



Trust Banking
Securities Lending
General Loans
Bond Financing
Loans for Margin Transactions
Securities Finance

ANNUAL REPORT 2004

© JAPAN SECURITIES FINANCE CO., LTD.

PROFILE

Growing in step with the securities industry and supporting its future development.

In June 1951, Japan Securities Finance Co., Ltd. (JSF) launched its loaning operations, dealing with funds and stock certificates needed by securities companies for delivery and settlement of margin transactions.

This margin loan business can be transacted solely by securities finance companies licensed in accordance with the Securities and Exchange Law.

As Japan's largest securities finance company designated by the Tokyo, Sapporo and Fukuoka Stock Exchanges, JSF is contributing significantly to improving the fairness of stock price formation and liquidity of stocks in the secondary equity markets.

CONTENTS

Financial Highlights	1
A Message from the Management	2
Business Results	4
Financial Section	8
Independent Auditors' Report	21
Outline of the Corporate Group	22
Corporate Data	23

FINANCIAL HIGHLIGHTS

Japan Securities Finance Co., Ltd. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (note)
	2004 (April 1, 2003 – March 31, 2004)	2003 (April 1, 2002 – March 31, 2003)	2004 (April 1, 2003 – March 31, 2004)

Consolidated financial results

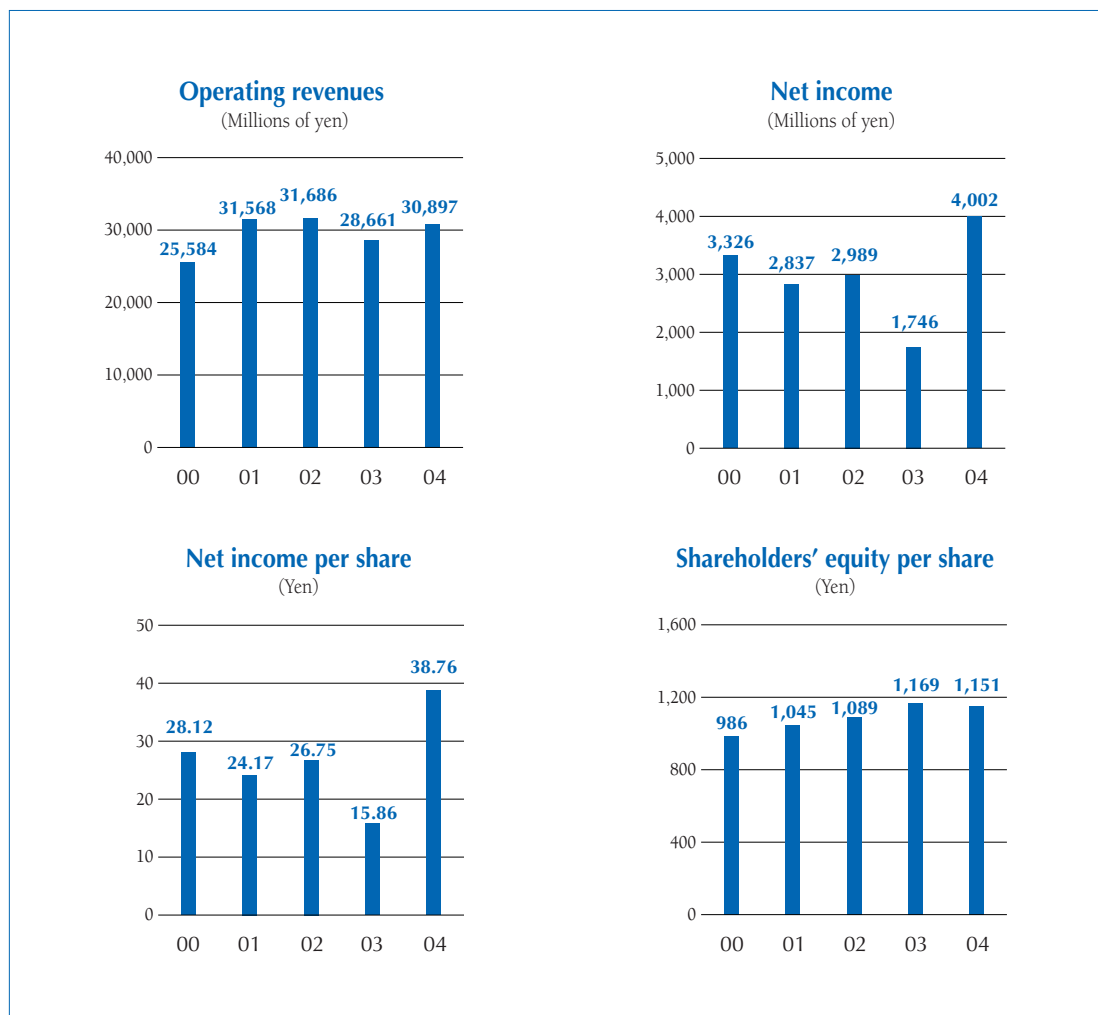
Operating revenues	¥ 30,897	¥ 28,661	\$ 292,336
Net income	4,002	1,746	37,865
Shareholders' equity (period end)	114,201	118,362	1,080,528

	Yen		U.S. dollars (note)
	2004	2003	2004

Amounts per share

Net income	¥ 38.76	¥ 15.86	\$ 0.37
Shareholders' equity	1,151.52	1,169.05	10.90

Note: U.S. dollar amounts in this annual report are translated from Japanese Yen, for convenience only, at the rate of ¥105.69=US\$1, the approximate exchange rate at March 31, 2004.



A MESSAGE FROM THE MANAGEMENT



Kunio Kojima
Chairman



Minoru Masubuchi
President

It is my sincere hope that the Annual Report 2004 for the fiscal year ended March 31, 2004 will be of use to shareholders, investors and other supporters of Japan Securities Finance Company.

BUSINESS REVIEW

General Market Conditions

In the stock market, the Tokyo Stock Price Index (TOPIX), which started the fiscal year at 788, began to rise from the end of May 2003 and recovered 1,000 in August. This is primarily because the capital from overseas investors flew into the Japanese stock market after the anxiety about the Japanese financial system diminished and the US stock market recovered. Subsequently, fluctuations in the US stock market and in the foreign exchange market led to temporary rises and falls in TOPIX. However, the TOPIX progressed well with rising expectations of economic recovery resulting from improvements in various economic index after January 2004 and the optimistic assessments of cyclical issues. It ended the fiscal year at 1,179, the highest figure since the previous year.

Stock trading activity increased, as evidenced by the fact that the average daily trading volume on the first section of the Tokyo Stock Exchange during the fiscal year increased by 536 million shares from the previous fiscal year to a total of 1,388 million shares. The average daily trading value also increased by 416.2 billion yen from the previous fiscal year, to reach 1,145.6 billion yen.

