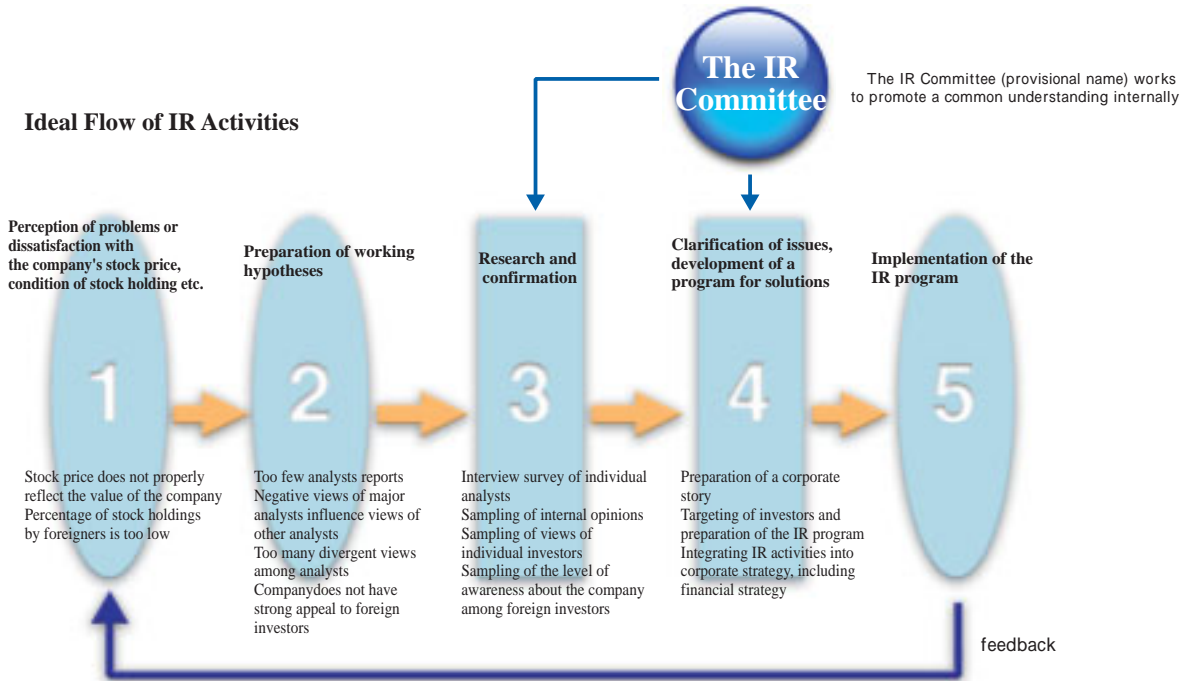
(Source: Nikkei Bonds & Financial Weekly) Note: Includes only the portions subscribed in Japan (Excluding over-allotment)
(Source: Estimated by Mitsubishi Securities based on published data)

IR Consulting

Investor relations (IR) is a way for issuers to communicate interactively with capital markets. IR programs should promote proper understanding and evaluation 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 messages in response to market perception. The second is to help issuers send back messages to investors who have various valuation and perception of issuers.



Corporate Revitalization

Mitsubishi Securities is now an active participant in the corporate revitalization business and has created systems that tap fully into the investment banking, commercial banking, trust, real estate, and corporate consulting capabilities of MTFG. Customers for these corporate revitalization and restructuring services range widely from major corporations to small and medium-sized enterprises. Along with Mitsubishi Securities, other members of MTFG, including especially BTM

and MTBC, have united their know-how for supporting corporate revitalizations and are putting their full resources into working to strengthen their initiatives in the corporate revitalization field.

Mitsubishi Securities is also actively working to make use of other approaches for supporting corporate revitalization activities, including working in collaboration with corporate revitalization funds and consultants outside MTFG.

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 transaction 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 alliances with a private equity fund management company and provides assistance for management buyouts (MBOs) and a range of other client 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.

One of the Largest Global M&A Networks of Japanese Investment Banks



M&A Advisory Ranking [January 2003 to December 2003]

Ranking	Financial institution	Total value (US\$ million)	Number of Deals
1	Citigroup	20,792.5	26
2	Merrill Lynch & Co Inc.	17,472.9	8
3	Nomura Securities	17,424.2	115
4	Deutsche Bank AG	16,650.2	3
5	Mizuho Financial Group	15,272.3	105
6	Mitsubishi Tokyo Financial Group (MTFG)	14,279.4	42
7	Daiwa Securities SMBC	11,453.7	66
8	Lehman Brothers	10,322.5	7
9	UFJ Holdings Inc.	8,542.8	54
10	JP Morgan	7,641.1	7

Note: Announced Mergers & Acquisitions : Japanese Targets, Any Acquirer
(Source: Thomson Financial)

Research

Mitsubishi Securities has four research units—the Equity Research Division, Fixed Income Research Division, Economic Research Division, and Investment Information 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.

Equity Research and Analysis

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 16th annual rankings of securities analysts, conducted by the *Nikkei Financial Daily*, Mitsubishi Securities analysts placed first in the categories of “Strategy,” “Retailing (specialty stores/apparel),” and “Precision machinery,” and 26 of its analysts were ranked within the top 10 across all categories. Also, for the total of all categories (including strategists, economists, and other positions), Mitsubishi Securities ranked seventh, thus placing in the high-ranking group.

Fixed Income Research and Analysis

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*, four Mitsubishi Securities analysts placed in the top 10. Also, for the total of all categories, Mitsubishi Securities ranked third, thus, its bond-related research activities are highly regarded throughout the industry. Looking forward, Mitsubishi Securities plans to expand the coverage of its research to meet the needs of a broader group of customers.

Macroeconomic Research and Analysis

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, Europe, and Asia, 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.

Investment Information for Retail Customers

As an integral part of its retail securities activities, Mitsubishi Securities provides a wide spectrum of high-quality investment information tailored to the needs of its individual customers, ranging from suggestions for investment strategies for domestic and foreign equities to macroeconomic trends. 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 Japanese while making ample use of charts and tables. Also, strategists and analysts belonging to Investment Information Division are now expanding their activities from participation in seminars to include actively making presentations at seminars held in joint branches and taking other steps to expand direct communication with a broad range of 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.