Meanwhile, the outstanding balance of standardized margin buying in the Tokyo market figured about 800

billion yen at the beginning of the fiscal year and continued to rise in line with the bullish stock market. It has remained at a level of around 2 trillion yen since October 2003, rising to 2.1 trillion yen at the end of the fiscal year. The outstanding balance of standardized margin selling, on the other hand, started at approximately 500 billion yen at the beginning of the fiscal year, stayed at between 600 billion and 800 billion yen, and then ended the fiscal year at the level of 700 billion yen.

Business results

The average balance of loans for margin transactions in the fiscal year increased by 241.2 billion yen from the previous fiscal year to 650.7 billion yen, due primarily to a recovery of the outstanding balance of the standardized margin buying. In trust banking business, the average balance of loans also increased dramatically by 808.9 billion yen from the previous fiscal year, reaching 868.8 billion yen. This is due to the aggressive participation in the bidding for loans by the Deposit Insurance Corporation of Japan. Total loans thus increased by approximately 180%, to 1,574.1 billion yen. In securities lending business, although the revenues from general stock lending was satisfactory, the revenues from bond trading fell, due to weak demands for raising and investing funds through bond borrowing and lending

transaction, and the trading volume for the fiscal year decreased from the previous fiscal year.

Performance during the fiscal year rose in terms of the operating revenues, due to increased interest on loans for margin transactions as well as to the inclusion in the accounts of revenues from coupon income and profits on sale of government bonds. The net income rose by approximately 130%, due primarily to the removal from the accounts of devaluation losses of investment securities, which had been booked in the previous fiscal year.

OUTLOOK

Earnings Outlook

As overseas economy maintains a relatively high rate of growth, and the export and investment in plant and equipment continue their favorable trends, we expect that the positive economic cycle will be gradually strengthened as the improvements in company earnings influence employment opportunity and individual income. In these circumstances, we anticipate that the outstanding balance of standardized margin buying on the Tokyo market will maintain the current higher level and that margin transactions in the JASDAQ market, which started in April 2004, may encourage an increase in loans for margin transactions. The securities lending business is expected to achieve the trading volume similar to the previous term.

One of the consolidated subsidiaries, JSF Trust and Banking, which has recorded favorable performances during the fiscal year ended March 31, 2004, is expected to achieve good results.

Current challenges (strategy)

The reform of the securities clearing and settlement system is under way, with on-going efforts to revise the legislation relating to dematerialization of stocks or to investigate the possibilities for shortening of settlement cycle (T+1).

Under this background, the redesign of online system, with which JSF has been working since 2001, took shape in the form of a new online system, JSFNET, which was launched early in May 2004. This new system is designed to be convenient to customers and to make it easier to respond flexibly to the anticipated reform of clearing and settlement system. With JSFNET, as a cornerstone of our business, we will be able to respond more promptly and effectively to various needs which may arise in the financial and securities markets.

In the securities financing business, following the introduction of standardized margin transactions in the JASDAQ market in April 2004, JSF has been authorized as a securities financing company to conduct margin transactions in the JASDAQ. We intend to provide securities financing services of high quality, just as we have in standardized margin transactions and in loans for margin transactions, with the aim of further revitalizing the market.

JSF Trust and Banking provides services by using to its full capacity as a trust bank in the securities industry, including segregated customers' money trusts and securities trusts. The company is endeavoring to expand into new areas of business, with the aim of further strengthening its profit base.

In the information processing services business, we will work to increase orders by concentrating management resources into areas where it can demonstrate superiority, including the systems development in the securities and finance segments, and will focus on outsourcing services.

JSF repurchased 2,106 thousand common stock and cancelled them during the fiscal year ended March 31, 2004. The Articles of Incorporation have been revised at the annual general meeting of shareholders in June to authorize the repurchase of common stock to the resolution of the Board meeting. We will repurchase common stock in view of stock price and trend of major shareholders.

As a specialized financial institution in the securities market, the JSF Group will respond in timely and appropriate manner to the various needs of the securities and financial industries in co-operation with group companies.



Kunio Kojima
Chairman



Minoru Masubuchi
President

BUSINESS RESULTS

The consolidated operating revenues for the fiscal year ended March 31, 2004 increased by 7.8% from the previous fiscal year to 30,897 million yen, due to the increased interest on loans and the coupon income from government bonds, although the fees on lending securities in the margin loan business has declined. On the other hand, as the number of overlent issues in margin transactions decreased and the fees on borrowing securities fell in concert with the fees on lending securities which constitutes operating revenues, the consolidated operating expenses increased by 4.7% from the previous fiscal year to 16,483 million yen, due to the inclusion of losses on sale of government bonds.

As a result, the consolidated operating income increased to 5,995 million yen (up 24.7% from the previous fiscal year). Regarding other revenues, with the inclusion of equity in earning of affiliates of 152 million yen and of 341 million yen from sales of investment securities, the consolidated net income, after the deduction of corporation and other taxes, was 4,002 million yen (up 129.2% from the previous fiscal year).

Breakdown of JSF group operating revenues

	2004	2003
	April 1, 2003 – March 31, 2004	April 1, 2002 – March 31, 2003
	Amount (¥ million)	Amount (¥ million)
Securities financing business	27,520	25,296
Loans for margin transactions	14,146	16,681
Interest on loans	4,061	2,535
Interest on collateral money for securities borrowed	1,239	1,520
Fees on lending securities	8,455	12,402
Bond financing and general loans	959	1,239
Interest on bond financing	16	34
Interest on general loans	943	1,205
Securities lending	1,517	1,409
Stocks	725	638
Bonds	792	771
Fees on lending	622	533
Interest on collateral money for securities borrowed	170	233
Trust banking	4,680	3,122
Trust charges	229	207
Real estate leasing	963	981
Other business	5,255	1,864
Information processing business	3,377	3,365
Fees on information services	3,148	3,084
Fees on machinery leasing	155	215
Others	74	66
Total operating revenues	30,897	28,661

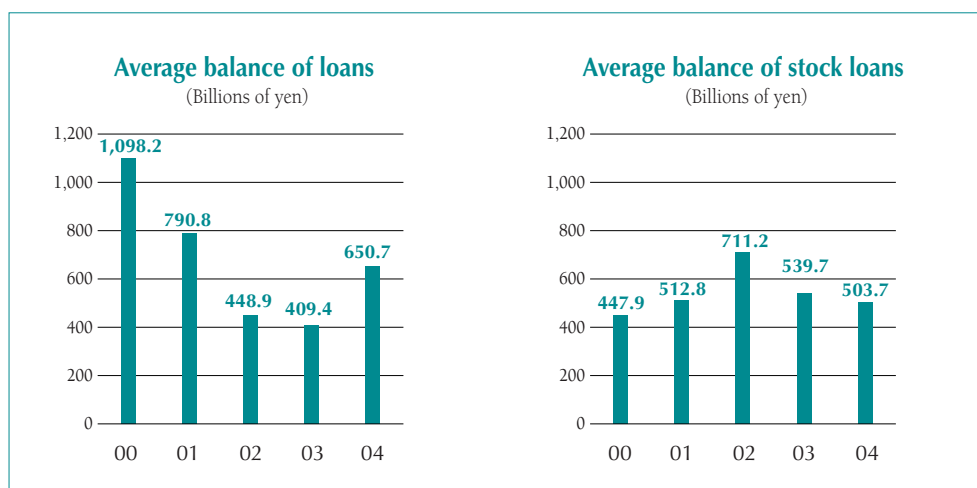
SECURITIES FINANCING BUSINESS

The operating revenues from securities finance business increased to 27,520 million yen (up 8.8% from the previous term).