The Nikkei Financial Daily Analyst Rankings

Field	Ranking	name
Equity Strategist	1	Hajime Kitano
Retail (Specialty / Apparel)	1	Hiroshi Koba
Precision Instruments	1	Masahiro Nakanomyo
Shipbuilding / Plants	2	Toshiharu Morota
Technical Analyst	3	Naohiko Miyata
Forex Analyst	4	Hajime Kitano
Steel, Non-steel (incl.Oil & Mining)	4	Kazuhiro Harada
Computer Software	6	Hirotohi Murakami
Electricity / Gas	6	Tadatoshi Utaka
Broadcast / Leisure / Other Service	6	Natsuko Higuchi
Textiles / Paper & Pulp	7	Hiroyuki Okaseri
Machinery	7	Toshiharu Morota
Securities & Insurance	7	Tatsuo Majima
Construction	7	Toshiya Mizutani
Car / Parts	7	Shotaro Noguchi
IT / Internet	7	Masato Araki
Trading Firms	8	Makoto Sakurai
Computer Software	8	Nobumasa Morimoto
Housing / Real Estate	8	Kouki Ozawa
Retail (Specialty / Apparel)	9	Makoto Sakurai
Retail (General)	9	Junichi Kanamori
Industrial Electronics	10	Masahiko Ishino
Foods (Incl.Fishery, Agriculture, & Forestry)	10	Hideki Morioka
Retail (General)	10	Hiroshi Koba
Other Finance	10	Tatsuo Majima
Transport / Warehouse	10	Yasuhito Tsuchiya

Source: Based on *The Nikkei Financial Daily*, March 22, 2004

(Survey procedure) The survey was conducted from mid-January through the end of the month by Nikkei Research. Questionnaires were sent to 1,566 fund managers involved in Japanese equities; valid responses were received from 1,108, or 70.8% 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	name
ABS Analyst	2	Miwa Suzuki
Fixed Income Analyst	5	Jun Ishii
Fiscal Analyst	5	Yoshikazu Ichizaki
Credit Analyst	6	Takuya Mishima

Source: Based on *Nikkei Bonds & Financial Weekly*, March 8, 2004



Global Network

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 of foreign borrowers, and in other types of international financing. At the same time, Mitsubishi Securities has offered investment products of overseas issuers to Japanese investors 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. To build a global network with capabilities to offer broad-ranging services and products to its customers, Mitsubishi Securities has made the overseas securities subsidiaries of BTM in London, New York, Hong Kong, and Singapore its wholly owned subsidiaries, and changed their names to Mitsubishi Securities International plc; Mitsubishi Securities (USA), Inc.; Mitsubishi Securities (HK), Limited; and Mitsubishi Securities (Singapore), Ltd.

Looking forward, Mitsubishi Securities will continue to utilize the resources and capabilities of its global offices, linking Tokyo, Europe, North America, and Asia, and the international MTFG network to become a trusted partner—capable of providing global solutions for its worldwide customer base of investors and issuers.

Global Network



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Mitsubishi Securities Co., Ltd.

Consolidated Balance Sheets

March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2004	2003	2004
Assets			
Cash and cash deposits:			
Cash and cash equivalents	¥ 85,145	¥ 42,882	\$ 805,611
Time deposits.....	13,849	120	131,034
Deposits related to securities transactions	1,386	319	13,114
Customers' segregated cash in trust	47,771	40,500	451,991
	148,151	83,821	1,401,750
Loans and receivables:			
Receivables from customers (Note 3)	45,777	19,007	433,125
Call loans.....	311	80,000	2,942
Receivables from brokers, dealers and clearing organizations	80,609	108,120	762,693
Receivables under resale agreements and securities borrowed transactions	2,389,685	1,003,650	22,610,323
Loans and other	22,691	20,220	214,694
	2,539,073	1,230,997	24,023,777
Less: allowance for doubtful accounts	(2,578)	(5,895)	(24,392)
	2,536,495	1,225,102	23,999,385
Trading assets (Notes 4 and 5)	1,893,354	1,494,053	17,914,221
Other assets:			
Property and equipment, at cost (Note 5)	49,270	50,605	466,175
Less: accumulated depreciation	(22,688)	(21,934)	(214,666)
	26,582	28,671	251,509
Other securities	20,733	21,705	196,168
Investment securities (Notes 4 and 5)	21,371	13,253	202,204
Investments in affiliates	2,853	1,573	26,994
Lease deposits	11,324	24,413	107,144
Deferred income taxes (Note 10)	10,328	3,625	97,720
Other assets	43,580	50,481	412,338
	136,771	143,721	1,294,077
Total assets	¥ 4,714,771	¥ 2,946,697	\$44,609,433

March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2004	2003	2004
Liabilities, minority interests and shareholders' equity			
Loans and payables:			
Bank and other loans (Note5):			
Banks and other	¥ 267,405	¥ 309,253	\$ 2,530,088
Commercial paper	98,000	69,000	927,240
Long-term borrowings	3,608	1,902	34,137
Loans on margin transactions (Note5)	2,292	3,265	21,686
Payables to customers (Note 3)	89,137	46,767	843,382
Payables under repurchase agreements and securities loaned transactions ...	1,797,239	1,419,285	17,004,816
Other	17,815	10,989	168,559
	2,275,496	1,860,461	21,529,908
Trading liabilities (Note 4)	1,860,145	671,800	17,600,009
Accrued and other liabilities:			
Income taxes payable	768	407	7,266
Accrued severance benefits and pension costs (Note 11)	11,095	11,662	104,977
Deferred income taxes (Note 10)	2,355	488	22,282
Other	26,978	11,293	255,256
	41,196	23,850	389,781
Bonds (Note 8)	50,000	50,528	473,082
Subordinated borrowings (Note 9)	110,000	-	1,040,780
Total liabilities	4,336,837	2,606,639	41,033,560
Minority interests	2,720	4,320	25,736
Shareholders' equity:			
Common stock:			
Authorized — 1,000,000,000 shares			
Issued ————— 472,661,195 shares in 2004			
472,092,843 shares in 2003			
Outstanding— 466,325,021 shares in 2004	65,519	-	619,917
465,061,262 shares in 2003	-	65,255	-
Additional paid-in capital	228,549	228,285	2,162,447
Retained earnings	84,402	49,943	798,580
Unrealized gain (loss) on investment securities	4,972	(20)	47,043
Foreign currency translation adjustments	(1,176)	128	(11,127)
Less: treasury stock, at cost — 6,336,174 shares in 2004	(7,052)	-	(66,723)
7,031,581 shares in 2003 (Note 12)	-	(7,853)	-
Total shareholders' equity	375,214	335,738	3,550,137
Total liabilities, minority interests and shareholders' equity	¥ 4,714,771	¥ 2,946,697	\$44,609,433

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

Mitsubishi Securities Co., Ltd.

Consolidated Statements of Operations

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2004	2003	2004
Revenues:			
Commissions (Note 13)	¥ 61,573	¥ 37,381	\$ 582,581
Net gain on trading	67,481	19,710	638,480
Interest and dividend income	7,267	6,051	68,758
Total revenues	136,321	63,142	1,289,819
Interest expense	9,009	2,234	85,240
Net revenues.....	127,312	60,908	1,204,579
Selling, general and administrative expenses (Note 14)	99,277	83,787	939,322
Operating income (loss)	28,035	(22,879)	265,257
Other, net (Note 15).....	(245)	(26,366)	(2,318)
Income (loss) before income taxes	27,790	(49,245)	262,939
Income taxes (Note 10):			
Current	562	337	5,317
Deferred	(8,136)	3,903	(76,980)
	(7,574)	4,240	(71,663)
Minority interests in net loss	(768)	(330)	(7,266)
Net income (loss)	¥ 36,132	¥ (53,155)	\$ 341,868
Net income (loss) per share (Note 17):			
Basic	¥ 77.31	¥ (138.72)	\$ 0.73
Diluted.....	72.87	—	0.69

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

Mitsubishi Securities Co., Ltd.