Loans for Margin Transactions

In the fiscal year, average balance of loans for margin transactions increased dramatically by 241.2 billion yen from the previous year to 650.7 billion yen, due to the recovery of the outstanding balance of standardized margin buying. This resulted in increase of the interest on loans. On the other hand, the fees on lending securities fell dramatically, as the average balance of stock loans for margin transactions fell by 36 billion yen from the previous fiscal year to 503.7 billion yen and the number of overlent issues where the stock loan balance exceeds the fund loan balance decreased. As a result, the operating revenues from loans for margin transactions were 14,146 million yen (down 15.2% from the previous fiscal year).

This refers to a lending of funds and stock certificates needed to settle standardized margin transactions through the clearing facilities of the Tokyo, Sapporo and Fukuoka Stock Exchanges or JASDAQ.

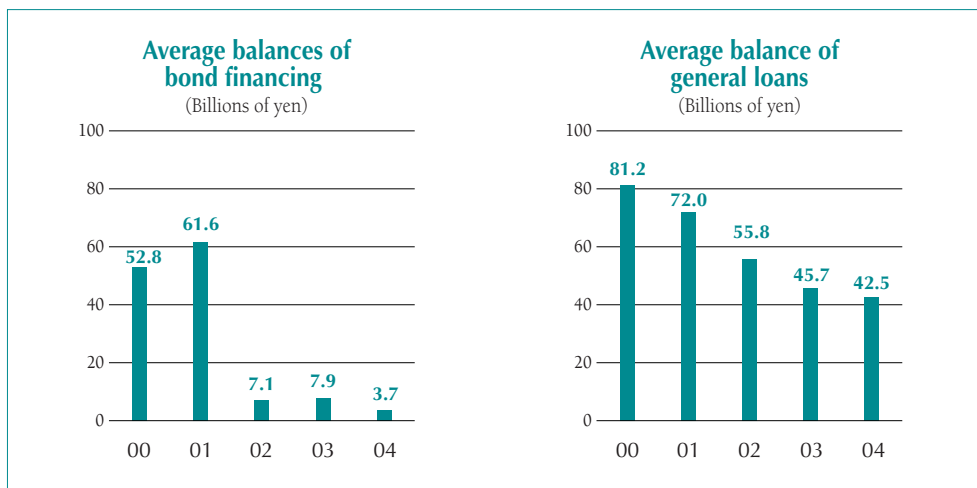


Bond Financing and General Loans

Bond Financing refers to a lending of funds required by securities companies for underwriting and trading, et cetera, and of funds needed by other investors, by accepting bond as collateral, with the aim of contributing to smoother circulation in the bond market.

General Loans refers to a lending of the working funds required by securities companies for advances to customers and delivery funds in stock trading, et cetera, and of funds required by other investors, with securities as collateral.

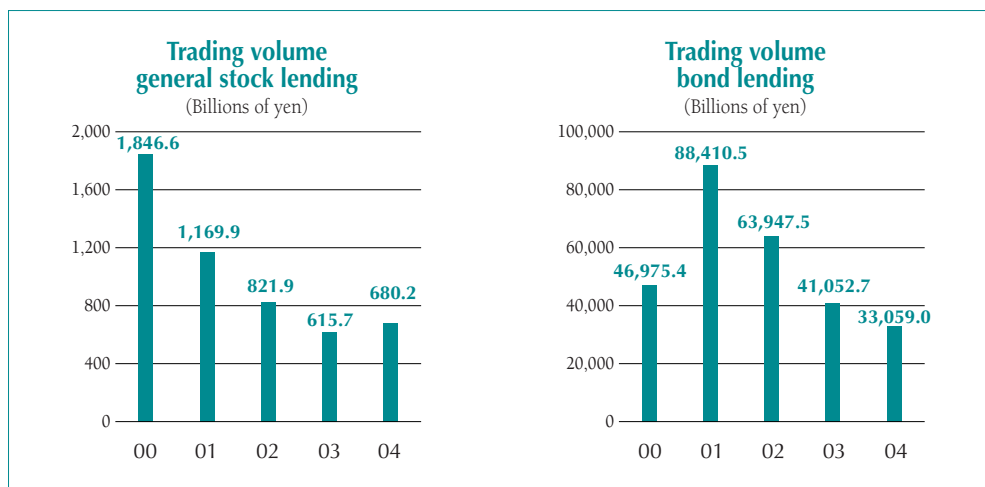
In bond financing and general loans business, demands for loans from securities companies and individual investors did not increase. As a result, the average balances of bond financing and of general loans for the fiscal year decreased to 3.7 billion yen and 42.5 billion yen, respectively, and the operating revenues from both loans amounted to 959 million yen (down 22.6% from the previous fiscal year).



Securities Lending

General stock lending refers to a lending of stock certificates required to settle trades, et cetera, mainly to securities companies.

In bond borrowing and lending transactions, JSF receives applications from both lenders and borrowers, and lends and borrows bonds on the basis of a loan agreement. JSF serves as a broker between two parties in both transactions. In gensaki transactions, JSF buys and sells bonds with repurchase agreements.



In general stock lending, the use of offer-bid stock lending brokerage transactions (matching of stock borrowing and lending application on electronic screen) grew satisfactorily. In bond trading, in spite of weak demands for raising and investing funds, the revenues from fees on securities lending increased, thanks to the increase of trading volume with long term. As a result, the operating revenues from securities lending amounted to 1,517 million yen (up 7.7% from the previous year).

Trust Banking

The aggressive participation in the bidding for loans by the Deposit Insurance Corporation of Japan dramatically increased loans by 808.9 billion yen from the previous fiscal year to 868.8 billion yen, and increased the interest on loans. The operating revenues also increased to 4,680 million yen (up 49.9% from the previous fiscal year) because of increased coupon income from government bonds. In order to increase shareholders equity and strengthen its financial base with a view to expanding business in future, JSF Trust and Banking increased capital by 10 billion yen in November 2003 (of which 5 billion yen was put into capital), all of which was underwritten by JSF.

JSF Trust and Banking Co., Ltd., was established as a wholly owned subsidiary of JSF in November 1998.

In addition to securities trusts, JSF Trust and Banking provides high quality services of segregated customers' money trusts as required by the Securities and Exchange Law.

Other Business

Other revenues amounted to 5,255 million yen, up 181.9% from the previous fiscal year, primarily from the coupon income and profit on sale of government bonds.

INFORMATION PROCESSING BUSINESS

Orders for system operations and leasing services decreased. However, as the data entry services achieved good results, with the acquisition of new major customers, primarily due to timely and appropriate responses to customers' needs such as acquisition of the Privacy Mark, the data processing business succeeded in achieving operating revenues of 3,377 million yen (up 0.3% from previous fiscal year).

FINANCIAL SECTION

Consolidated Balance Sheets

Japan Securities Finance Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2004 and 2003

Assets	Millions of yen		Thousands of U.S. dollars (note 2)
	2004	2003	2004
Current assets:			
Cash (note 3)	¥ 35,369	¥ 23,699	\$ 334,649
Call loans	333,000	300,000	3,150,724
Short-term investments (notes 4 and 15)	857,590	997,259	8,114,202
Short-term loans receivable (note 15)	2,480,333	645,762	23,468,001
Securities lent	639,825	493,340	6,053,789
Securities in custody (note 15)	374,761	83,171	3,545,851
Securities in deposit (note 15)	757,591	108,413	7,168,048
Deferred tax assets (note 9)	782	448	7,399
Collateral money for securities borrowed (note 15)	1,839,527	782,894	17,404,929
Other current assets (note 15)	26,171	21,626	247,620
Allowance for doubtful receivables	(906)	(606)	(8,572)
Total current assets	7,344,043	3,456,006	69,486,640
Property, plant and equipment:			
Buildings and structures	7,680	7,227	72,666
Machinery, equipment and vehicles	2	5	19
Tools, furniture and fixtures	2,433	2,746	23,020
Land	3,130	3,130	29,615
Construction in progress	57	34	539
	13,302	13,142	125,859
Accumulated depreciation	(6,267)	(6,236)	(59,296)
Net property, plant and equipment	7,035	6,906	66,563
Intangible assets, net	4,116	4,193	38,944
Investments and other assets:			
Investments in securities (notes 4, 5 and 15)	2,701,594	563,362	25,561,491
Deferred tax assets (note 9)	4,704	179	44,507
Deferred tax assets for land revaluation (note 6)	9	9	85
Other investments and other assets	749	794	7,087
Allowance for doubtful receivables	(87)	(110)	(823)
Total investments and other assets	2,706,969	564,234	25,612,347
Total assets	¥10,062,163	¥4,031,339	\$95,204,494

See accompanying notes to consolidated financial statements.

FINANCIAL SECTION

Liabilities and Stockholders' Equity	Millions of yen		Thousands of U.S. dollars (note 2)
	2004	2003	2004
Current liabilities:			
Call money (notes 7 and 15)	¥ 1,428,400	¥ 918,500	\$13,514,997
Bills sold (notes 7 and 15)	2,461,600	297,500	23,290,756
Short-term borrowings (note 7)	1,223,820	674,820	11,579,336
Commercial paper (note 7)	210,000	85,100	1,986,943
Payables under repurchase agreements (notes 7 and 15)	82,265	246,637	778,361
Accrued income taxes (note 9)	2,283	1,080	21,601
Collateral money received for securities lent (note 15)	2,009,415	893,461	19,012,347
Collateral securities deposited	1,100,666	332,139	10,414,098
Securities borrowed (note 15)	671,511	352,785	6,353,590
Other current liabilities (note 7)	752,974	105,143	7,124,364
Total current liabilities	9,942,934	3,907,165	94,076,393
Non-current liabilities:			
Deferred tax liabilities (note 9)	135	1,107	1,277
Liabilities for retirement and severance benefits (note 8)	4,214	4,025	39,871
Other non-current liabilities	679	680	6,425
Total non-current liabilities	5,028	5,812	47,573
Total liabilities	9,947,962	3,912,977	94,123,966
Stockholders' equity:			
Common stock (note 10):	10,000	10,000	94,616
Authorized 152,195,000 shares; issued and outstanding 99,704,000 shares in 2004 and 101,810,000 in 2003			
Additional paid-in capital (note 10)	5,182	5,182	49,030
Retained earnings (note 11)	101,927	99,494	964,396
Loss on revaluation of land (note 6)	(13)	(13)	(123)
Net unrealized gain (loss) on other securities (note 4)	(2,698)	3,895	(25,527)
Treasury stock	(197)	(196)	(1,864)
Total stockholders' equity	114,201	118,362	1,080,528
Commitments and contingencies (note 16)			
Total liabilities and stockholders' equity	¥10,062,163	¥4,031,339	\$95,204,494

Consolidated Statements of Income

Japan Securities Finance Co., Ltd. and Consolidated Subsidiaries for the years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (note 2)
	2004	2003	2004
Operating revenues	¥ 30,897	¥28,661	\$292,336
Operating expenses	16,483	15,747	155,956
Operating profit	14,414	12,914	136,380
General and administrative expenses (note 12)	8,419	8,108	79,658
Operating income	5,995	4,806	56,722
Other income (deductions):			
Interest income	194	209	1,836
Dividend income	99	60	937
Interest expenses	(5)	(8)	(47)
Equity in earnings (losses) of affiliates	152	(460)	1,438
Reversal of allowance for doubtful receivables	—	281	—
Gain (loss) on sale of investments in securities (note 4)	336	(336)	3,179
Loss on devaluation of investments in securities (note 4)	—	(1,183)	—
Other, net	70	93	662
	846	(1,344)	8,005
Net income before income taxes	6,841	3,462	64,727
Income taxes (note 9):			
Current	3,265	1,787	30,892
Deferred	(426)	(71)	(4,030)
	2,839	1,716	26,862
Net income	¥ 4,002	¥ 1,746	\$ 37,865

	Yen		U.S. dollars (note 2)
	2004	2003	2004
Per share of common stock:			
Net income—basic (note 13)	¥ 38.76	¥ 15.86	\$ 0.37
Cash dividends applicable to the year (note 11)	7.00	7.00	0.07

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

Japan Securities Finance Co., Ltd. and Consolidated Subsidiaries for the years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (note 2)
	2004	2003	2004
Common stock (note 10):			
Balance at beginning of year	¥ 10,000	¥ 10,000	\$ 94,616
Balance at end of year	10,000	10,000	94,616
Additional paid-in capital (note 10):			
Balance at beginning of year	5,182	5,182	49,030
Balance at end of year	5,182	5,182	49,030
Retained earnings (note 11):			
Balance at beginning of year	99,494	100,847	941,376
Increase resulting from the merger of an affiliate and its subsidiary	309	—	2,924
Cash dividends	(713)	(752)	(6,746)
Bonuses to directors and corporate auditors	(77)	(95)	(729)
Net income	4,002	1,746	37,865
Retirement of treasury stock	(1,088)	(2,252)	(10,294)
Balance at end of year	101,927	99,494	964,396
Loss on revaluation of land at end of year	(13)	(13)	(123)
Net unrealized gain (loss) on other securities at end of year (note 4)	(2,698)	3,895	(25,527)
Treasury stock at end of year	(197)	(196)	(1,864)
Total stockholders' equity at end of year	¥114,201	¥118,362	\$1,080,528