Consolidated Statements of Shareholders' Equity

	Millions of yen						
	Common stock	Additional paid-in capital	Retained earnings	Unrealized gain (loss) on investment securities	Foreign currency translation adjustments	Treasury stock	Total shareholders' equity
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 loss on investment 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
Net income for the year	-	-	36,132	-	-	-	36,132
Cash dividends paid-common stock	-	-	(1,395)	-	-	-	(1,395)
Conversion of convertible bond	264	264	-	-	-	-	528
Loss on sale of treasury stock	-	-	(278)	-	-	-	(278)
Unrealized gain on investment securities ...	-	-	-	4,992	-	-	4,992
Foreign currency translation adjustments ...	-	-	-	-	(1,304)	-	(1,304)
Treasury stock sold	-	-	-	-	-	801	801
Balance as of March 31, 2004	¥ 65,519	¥ 228,549	¥ 84,402	¥4,972	¥ (1,176)	¥ (7,052)	¥375,214

	Thousands of U.S. dollars (Note 2)						
	Common stock	Additional paid-in capital	Retained earnings	Unrealized gain (loss) on investment securities	Foreign currency translation adjustments	Treasury stock	Total shareholders' equity
Balance as of March 31, 2003	\$617,419	\$2,159,949	\$ 472,542	\$ (189)	\$ 1,211	\$(74,302)	\$3,176,630
Net income for the year	-	-	341,868	-	-	-	341,868
Cash dividends paid-common stock	-	-	(13,199)	-	-	-	(13,199)
Conversion of convertible bond	2,498	2,498	-	-	-	-	4,996
Loss on sale of treasury stock	-	-	(2,631)	-	-	-	(2,631)
Unrealized gain on investment securities ...	-	-	-	47,232	-	-	47,232
Foreign currency translation adjustments ...	-	-	-	-	(12,338)	-	(12,338)
Treasury stock sold	-	-	-	-	-	7,579	7,579
Balance as of March 31, 2004	\$619,917	\$2,162,447	\$ 798,580	\$47,043	\$(11,127)	\$(66,723)	\$3,550,137

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

Mitsubishi Securities Co., Ltd.

Consolidated Statements of Cash Flows

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2004	2003	2004
Cash flows from operating activities:			
Net income (loss).....	¥ 36,132	¥ (53,155)	\$ 341,868
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	11,497	9,014	108,780
Decrease in accrued severance benefits and pension costs	(553)	(1,961)	(5,232)
Increase in allowance for doubtful accounts	64	2,279	606
Net (gain) loss on investment securities	(256)	2,899	(2,422)
Special benefits for earlier retirement	-	875	-
Merger expense	-	4,783	-
Restructuring expense	-	4,357	-
Loss on sale of subsidiary	4,228	-	40,004
Deferred income taxes	(8,136)	3,903	(76,980)
Other	1,229	1,210	11,628
Changes in operating assets and liabilities:			
Customers' segregated cash in trust	(7,271)	(1,806)	(68,795)
Receivables from customers	(27,912)	13,378	(264,093)
Receivables from brokers, dealers and clearing organizations	27,595	(18,827)	261,094
Receivables under resale agreements and securities borrowed transactions and payables under repurchase agreements and securities loaned transactions, net	(996,429)	131,687	(9,427,846)
Trading assets and liabilities, net	789,972	60,890	7,474,425
Payables to customers	22,925	(5,750)	216,908
Income taxes payable	167	(324)	1,580
Loans and other and other assets and liabilities, net	20,673	(11,778)	195,600
Net cash (used in) provided by operating activities	(126,075)	141,674	(1,192,875)
Cash flows from investing activities:			
(Increase) decrease of time deposits more than three months	(13,480)	178	(127,543)
Decrease (increase) in other securities	972	(21,920)	9,197
Purchase of non-trading debt securities	-	(139,999)	-
Proceeds from redemption of non-trading debt securities	-	239,840	-
Purchases of investment securities	(9)	(2,689)	(85)
Proceeds from sale of investment securities	4,887	2,310	46,239
Purchases of property and equipment.....	(2,877)	(6,367)	(27,221)
Proceeds from sale of property and equipment.....	624	1,038	5,904
Decrease (increase) in call and other loans	82,347	(50,146)	779,137
Purchase of newly consolidated subsidiaries	2,771	-	26,218
Proceeds from sale of formerly consolidated subsidiaries	7,388	-	69,903
Increase in other assets	(2,525)	(16,435)	(23,891)
Net cash provided by investing activities	80,098	5,810	757,858

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2004	2003	2004
Cash flows from financing activities:			
Decrease in bank and other loans	¥ (19,257)	¥(195,734)	\$ (182,203)
Increase in subordinated borrowings	110,000	-	1,040,780
Payment of cash dividends	(1,395)	(2,416)	(13,199)
Other	819	(140)	7,749
Net cash provided by (used in) financing activities	90,167	(198,290)	853,127
Effect of exchange rate changes on cash and cash equivalents	(1,927)	(343)	(18,233)
Net increase (decrease) in cash and cash equivalents	42,263	(51,149)	399,877
Cash and cash equivalents at beginning of year	42,882	61,454	405,734
Net increase in cash and cash equivalents accompanied with acquisition	-	39,490	-
Net increase in cash and cash equivalents accompanied with current consolidation	-	535	-
Net decrease in cash and cash equivalents accompanied with exclusion from consolidation	-	(7,448)	-
Cash and cash equivalents at end of year	¥ 85,145	¥ 42,882	\$ 805,611
Supplemental information on cash flows:			
Cash paid during the year for:			
Interest	¥ 7,291	¥ 4,627	\$ 68,985
Income taxes	395	661	3,737

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

Mitsubishi Securities Co., Ltd.

Notes to Consolidated Financial 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. ("Kokusai"), Ltd., Tokyo-Mitsubishi Securities Co., Ltd., Tokyo-Mitsubishi Personal Securities Co., Ltd. and Issei Securities Co., Ltd. merged on September 1, 2002, based on a merger agreement, which was approved at respective shareholders meetings on June 27, 2002. The merged company was named Mitsubishi Securities Co., Ltd. Hence, the consolidated results of the operations for the fiscal year ending March 31, 2003 was compiled using the actual results of the acquiring company, Kokusai, for the five-month period ending August 31, 2002 and the actual results of the Company for the seven-month period ending March 31, 2003.

(2) Basis of Presentation

The accompanying consolidated financial statements of the Company and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

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 Services 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. Some previous year presentation included in the notes were reclassified to conform to that of the current year.

(3) Basis of Consolidation

The accompanying consolidated financial statements for the years ended March 31, 2004 and 2003 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. There are four subsidiaries out of the eight consolidated subsidiaries, that have different fiscal year ends than the Company. Regarding transactions, which subsequently occurred between the end of the fiscal year of each subsidiary and the end of the consolidated fiscal year, the consolidated financials were adjusted for any significant transactions. Except for those transactions, 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 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 investments in affiliates.