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Japan Securities Finance Co., Ltd. and Consolidated Subsidiaries for the years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (note 2)
	2004	2003	2004
Cash flows from operating activities:			
Income before income taxes	¥ 6,841	¥ 3,462	\$ 64,727
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	840	882	7,948
Losses relating to short-term investments and investments in securities	2,925	512	27,675
Allowance for doubtful receivables	278	(286)	2,630
Increase (decrease) in liabilities for retirement and severance benefits	188	(363)	1,779
Interest and dividend income	(13,851)	(9,072)	(131,053)
Interest expenses	1,340	949	12,679
Equity in (earnings) losses of affiliates	(152)	460	(1,438)
(Increase) decrease in short-term loans receivable	(1,834,571)	275,166	(17,358,038)
Increase in call loans	(33,000)	(8,600)	(312,234)
(Increase) decrease in collateral money for securities borrowed	(1,056,633)	934,434	(9,997,474)
Increase in call money	509,900	150,500	4,824,487
Increase in bills sold	2,164,100	96,200	20,475,920
Increase in short-term borrowings	549,000	97,169	5,194,437
Increase (decrease) in payables under repurchase agreements	(164,372)	246,637	(1,555,228)
Increase (decrease) in commercial paper	124,900	32,100	1,181,758
Increase (decrease) in collateral money received for securities lent	1,115,954	(1,177,534)	10,558,747
Increase in collateral money received for loan transactions	27,361	1,391	258,880
Purchase of short-term investments	(7,202,043)	(4,934,365)	(68,143,088)
Proceeds from sale/redemption of short-term investments	5,774,180	4,273,582	54,633,172
Other, net	26,666	22,514	252,304
Sub total	(149)	5,738	(1,410)
Interest and dividend received	13,479	8,531	127,533
Interest paid	(1,317)	(960)	(12,461)
Income taxes paid	(2,061)	(1,213)	(19,500)
Net cash provided by operating activities	9,952	12,096	94,162
Cash flows from investing activities:			
Purchase of investments in securities	(373)	(4,695)	(3,529)
Proceeds from sale/redemption of investments in securities	4,827	825	45,671
Capital expenditures	(669)	(435)	(6,330)
Purchase of intangible assets	(273)	(3,103)	(2,583)
Other, net	32	11	303
Net cash provided by (used in) investing activities	3,544	(7,397)	33,532
Cash flows from financing activities:			
Dividends paid to stockholders	(713)	(752)	(6,746)
Purchase of common stock for retirement	(1,088)	(2,252)	(10,294)
Other, net	-	1	-
Net cash used in financing activities	(1,801)	(3,003)	(17,040)
Net increase in cash and cash equivalents	11,695	1,696	110,654
Cash and cash equivalents at beginning of year	23,672	21,976	223,976
Cash and cash equivalents at end of year (note 3)	¥ 35,367	¥ 23,672	\$ 334,630

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Japan Securities Finance Co., Ltd. and Consolidated Subsidiaries

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presenting Consolidated Financial Statements

Japan Securities Finance Co., Ltd. (the Company) and its consolidated subsidiaries maintain their books of account and prepare their financial statements in conformity with financial accounting standards of Japan.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the financial statements issued domestically in Japan in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries (3 subsidiaries for 2004 and 2003).

All significant intercompany accounts and transactions have been eliminated in consolidation.

Investments in affiliates are accounted for by the equity method.

The Accounting Standards for Consolidation require the control or influence concept for the consolidation scope of subsidiaries and affiliates. Under the control or influence concept, a company in which the parent company or its consolidated subsidiaries, directly or indirectly, are able to exercise control over operations is fully consolidated, and another company over which the parent company and/or its consolidated subsidiaries have the ability to exercise significant influence is accounted for by the equity method.

The excess of cost over the underlying net assets at the dates of investment in subsidiaries is being amortized over 5 years.

(c) Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Company considers all highly liquid investments with insignificant risk of changes in value which have maturities of generally three months or less when purchased to be cash equivalents.

(d) Short-term Investments and Investments in Securities

Under the Accounting Standards for Financial Instruments, securities are classified into four categories – “trading securities”, “held-to-maturity securities”, “investments in affiliates” and “other securities”. Securities classified as “trading securities” are stated at fair value and unrealized gains or losses are recorded in the consolidated statements of income. Securities classified as “held-to-maturity securities” are stated at amortized cost. Securities classified as “other securities” are stated at fair value and unrealized gains or losses, net of related taxes, are excluded from earnings and recorded in a separate component of stockholders’ equity. Realized gains or losses on the other securities are determined by the moving average method.

(e) Inventories

Inventories are stated at cost. Cost is determined principally by the specific identification method.

(f) Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation is provided by the declining-balance method based on estimated useful lives.

The estimated useful lives are as follows:

Buildings and structures 3–50 years

(g) Intangible Assets

Software development expenses are deferred and amortized by the straight-line method over the estimated useful lives (5 years). Intangible assets other than software are deferred and amortized by the straight-line method at rates based on the estimated useful lives of the respective assets.

(h) Allowance for Doubtful Receivables

An allowance for doubtful receivables is provided at an amount of uncollectible receivables based on historical loss ratios and an amount that takes into consideration the possibility of specific liabilities.

(i) Retirement and Severance Benefits

The Company and its consolidated subsidiaries have retirement benefit plans covering substantially all employees.

Under the Accounting Standards for Retirement and Severance Benefits, provisions have been made in the accompanying consolidated financial statements based on the present value of the projected future retirement and severance benefits attributable to employee services rendered by the end of the year, less amounts funded under contributory and noncontributory pension plans.

(j) Leases

Finance leases, except for those where the legal title of the underlying property is transferred from the lessor to the lessee at the end of the lease term, are accounted for similarly to operating leases.

(k) Income Taxes

The Accounting Standards for Deferred Income Taxes require that deferred income taxes should be accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled, and the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(l) 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 stockholders at a general meeting to be held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriation. (See note 11)

(m) Data per Common Share

Net income per share is computed on the basis of the weighted average number of shares of common stock outstanding during the respective years. (See note 13)

Cash dividends per share are computed based on dividends actually paid during the year.

(n) Reclassifications

Certain reclassifications of the accompanying consolidated financial statements as of and for the year ended March 31, 2003 have been made to conform to the 2004 presentation.

(2) FINANCIAL STATEMENT TRANSLATION

The consolidated financial statements are expressed in Japanese yen. However, solely for the convenience of the reader, the consolidated financial statements as of and for the year ended March 31, 2004 have been translated into United States dollars at the rate of ¥105.69=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2004. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at such rate.

(3) CASH AND CASH EQUIVALENTS

A reconciliation of the cash and cash equivalents of consolidated balance sheets and that of consolidated statements of cash flows at March 31, 2004 and 2003 is follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Cash	¥35,369	¥23,699	\$334,649
Time deposits that have maturities of over three months when acquired	(2)	(27)	(19)
Cash and cash equivalents	¥35,367	¥23,672	\$334,630

(4) SHORT-TERM INVESTMENTS AND INVESTMENTS IN SECURITIES

Balance sheet amount, gross unrealized gain and unrealized loss and fair value of held-to-maturity as of March 31, 2004 and 2003 are summarized as follows:

	Millions of yen				Thousands of U.S. dollars			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value
March 31, 2004								
Government bond securities	¥ 15	¥ -	¥ -	¥ 15	\$ 142	\$ -	\$ -	\$ 142
Corporate bond securities	502	2	-	504	4,750	19	-	4,769
Others	-	-	-	-	-	-	-	-
	¥517	¥ 2	¥ -	¥519	\$4,892	\$19	\$ -	\$4,911
March 31, 2003								
Government bond securities	¥ 15	¥ -	¥ -	¥ 15				
Corporate bond securities	608	1	5	604				
Others	-	-	-	-				
	¥623	¥ 1	¥ 5	¥619				

FINANCIAL SECTION

Acquisition cost, gross unrealized gain and gross unrealized loss and balance sheet amount of other securities with fair value as of March 31, 2004 and 2003 are summarized as follows:

	Millions of yen			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
March 31, 2004				
Equity securities	¥ 1,149	¥2,470	¥ -	¥ 3,619
Bond securities:				
Government bond securities	3,307,907	2,032	11,878	3,298,061
Corporate bond securities	242,072	130	65	242,137
Others	-	-	-	-
Other securities	34	9	-	43
	¥3,551,162	¥4,641	¥ 11,943	¥3,543,860
March 31, 2003				
Equity securities	¥ 5,480	¥ 307	¥ 139	¥ 5,648
Bond securities:				
Government bond securities	1,320,080	5,585	262	1,325,403
Corporate bond securities	215,541	331	68	215,804
Others	-	-	-	-
Other securities	22	-	-	22
	¥1,541,123	¥ 6,223	¥ 469	¥1,546,877

	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
March 31, 2004				
Equity securities	\$ 10,872	\$23,370	\$ -	\$ 34,242
Bond securities:				
Government bond securities	31,298,202	19,226	112,385	31,205,043
Corporate bond securities	2,290,396	1,230	615	2,291,011
Others	-	-	-	-
Other securities	322	85	-	407
	\$33,599,792	\$43,911	\$113,000	\$33,530,703

It is not practicable to estimate the fair value of securities as of March 31, 2004 and 2003 described bellow because of lack of market price and difficulty in estimating fair value.

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Unlisted equity securities	¥634	¥334	\$5,999

Projected future redemption of other securities with maturities and held-to-maturity securities at March 31, 2004 are summarized as follows:

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Bond securities:				
Government bond securities	¥757,583	¥2,225,980	¥304,604	¥9,909
Corporate bond securities	100,007	140,332	2,300	-
Others	-	-	-	-
	¥857,590	¥2,366,312	¥306,904	¥9,909

FINANCIAL SECTION

	Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Bond securities:				
Government bond securities	\$7,167,972	\$21,061,406	\$2,882,051	\$93,755
Corporate bond securities	946,230	1,327,770	21,762	—
Others	—	—	—	—
	\$8,114,202	\$22,389,176	\$2,903,813	\$93,755

For the years ended March 31, 2004 and 2003, proceeds from sale of other securities are ¥3,919,247 million (\$37,082,477 thousand) and ¥1,653,057 million, the gross realized gains are ¥2,070 million (\$19,586 thousand) and ¥1,378 million, and the gross realized losses are ¥3,302 million (\$31,242 thousand) and ¥707 million, respectively.

(5) INVESTMENTS IN AFFILIATES

The aggregate carrying amounts of investments in affiliates as of March 31, 2004 and 2003 are ¥14,172 million (\$134,090 thousand) and ¥12,788 million, respectively.

(6) LAND REVALUATION

As of March 31, 2002, the Company revaluated its land at fair value, pursuant to the Enforcement Ordinance for the Law Concerning Land Revaluation and its amendments (the "Law"). According to the Law, net unrealized loss is reported in a separate component of stockholders' equity net of related taxes, and the related deferred tax assets are reported in assets as deferred tax assets for land revaluation.

The book value of the land of ¥978 million before the revaluation was revaluated at ¥956 million at March 31, 2002. The value of the land at March 31, 2004 decreased by ¥185 million (\$1,750 thousand) in comparison with the book value of the land after the revaluation.

(7) SHORT-TERM DEBT

The composition of short-term debt and the weighted average interest rate on short-term debt at March 31, 2004 and 2003 are as follows:

	Millions of yen	Thousands of U.S. dollars	Weighted average rate
March 31, 2004			
Short-term borrowings	¥1,223,820	\$11,579,336	0.057%
Call money	1,428,400	13,514,997	0.011
Bills sold	2,461,600	23,290,756	0.009
Commercial paper	210,000	1,986,943	0.018
Payables under repurchase agreements	82,265	778,361	0.001
Other	3,297	31,195	1.375
	¥5,409,382	\$51,181,588	
	Millions of yen		Weighted average rate
March 31, 2003			
Short-term borrowings	¥ 674,820		0.121%
Call money	918,500		0.019
Bills sold	297,500		0.010
Commercial paper	85,100		0.032
Payables under repurchase agreements	246,637		0.004
Other	4,202		1.375
	¥2,226,759		

(8) RETIREMENT AND SEVERANCE BENEFITS

The Company and its consolidated subsidiaries have defined benefit retirement and pension plans, which consist of unfunded retirement and severance plans that provide for lump-sum payment of benefits, tax qualified noncontributory pension plans and contributory benefit plans provided under the Welfare Pension Insurance Law of Japan.