(5) Trading Assets and Liabilities, Non-Trading Debt Securities and Investment Securities

In accordance with "Accounting Standard for Financial Instruments," an accounting standard for financial instruments issued by the Business Accounting Deliberation Council, securities are 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 gains or losses on marketable securities classified as other securities are 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:

- a) All securities whose fair value has declined by more than 50%
- b) Securities whose fair value has declined by more than 30% but less than 50% and for which a recovery of 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 investment 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 markets. 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 the 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 sheets based on an estimate of the projected benefit obligation and the fair value of employees' pension plan assets as of balance sheet date.

The pension accounting rule 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 pension accounting rule. The second method is to amortize prior service cost over the average remaining service period of active employees by the straight-line method. The Company elected to expense the prior service cost when the 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 years for 2004 and 12-16 years for 2003) by the straight-line method.

Unrecognized net actuarial gain or loss is being amortized for certain terms up to the average remaining service period of active employees (12 years for 2004 and 12-16 years for 2003) by the straight-line method.

At the Board of Directors' meeting held on February 28, 2003, the Company decided to revise the 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 a result, the retirement benefit obligation of the combined companies was reduced by ¥3,446 million. Also as a result of the new modified plan, retirement benefit expenses will be reduced by ¥287 million 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 of applying this new discount rate, the Company accrued ¥6,147 million as additional unrecognized net actuarial loss. In addition, the Company expects retirement benefit expense to increase by ¥512 millions in succeeding years related to the average remaining service period of active employees (12-16 years).

(13) Leases

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 20.

(17) Per Share Data

The Company and its domestic consolidated subsidiaries have adopted Accounting Standards No. 2, "Accounting Standard for Earnings 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.

(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 ¥105.69 = U.S.\$1.00, the approximate rate prevailing on March 31, 2004, 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, 2004 and 2003 consisted of the following:

March 31,	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Receivables:			
Receivables from customers on margin transactions	¥ 45,713	¥ 17,801	\$ 432,520
Receivables from customers	64	1,206	605
	¥ 45,777	¥ 19,007	\$ 433,125

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
	2004	2003	2004
Payables:			
Cash received for customers' accounts	¥ 47,721	¥ 28,789	\$ 451,519
Proceeds from securities sold for customers' accounts on margin transactions.....	8,688	5,838	82,203
Cash deposits received from customers primarily for margin and futures transactions	32,728	12,140	309,660
	¥ 89,137	¥ 46,767	\$ 843,382

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 Instruments

(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 Department reports the result 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:

- a. Trading securities, such as stocks and bonds
- b. Derivative instruments listed on stock exchanges such as stock index futures and options, Japanese government bond futures and options
- c. Over the counter derivative instruments, such as swap transactions, forward foreign exchange contracts, currency options, 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 Company as of March 31, 2004 and 2003 consisted of the following:

March 31,	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Trading assets:			
Stocks	¥ 76,146	¥ 85,421	\$ 720,465
Bonds	1,623,168	1,317,640	15,357,820
Commercial paper and certificates of deposits.....	65,494	57,990	619,680
Beneficiary certificates and others	50,745	5,223	480,131
Derivative products	77,801	27,779	736,125
	¥ 1,893,354	¥ 1,494,053	\$17,914,221

March 31,	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Trading liabilities:			
Stocks	¥ 41,526	¥ 19,360	\$ 392,904
Bonds	1,768,141	626,595	16,729,501
Derivative products	50,478	25,845	477,604
	¥ 1,860,145	¥ 671,800	\$17,600,009

As of March 31, 2004 and 2003, the fair values of significant derivative products are summarized as follows:

March 31,	Millions of yen				Thousands of U.S. dollars	
	2004		2003		2004	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Options	¥ 42,310	¥ 41,039	¥ 5,644	¥ 2,132	\$400,322	\$388,296
Forward contracts	1,724	5,863	2,509	836	16,312	55,473
Swaps	33,767	3,576	19,626	22,877	319,491	33,835
	¥ 77,801	¥ 50,478	¥ 27,779	¥ 25,845	\$736,125	\$477,604

(3) Investment Securities

During the years then ended impairment losses of ¥8 millions (\$76 thousand) and ¥2,433 millions were recognized for marketable securities held, as of March 31, 2004 and 2003, respectively

5. Bank and Other Loans and Pledged Assets

The following assets as of March 31, 2004 and 2003 were pledged as collateral for obligations of the Company:

March 31, 2004	Millions of yen				
	Obligations secured by pledged assets	Pledged assets			
		Trading assets	Investment securities	Property	Total
Bank and other loans	¥109,764	¥ 80,197	¥ 114	¥ 5,317	¥ 85,628
Loans on margin transactions	2,292	—	705	—	705
	¥112,056	¥ 80,197	¥ 819	¥ 5,317	¥ 86,333

March 31, 2003	Millions of yen				
	Obligations secured by pledged assets	Pledged assets			
		Trading assets	Investment 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, 2004	Thousands of U.S. dollars				
	Obligations secured by pledged assets	Pledged assets			
		Trading assets	Investment securities	Property	Total
Bank and other loans	\$1,038,547	\$758,795	\$ 1,079	\$ 50,307	\$810,181
Loans on margin transactions	21,686	—	6,670	—	6,670
	\$1,060,233	\$758,795	\$ 7,749	\$ 50,307	\$816,851

In addition, borrowed securities in aggregate amounts of ¥100,622 million (\$952,048 thousand) and ¥141,250 million as of March 31, 2004 and 2003, which have not been included in the accompanying consolidated balance sheets, were pledged as collateral for bank and other loans.

Trading assets of ¥336 million (\$3,179 thousand), short-term borrowed securities of ¥16,869 million (\$159,608 thousand), and investment securities of ¥3,678 million (\$34,800 thousand) as of March 31, 2004 which have not been included in the accompanying

consolidated balance sheets, were deposited as margin money for futures transactions.

Trading assets of ¥850 million, short-term borrowed securities of ¥10,624 million, investment securities of ¥3,405 million, and securities pledged by customers on margin transactions of ¥24 million as of March 31, 2003, which were deposited as margin money for futures transactions, have not been included in the accompanying consolidated balance sheets as of March 31, 2003.

Trading assets of ¥781 million (\$7,390 thousand), short-term borrowed securities of ¥6,862 million (\$64,926 thousand), and investment securities of ¥867 million (\$8,203 thousand) as of March 31, 2004, and short-term borrowed securities of ¥13,200 million and investment securities of ¥912 million as of March 31, 2003 were pledged as collateral for delivery versus payment transactions.