The funded status of the pension plans at March 31, 2004 and 2003 is outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Projected benefit obligation	¥(7,688)	¥(7,215)	\$(72,741)
Plan assets at fair value	3,086	2,682	29,199
Funded status	(4,602)	(4,533)	(43,542)
Unrecognized actuarial loss	1,186	1,177	11,221
Amount recognized in the consolidated balance sheets	(3,416)	(3,356)	(32,321)
Prepaid retirement and severance benefits	55	42	520
Accrued retirement and severance benefits	¥(3,471)	¥(3,398)	\$(32,841)

Net periodic pension cost for the years ended March 31, 2004 and 2003 consists of the following components:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Service cost	¥254	¥238	\$2,404
Interest cost	176	196	1,665
Expected return on plan assets	(46)	(50)	(435)
Amortization of actuarial loss	163	63	1,542
Net periodic pension cost	¥547	¥447	\$5,176

Significant assumptions of pension plans used to determine these amounts in fiscal 2004 and 2003 are as follows:

	2004	2003
Periodic allocation method for projected benefit	Straight-line	Straight-line
Discount rate	Mainly 2.0%	Mainly 2.5%
Expected rate of return on plan assets	Mainly 2.0%	Mainly 2.0%
Period for amortization of unrecognized actuarial loss	Mainly 15 years	Mainly 15 years

Plan assets of the welfare pension fund at March 31, 2004 and 2003 are estimated to be ¥4,139 million (\$39,162 thousand) and ¥3,352 million, respectively.

Directors and corporate auditors are not covered by the plans described above. For such persons, the Company and certain subsidiaries have unfunded defined benefit pension plans. Under the plans, directors and corporate auditors are entitled to lump-sum payments based on the current rate of pay and length of service when they leave the Company. The Company provides for the amount of the vested benefits to which directors and corporate auditors are entitled if they were to retire or sever immediately at the balance sheet dates. As of March 31, 2004 and 2003, the liabilities for retirement and severance benefits related to the plans were ¥743 million (\$7,030 thousand) and ¥627 million, respectively.

(9) INCOME TAXES

The Company and its consolidated subsidiaries are subject to Japanese corporate, inhabitant and business taxes based on income which, in the aggregate, result in a statutory tax rate of approximately 42.1% in 2004 and 2003.

Amendments to Japanese tax regulations were enacted on March 31, 2003. As a result of these amendments, the normal income tax rate is to be reduced from approximately 42.1% to 40.7% effective from the Company's fiscal year beginning April 1, 2004. Deferred income tax assets and liabilities as of March 31, 2003 which were expected to be eliminated after April 1, 2004 were revaluated at a rate of 40.7%. The effect of the income tax rate reduction on net deferred tax assets as of March 31, 2003, which amounted to ¥55 million, was charged to income.

A reconciliation of the statutory tax rate and the effective tax rate as a percentage of income before income taxes and minority interests for the years ended March 31, 2004 and 2003 is follows:

	2004	2003
Statutory tax rate	42.1%	42.1%
Equity in losses (gains) of affiliates	(0.9)	5.6
Expenses not deductible for tax purposes	0.2	0.3
Income not credited for tax purposes	(0.3)	(0.4)
Effect of change in the tax rate	0.6	1.4
Tax credit for information technology investment	(0.4)	—
Other	0.2	0.6
Effective tax rate	41.5%	49.6%

Significant components of deferred tax assets and liabilities at March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Deferred tax assets:			
Accrued business tax	¥ 214	¥ 108	\$ 2,025
Accrued bonuses	262	238	2,479
Liabilities for retirement and severance benefits (employees)	1,231	1,159	11,647
Liabilities for retirement and severance benefits (directors and corporate auditors)	302	255	2,857
Allowance for doubtful receivables	389	—	3,681
Net unrealized loss on other securities	4,597	91	43,495
Other	206	371	1,949
	¥ 7,201	¥2,222	\$ 68,133
Deferred tax liabilities:			
Gain on evaluation of subsidiaries' assets and liabilities	(182)	(182)	(1,722)
Net unrealized gain on other securities	(1,625)	(2,513)	(15,375)
Other	(43)	(7)	(407)
	(1,850)	(2,702)	(17,504)
Net deferred tax assets (liabilities)	¥ 5,351	¥ (480)	\$ 50,629

Net deferred tax assets and liabilities as of March 31, 2004 and 2003 are reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Current assets—Deferred tax assets	¥ 782	¥ 448	\$ 7,399
Investments and other assets—Deferred tax assets	4,704	179	44,507
Non-current liabilities—Deferred tax liabilities	(135)	(1,107)	(1,277)

(10) COMMON STOCK

Under the Commercial Code of Japan, at least 50% of the issue price of new shares is required to be designated as stated common stock. The actual portion to be designated as stated common stock is determined by resolution of the Board of Directors. Proceeds in excess of the amount designated as stated common stock are credited to additional paid-in capital.

(11) RETAINED EARNINGS AND DIVIDENDS

The Commercial Code of Japan provides that an amount equal to at least 10% of appropriations paid in cash should be appropriated as a legal reserve until an aggregated amount of additional paid-in capital and the legal reserve equal 25% of common stock.

This legal reserve and additional paid-in capital may be used to reduce a deficit by approval at the meeting of stockholders or may be transferred to stated common stock by resolution of the Board of Directors. On condition that the total amount of legal reserve and additional paid-in capital remains equal to or exceeds 25% of stated common stock, they are available for distribution by approval at the meeting of stockholders.

Balances of the legal reserve are included in retained earnings in the accompanying consolidated balance sheets.

The amount available for dividends is based on the amount recorded in the Company's non-consolidated books of account in accordance with the Commercial Code of Japan.

In accordance with the Commercial Code of Japan, proposed appropriations of retained earnings have not been reflected in the financial statements at the end of each fiscal year. The proposed appropriation of retained earnings at March 31, 2004 was cash dividends of ¥698 million (\$6,604 thousand).

(12) GENERAL AND ADMINISTRATIVE EXPENSES

Significant components of general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Salaries	¥3,046	¥3,030	\$28,820
Pension cost	505	420	4,778
Provision for retirement and severance benefits (directors and corporate auditors)	173	175	1,637
Administrative and computer expenses	1,156	1,149	10,938
Depreciation	824	864	7,796

(13) NET INCOME PER SHARE INFORMATION

Reconciliation of the numbers and the amounts used in the basic net income per share computations for the years ended March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Net income	¥4,002	¥1,746	\$37,865
Net income not applicable to common stockholders:			
Directors' and corporate auditors' bonuses	(115)	(76)	(1,088)
Net income applicable to common stockholders	3,887	1,670	36,777
	Number of shares (Thousands)		
	2004	2003	
Weighted average number of shares on which basic net income per share is calculated	100,274	105,251	

(14) LEASES

Finance leases, except for those where the legal title of the underlying property is transferred from the lessor to the lessee at the end of the lease term, are accounted for similarly to operating leases under accounting principles generally accepted in Japan.