6. Securities Financing Transactions and Collateral Received

As of March 31, 2004 and 2003, the securities pledged and received under financing transactions are summarized as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Pledged securities:			
Securities loaned on margin transactions	¥ 7,487	¥ 5,125	\$ 70,839
Securities pledged for loans on margin transactions	2,291	3,264	21,677
Loaned securities	1,779,910	955,783	16,840,855
Securities sold on Gensaki transactions	205,991	471,077	1,949,011
Other	4,750	1,546	44,943
Received securities:			
Securities received on margin transactions	47,577	15,338	450,156
Securities borrowed on margin transactions	38,308	30,457	362,456
Borrowed securities	3,048,686	1,354,277	28,845,548
Securities bought on Gensaki transactions	-	13,403	-
Other	11,825	-	111,884

7. Borrowing Facilities

As of March 31, 2004 and 2003, the Company and the consolidated subsidiaries had unused committed line of credit amounting to ¥391,722 million (\$3,706,330 thousand) and ¥224,600 million, respectively

8. Bonds Issued

Bonds issued and outstanding were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Unsecured convertible Euro yen bonds:			
1.25% due 2013	-	¥ 528	-
Unsecured convertible Euro yen bonds:			
0.25% due 2014	¥ 50,000	50,000	\$ 473,082
	¥ 50,000	¥ 50,528	\$ 473,082

Unsecured convertible Euro yen bonds, unless previously redeemed, are convertible into shares of common stock of the Company at the following conversion price as of March 31, 2004:

	Conversion price per share	Convertible up to and including
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, 2004 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 50,000	\$ 473,082

9. Subordinated Borrowings

Subordinated borrowings were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Fixed rate borrowings, payable in			
Japanese yen: 1.09 % due 2005-2006	¥ 110,000	-	\$ 1,040,780

The aggregate annual maturities of subordinated borrowings as of March 31, 2004 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2006	¥ 110,000	\$ 1,040,780

10. 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, 2004 and 2003 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Deferred tax assets:			
Net operating loss	¥ 26,754	¥ 34,935	\$ 253,137
Accrued severance benefits and pension cost	4,418	4,020	41,802
Excess depreciation expense	367	556	3,472
Loss on investment securities	2,562	3,218	24,241
Impairment loss on property	2,765	2,819	26,161
Allowance for doubtful accounts	813	2,755	7,692
Accrued bonus	1,773	865	16,775
Merger expense	-	1,873	-
Restructuring expense	-	1,714	-
Other	2,462	1,267	23,295
Total deferred tax assets	41,914	54,022	396,575
Valuation allowance	(30,126)	(47,762)	(285,041)
Deferred tax assets, net of valuation allowance	11,788	6,260	111,534
Deferred tax liabilities:			
Unrealized gain on securities	(3,306)	(6)	(31,280)
Eliminated intercompanies profit/loss	(479)	(1,068)	(4,532)
Accrued dividend.....	-	(289)	-
Loss on investments in affiliates	-	(1,729)	-
Other	(30)	(31)	(284)
Total deferred tax liabilities	(3,815)	(3,123)	(36,096)
Net deferred tax assets	¥ 7,973	¥ 3,137	\$ 75,438

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 income tax rates reflected in the accompanying consolidated statements of operations differ from the statutory income tax rate primarily due to the change in valuation allowance. Reconciling items between those two tax rates for the fiscal year ended March 31, 2004 are summarized as follows. The Company does not disclose the detail of such differences for the year ended on March 31, 2003 because of a net loss before income taxes.

Year ended March 31,	2004
Statutory income tax rate	41.0%
Reconciling items:	
Permanently nondeductible expenses	0.5
Permanently tax exempted income	(1.3)
Inhabitant tax computed based on other than income	0.4
Income in equity of affiliated companies	(5.2)
Change in valuation allowance	(62.7)
Effective income tax rate	(27.3)%

Due to changes in the 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.

11. Accrued Severance Benefits and Pension Costs

An employee of the Company whose employment was terminated used to be entitled, in most cases, to a lump-sum payment, the amount of which was 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.

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.

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 in the consolidated statements of operations for the year ended March 31, 2003 based on the shortage of pension assets as calculated by the JSDE Fund.

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, 2004 and 2003:

March 31,	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Retirement benefit obligation	¥ (34,429)	¥ (33,407)	\$ (325,755)
Plan assets at fair value	16,858	13,009	159,504
Unfunded retirement benefit obligation recognized on the balance sheets	(17,571)	(20,398)	(166,251)
Unrecognized net actuarial loss	9,653	12,182	91,333
Unrecognized prior service cost	(3,159)	(3,446)	(29,889)
Net amount recognized	(11,077)	(11,662)	(104,807)
Prepaid pension cost	18	-	170
Accrued severance benefits and pension costs	¥ (11,095)	¥ (11,662)	\$ (104,977)

The components of retirement benefit expenses for the years ended March 31, 2004 and 2003 are outlined as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Service cost	¥ 2,319	¥ 2,156	\$ 21,942
Interest cost	351	752	3,321
Expected return on plan assets	(133)	(320)	(1,259)
Amortization of prior service cost	(287)	-	(2,715)
Amortization of net actuarial loss	1,061	385	10,038
	¥ 3,311	¥ 2,973	\$ 31,327

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,	2004	2003
Discount rate	1.1%	1.1%
Expected return on plan assets.....	1.1	2.5

12. 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, 2000	July 1, 2002 to June 30, 2005	2,057,000
June 28, 2001	July 1, 2003 to June 30, 2006	2,272,000
		<u>4,329,000</u>

No related compensation costs were incurred for the years ended March 31, 2004 and 2003.

13. Commissions

Commissions earned for the years ended March 31, 2004 and 2003, consisted of the following:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Brokerage	¥ 27,503	¥ 12,790	\$ 260,223
Underwriting and distribution	14,211	10,448	134,459
Other	19,859	14,143	187,899
	¥ 61,573	¥ 37,381	\$ 582,581

14. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2004 and 2003, are summarized as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Employees' compensation and benefits	¥ 44,583	¥ 38,382	\$ 421,828
Brokerage and other commissions	10,012	3,824	94,730
Communication and transportation	8,181	7,439	77,405
Real estate expenses	10,764	13,138	101,845
Data processing and office supplies	8,309	6,488	78,617
Taxes other than income taxes	926	875	8,761
Depreciation	3,385	2,607	32,028
Amortization	8,112	6,407	76,753
Other	5,005	4,627	47,355
	¥ 99,277	¥ 83,787	\$ 939,322

15. Other Income (Expenses)

The components of "Other, net" in the consolidated statements of operations for the years ended March 31, 2004 and 2003, are as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Net gain (loss) on investment securities	¥ 256	¥ (2,899)	\$ 2,422
Allowance for doubtful accounts	12	(2,441)	114
Pension plan settlement cost (Note 11)	-	(658)	-
Special benefit for earlier retirement	-	(4,953)	-
Merger expense	-	(9,772)	-
Restructuring expense	-	(4,708)	-
Dividends income	2,646	167	25,035
Income in equity of affiliated companies	1,436	139	13,587
Loss on sale of subsidiary	(4,228)	-	(40,004)
Other	(367)	(1,241)	(3,472)
	¥ (245)	¥ (26,366)	\$ (2,318)

16. Leases

Capital leases, except for lease agreements which transfer ownership of the leased property to the lessee, are summarized as follows:

	Millions of yen					
	Acquisition costs		Accumulated depreciation		Net book value	
	2004	2003	2004	2003	2004	2003
March 31,						
Equipment	¥ 1,091	¥ 1,418	¥ 429	¥ 690	¥ 662	¥ 728
Software	983	801	433	430	550	371
	¥ 2,074	¥ 2,219	¥ 862	¥ 1,120	¥ 1,212	¥ 1,099

	Thousands of U.S. dollars		
	Acquisition costs	Accumulated depreciation	Net book value
March 31, 2004			
Equipment.....	\$ 10,323	\$ 4,059	\$ 6,264
Software	9,301	4,097	5,204
	\$ 19,624	\$ 8,156	\$ 11,468

Lease payments, depreciation and interest expense for these capital leases for the years ended March 31, 2004 and 2003 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Years ended March 31,			
Lease payments	¥ 361	¥ 354	\$ 3,416
Depreciation	310	376	2,933
Interest expense	24	22	227

Future lease commitments for these capital leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
March 31,			
Future minimum lease payments due:			
Within one year	¥ 362	¥ 423	\$ 3,425
More than one year	852	890	8,061
	¥ 1,214	¥ 1,313	\$ 11,486

Future lease commitments for significant operating leases are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
March 31,			
Future lease payments due:			
Within one year	¥ 1,335	-	\$ 12,631
More than one year	2,915	-	27,581
	¥ 4,250	-	\$ 40,212

17. Per Share Data

The per share data are summarized as follows:

Years ended March 31,	Yen		U.S. dollars
	2004	2003	2004
Basic earnings (loss) per share	¥ 77.31	¥ (138.72)	\$ 0.73
Diluted earnings per share	72.87	-	0.69

Diluted net income per share is not presented for the year ended March 31, 2003 because of net loss.

March 31,	Yen		U.S. dollars
	2004	2003	2004
Shareholders' equity per share	¥ 804.32	¥ 721.92	\$ 7.61

The underlying data of computation of basic earnings (loss) 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.

The computations of basic earnings (loss) per share for the years ended March 31, 2004 and 2003 and diluted earnings per share for the year ended March 31, 2004 are as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Numerator:			
Net income (loss)	¥ 36,132	¥ (53,155)	\$ 341,868
Bonuses to be paid to directors and officers as an appropriation of retained earnings	(135)	-	(1,278)
Income (loss) available to common shareholders	35,997	(53,155)	340,590
Effect of dilutive securities	59	-	559
Income (loss) available to common shareholders and assumed conversions	¥ 36,056	¥ (53,155)	\$ 341,149
Denominator:			
	Thousands of shares		
Weighted average shares	465,605	383,157	465,605
Effect of dilutive securities	29,167	-	29,167
Weighted average common shares for diluted computation ...	494,772	383,157	494,772

18. Related Party Transactions

During the years ended March 31, 2004 and 2003, the Company entered into subordinated long-term loan agreements of ¥110,000 million (\$1,040,780 thousand) and call loan agreements of ¥80,000 million, respectively, with BTM, which had a 53.2% and 53.4% interest in the Company as of March 31, 2004 and 2003, respectively. In addition, receivables from BTM related to securities borrowed transactions were ¥83,489 million (\$789,942 thousand) and ¥50,443 million, and payables related to securities loaned to BTM were ¥369,735 million (\$3,498,297 thousand) and ¥172,073 million as of March 31, 2004 and 2003, respectively. The balance of the subordinated borrowings from BTM as of March 31, 2004 was ¥110,000 million (\$1,040,780 thousand) and that of the call loans to BTM as of March 31, 2003 was ¥80,000 million.

During the year ended March 31, 2003, the Company issued commercial paper, of which ¥100,000 million was purchased by Toyota Motor Corporation ("Toyota"), which used to be one of the Company's major shareholders and which had a 6.0% interest in the Company as of March 31, 2003. The transaction stated above is the amount of commercial paper purchased by Toyota while it was the Company's major shareholder.

19. Supplemental Information of Statements of Cash Flows

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

The information below presents the breakdown of assets and liabilities of Mitsubishi Securities (USA), Inc., Mitsubishi Securities (HK), Limited, and Mitsubishi Securities (Singapore), Ltd., newly acquired subsidiaries during 2004, and the relationship between the acquisition prices of these companies and net disbursement for or gains from acquiring the subsidiaries' equities.

Mitsubishi Securities (USA), Inc.

Year ended March 31,	Millions of yen	Thousands of U.S. dollars
	2004	2004
Current assets	¥ 435,149	\$4,117,220
Non-current assets	194	1,836
Goodwill	120	1,135
Current liabilities	(426,592)	(4,036,257)
Acquisition price of the equity	8,871	83,934
Cash and cash equivalents	(95)	(899)
Net: disbursement for the acquisition	¥ 8,776	\$ 83,035

Mitsubishi Securities (HK), Limited

Year ended March 31,	Millions of yen	Thousands of U.S. dollars
	2004	2004
Current assets	¥ 36,990	\$ 349,986
Non-current assets	5,930	56,107
Current liabilities	(28,740)	(271,927)
Non-current liabilities	(7,756)	(73,384)
Goodwill	(77)	(729)
Acquisition price of the equity	6,347	60,053
Cash and cash equivalents	(17,945)	(169,789)
Net: gain from the acquisition	¥ (11,598)	\$ (109,736)

Mitsubishi Securities (Singapore), Ltd.

Year ended March 31,	Millions of yen	Thousands of U.S. dollars
	2004	2004
Current assets	¥ 336	\$ 3,179
Non-current assets	43	407
Current liabilities	(3)	(28)
Goodwill	(21)	(199)
Acquisition price of the equity	355	3,359
Cash and cash equivalents	(304)	(2,876)
Net: disbursement for the acquisition	¥ 51	\$ 483

The information below presents the breakdown of assets and liabilities of Me Net Securities Co., Ltd., a newly acquired subsidiary during 2003, and the relationship between the acquisition price of Me Net Securities Co., Ltd. and net gain from acquiring the subsidiary's equities.

Me Net Securities Co., Ltd.

Year ended March 31, 2003	Millions of yen
Current assets	¥ 5,439
Non-current assets	596
Goodwill	2,124
Current liabilities	(199)
Non-current liabilities	(506)
Minority interests.....	(2,624)
Acquisition price of the equity	4,830
Acquisition price until the prior consolidated year end	(165)
Acquisition price assumed by merger	(165)
Net: acquisition price in the current consolidated year end	4,500
Cash and cash equivalents	(4,635)
Net: gain from the acquisition	¥ (135)

(2) Breakdowns of assets and liabilities of formerly consolidated subsidiaries sold

The information below presents the breakdowns of assets and liabilities of KOKUSAI Capital Co. Ltd. and Tradeone Systems Co., Ltd., which were sold during the fiscal year ended March 31, 2004 and the relationship between the sale prices of these companies and net proceeds from the sale of the subsidiaries' equities.

KOKUSAI Capital Co., Ltd.

Year ended March 31,	Millions of yen	Thousands of U.S. dollars
	2004	2004
Current assets	¥ 7,005	\$ 66,279
Non-current assets	4,429	41,905
Current liabilities	(70)	(662)
Non-current liabilities	(13,779)	(130,372)
Loans receivable	13,800	130,571
Loss on the sale of stocks and loans	(4,228)	(40,004)
Proceeds from the sale of stocks and the loans	7,157	67,717
Cash and cash equivalents	(1,831)	(17,324)
Net: proceeds from the sale	¥ 5,326	\$ 50,393

Tradeone Systems Co., Ltd.

Year ended March 31,	Millions of yen	Thousands of U.S. dollars
	2004	2004
Current assets	¥ 594	\$ 5,620
Non-current assets	3,098	29,312
Current liabilities	(1,277)	(12,082)
Non-current liabilities	(88)	(833)
Minority interest	(832)	(7,872)
Income in equity of affiliated company	108	1,022
Profit on the sale of stocks	710	6,718
Proceeds from the sale of stocks	2,313	21,885
Cash and cash equivalents	(251)	(2,375)
Net: proceeds from the sale	¥ 2,062	\$ 19,510

(3) Significant non-cash transaction

Changes arisen from conversion of convertible bonds during 2004 are summarized as follows:

Year ended March 31,	Millions of yen	Thousands of U.S. dollars
	2004	2004
Increase in common stock by conversion of convertible bonds	¥ 264	\$ 2,498
Increase in additional paid-in-capital by conversion of convertible bonds	264	2,498
Decrease in convertible bonds due to conversion	¥ 528	\$ 4,996

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 as a result of the merger by ¥169,483 million.

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

20. Subsequent Event

The following appropriations of retained earnings were approved at a meeting of the Company's shareholders held on June 29, 2004:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥9.00 = \$0.085per share)	¥ 4,197	\$ 39,710
Bonuses to directors and officers	135	1,278

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

Report of Independent Auditors

The Board of Directors
Mitsubishi Securities Co., Ltd.

We have audited the accompanying consolidated balance sheets of Mitsubishi Securities Co., Ltd. and consolidated subsidiaries (the "Company") as of March 31, 2004 and 2003, 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 express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards 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, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 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.

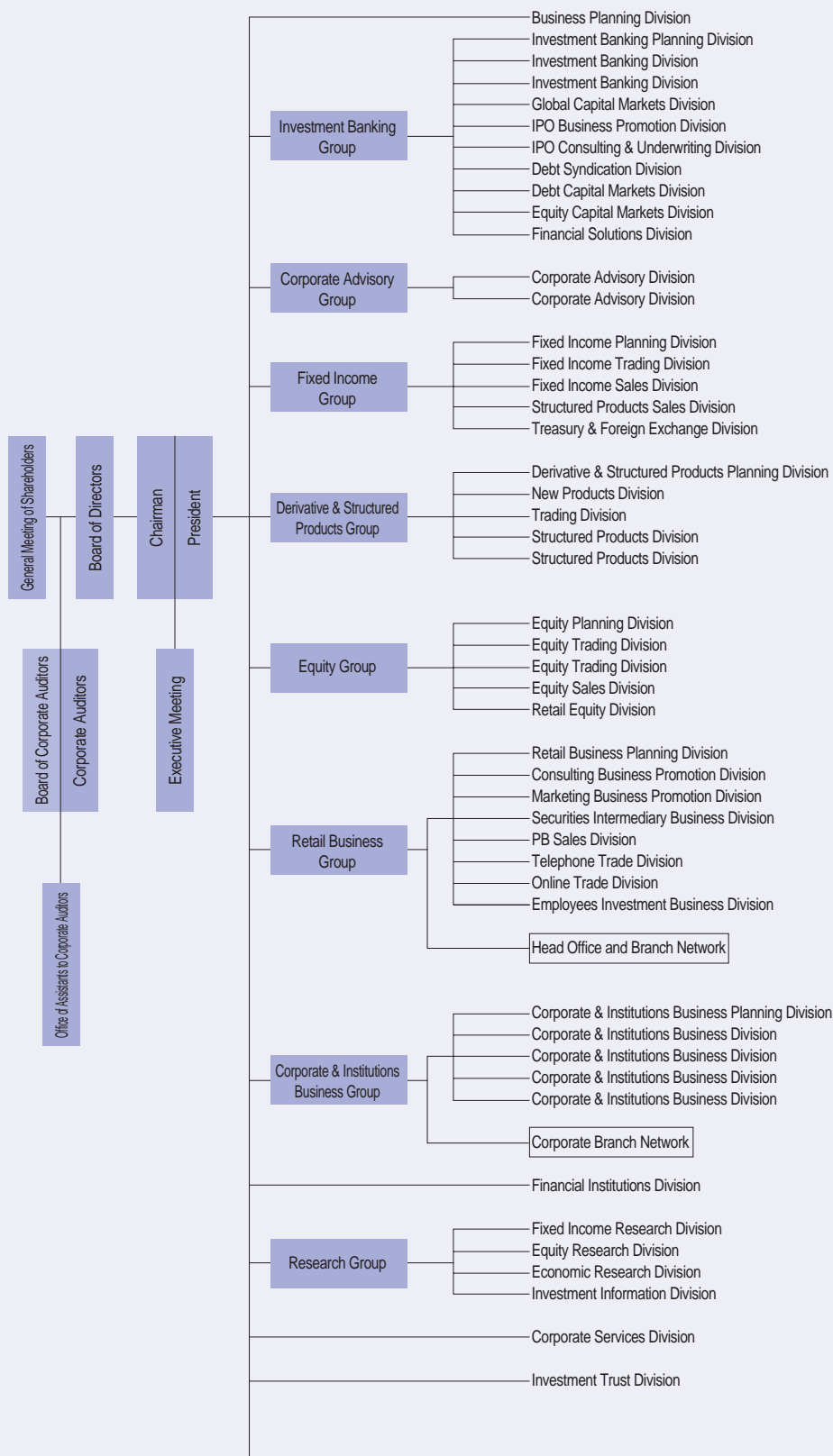
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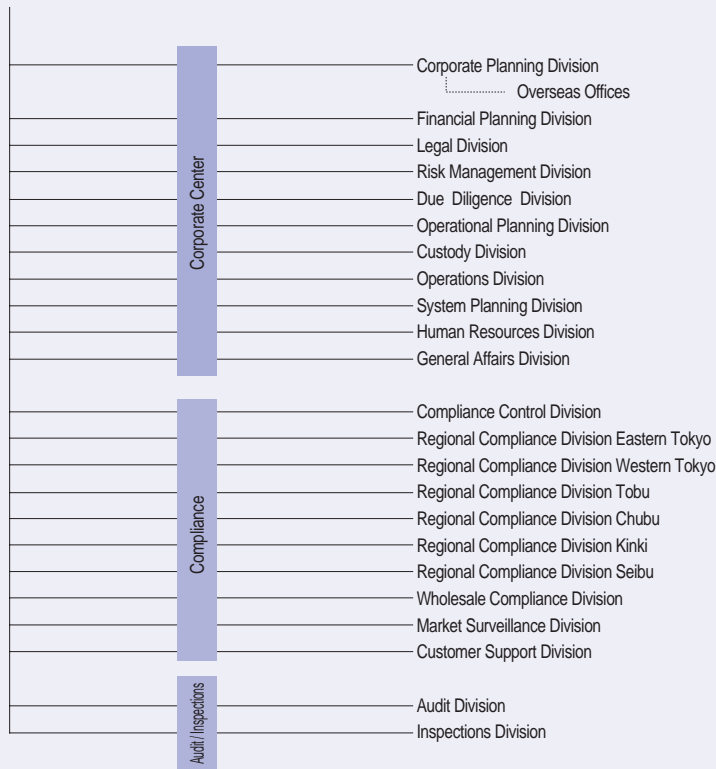
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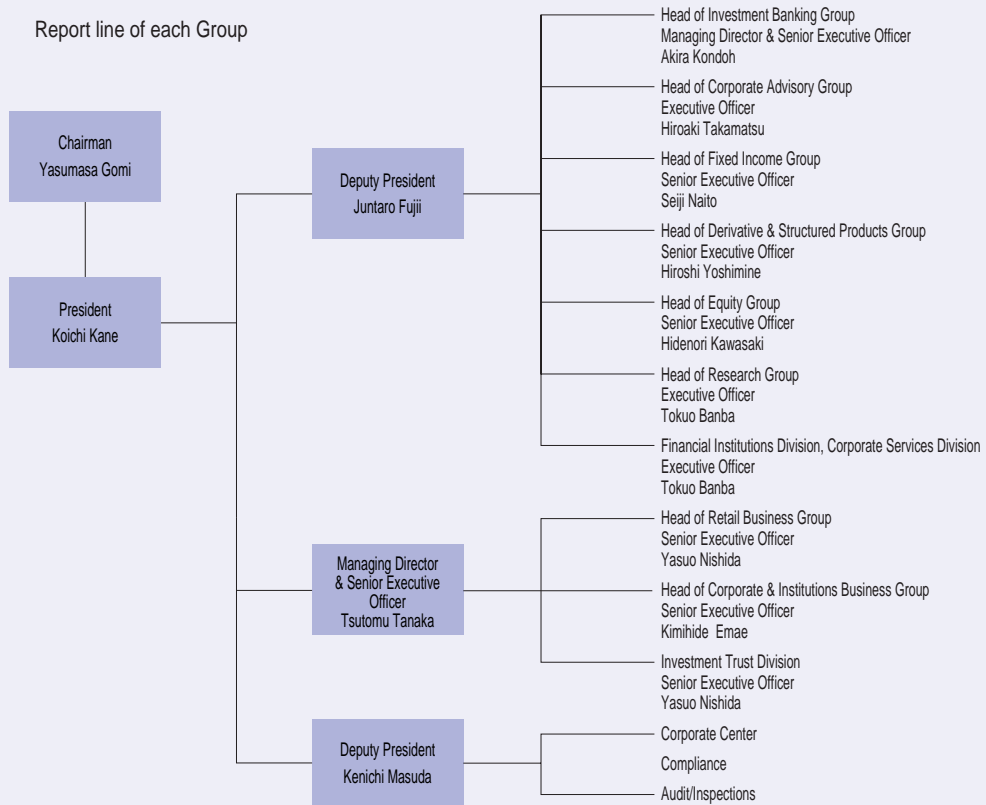
Corporate Data

Organization Chart





Report line of each Group



Subsidiaries, Affiliates and Representative Office

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 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

Mitsubishi Securities International plc

Principal Business Securities business
 Established June 1983
 Common Stock UK£333,480,000
 6 Broadgate, London EC2M 2AA, U.K.
 Telephone 44-207-628-5555

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 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 Securities 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

Mitsubishi Tokyo Wealth Management Securities, Ltd.

Principal Business Securities and investment advisory 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

Company History

March	1948	Yachiyo Securities Co., Ltd., established
April	1968	Obtained a securities license based on the revised Securities and Exchange Law of Japan
October	1981	Merged with Koa Securities Co., Ltd., and The Nomura Securities Investment Trust Sales Co., Ltd., to form KOKUSAI Securities Co., Ltd.
March	1983	KOKUSAI Investment Trust Management Co., Ltd., established
December	1984	KOKUSAI Investment Management Co., Ltd., formed
December	1985	KOKUSAI Finance Co., Ltd. (renamed KOKUSAI Capital Co., Ltd., in July 2001), established
January	1986	KOKUSAI Card System Co., Ltd., formed
May	1987	KOKUSAI Securities listed on the Second Section of the Tokyo, Osaka, and Nagoya stock exchanges
June	1987	Koyo Sangyo Co., Ltd. (renamed KOKUSAI Real Estate Co., Ltd., in April 1990), established
December	1987	KOKUSAI Business Service Co., Ltd., established
March	1989	KOKUSAI Securities listed on the First Section of the Tokyo, Osaka, and Nagoya stock exchanges
June	1990	KOKUSAI Computer System Co., Ltd., formed
October	1994	Mitsubishi Diamond Securities Co., Ltd., established (renamed Tokyo-Mitsubishi Securities Co., Ltd., in April 1996)
July	1997	KOKUSAI Investment Trust Management Co., Ltd., and KOKUSAI Investment Management Co., Ltd., merged to form KOKUSAI Asset Management Co., Ltd.
December	1998	Registered as a securities company due to amendment to the Securities and Exchange Law of Japan
July	1999	KOKUSAI Computer System Co., Ltd., and KOKUSAI Business Service Co., Ltd., merged to form KOKUSAI Business & System Services Co., Ltd.
July	1999	Tokyo-Mitsubishi Securities Co., Ltd., took over and integrated all business operations of Mitsubishi TB Securities Co., Ltd.
March	2001	Tradeone Systems Co., Ltd., established through a joint venture
July	2002	Mitsubishi Tokyo Wealth Management (Switzerland), Ltd., formed through a joint venture
September	2002	KOKUSAI Securities, Tokyo-Mitsubishi Securities, Tokyo-Mitsubishi Personal Securities Co., Ltd., and Issei Securities Co., Ltd., merged to create Mitsubishi Securities Co., Ltd., which simultaneously became a subsidiary of The Bank of Tokyo-Mitsubishi, Ltd., and the Mitsubishi Tokyo Financial Group, Inc.
October	2002	Tokyo-Mitsubishi TD Waterhouse Securities Co., Ltd. (renamed Me Net Securities Co., Ltd., in November 2002), became a subsidiary of Mitsubishi Securities
May	2003	Tokyo-Mitsubishi International (Singapore) Ltd, became a subsidiary of Mitsubishi Securities (renamed Mitsubishi Securities (Singapore), Ltd., in September 2003)
June	2003	Tokyo-Mitsubishi International (HK) Limited, became a subsidiary of Mitsubishi Securities (renamed Mitsubishi Securities (HK), Limited, in September 2003)
July	2003	Tokyo-Mitsubishi Securities (USA), Inc., became a subsidiary of Mitsubishi Securities (renamed Mitsubishi Securities (USA), Inc., in September 2003)
February	2004	Full equity interest in Tradeone Systems Co., Ltd., sold
March	2004	Full equity interest in KOKUSAI Capital Co., Ltd., sold
July	2004	Tokyo-Mitsubishi International plc, became a subsidiary of Mitsubishi Securities (renamed Mitsubishi Securities International plc, in July 2004)

Corporate Data (As of March 31, 2004)

Company	Mitsubishi Securities Co., Ltd.
Established	March 4, 1948
Common stock	¥65,518 million
Employees	3,750
Rating <small>(As of May 31, 2004)</small>	A2 (Moody's Investors Service) A+ (Rating and Investment Information, Inc.)
Total number of shares issued	472,661,195 shares
Number of shareholders	16,391
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) 3212-1211

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