Certain key information about such lease contracts of the Company and its consolidated subsidiaries for the years ended March 31, 2004 and 2003 are as follows:

(a) Lessee

(i) Acquisition cost, accumulated depreciation and net book value of leased assets, if they had been capitalized:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Furniture and fixtures:			
Acquisition cost	¥ 492	¥487	\$4,655
Accumulated depreciation	(265)	(145)	(2,507)
Net book value	¥ 227	¥342	\$2,148

(ii) Lease expense and future minimum lease payments including interest expense:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Lease expense	¥120	¥ 83	\$1,135
Future minimum lease payments:			
Within one year	¥108	¥119	\$1,022
Over one year	119	223	1,126
	¥227	¥342	\$2,148

(b) Lessor

(i) Acquisition cost, accumulated depreciation and net book value of leasing assets:

	Millions of yen						Thousands of U.S. dollars		
	2004			2003			2004		
	Furniture and fixtures	Others	Total	Furniture and fixtures	Others	Total	Furniture and fixtures	Others	Total
Acquisition cost	¥ 342	¥ 77	¥ 419	¥ 485	¥ 81	¥ 566	\$ 3,236	\$ 728	\$ 3,964
Accumulated depreciation	(216)	(23)	(239)	(274)	(32)	(306)	(2,044)	(217)	(2,261)
Net carrying amount	¥ 126	¥ 54	¥ 180	¥ 211	¥ 49	¥ 260	\$ 1,192	\$ 511	\$ 1,703

(ii) Lease income, depreciation and future minimum lease payments including interest income:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Lease income	¥135	¥195	\$1,277
Depreciation	69	116	653
Future minimum lease payments:			
Within one year	¥ 91	¥132	\$ 861
Over one year	116	159	1,098
	¥207	¥291	\$1,959

(15) PLEDGED ASSETS

The carrying value and classification of assets owned by the Company and its consolidated subsidiaries that have been pledged to counterparties at March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Sources of collateral			
Short-term investments	¥ 828,561	¥ 889,842	\$ 7,839,540
Short-term loans receivable	1,186,046	237,736	11,221,932
Securities in custody	305,600	50,800	2,891,475
Securities in deposit	298,922	42,443	2,828,290
Collateral money for securities borrowed	262,627	173,328	2,484,880
Other current assets	—	3,999	—
Investments in securities	1,960,394	482,717	18,548,529
Uses of collateral			
Call money	¥ 987,500	¥ 703,500	\$ 9,343,363
Bills sold	2,461,600	297,500	23,290,756
Payables under repurchase agreements	82,265	246,637	778,361
Collateral money received for securities lent	659,655	2,000	6,241,414
Securities borrowed	262,627	173,328	2,484,880

In addition to the above, securities received as collateral for loans receivable amounting to ¥521,582 million (\$4,935,018 thousand) and ¥303,599 million were deposited as guarantee at March 31, 2004 and 2003, respectively.

The fair value of the securities received as collateral for cash collateral bond borrowing and lending transaction and securities borrowed under loan for consumption agreement at March 31, 2004 and 2003 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Securities loaned	¥1,479,921	¥696,934	\$14,002,469
Securities pledged as collateral	1,004,270	236,156	9,502,034
Securities on hand	142,055	32,646	1,344,072

(16) COMMITMENTS AND CONTINGENCIES

As of March 31, 2004 and 2003, undrawn amount of general loan for securities companies and customers and overdraft loan are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Total credit line	¥572,280	¥556,818	\$5,414,703
Drawn amount	(45,335)	(30,639)	(428,943)
Undrawn amount	¥526,945	¥526,179	\$4,985,760

(17) SEGMENT INFORMATION**(a) Industry Segments**

Operations by business group are summarized as follows:

	Millions of yen				
	2004				
	Securities finance	Data processing service	Total	Elimination/corporate	Consolidated
Revenues from outside customers	¥ 27,520	¥ 3,377	¥ 30,897	¥ –	¥ 30,897
Inter-segment revenues	17	119	136	(136)	–
	27,537	3,496	31,033	(136)	30,897
Operating expenses	21,503	3,531	25,034	(132)	24,902
Operating income (loss)	¥ 6,034	¥ (35)	¥ 5,999	¥ (4)	¥ 5,995
Assets	¥10,059,902	¥ 2,288	¥10,062,190	¥ (27)	¥10,062,163
Depreciation and amortization	639	205	844	(4)	840
Capital expenditures	881	66	947	(5)	942
	2003				
	Securities finance	Data processing service	Total	Elimination/corporate	Consolidated
Revenues from outside customers	¥ 25,296	¥ 3,365	¥ 28,661	¥ –	¥ 28,661
Inter-segment revenues	17	107	124	(124)	–
	25,313	3,472	28,785	(124)	28,661
Operating expenses	20,485	3,489	23,974	(119)	23,855
Operating income (loss)	¥ 4,828	¥ (17)	¥ 4,811	¥ (5)	¥ 4,806
Assets	¥ 4,029,100	¥ 2,268	¥ 4,031,368	¥ (29)	¥ 4,031,339
Depreciation and amortization	647	237	884	(2)	882
Capital expenditures	3,314	60	3,374	(5)	3,369
	Thousand of U.S. dollars				
	2004				
	Securities finance	Data processing service	Total	Elimination/corporate	Consolidated
Revenues from outside customers	\$ 260,384	\$31,952	\$ 292,336	\$ –	\$ 292,336
Inter-segment revenues	161	1,126	1,287	(1,287)	–
	260,545	33,078	293,623	(1,287)	292,336
Operating expenses	203,454	33,409	236,863	(1,249)	235,614
Operating income (loss)	\$ 57,091	\$ (331)	\$ 56,760	\$ (38)	\$ 56,722
Assets	\$95,183,102	\$21,648	\$95,204,750	\$ (256)	\$95,204,494
Depreciation and amortization	6,046	1,940	7,986	(38)	7,948
Capital expenditures	8,336	624	8,906	(47)	8,913

Notes: 1. Business segments reflect the actual business contents.

2. Major revenues of each business segment

Securities finance segment: interest income on loans, securities lending fees, etc.

Data processing service segment: service fees for computer processing

3. All of the assets are allocated to both segments.

(b) Geographic Segments

The Company does not have any overseas subsidiaries for the years ended March 31, 2004 and 2003.

(c) Overseas Sales

Not applicable.

INDEPENDENT AUDITORS' REPORT

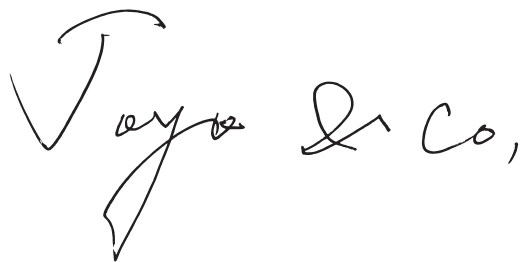
To the Stockholders and Board of Directors of
Japan Securities Finance Co., Ltd.

We have audited the accompanying consolidated balance sheets of Japan Securities Finance Co., Ltd. and consolidated subsidiaries as of March 31, 2004 and 2003, and related consolidated statements of income, stockholders' equity and cash flows for the years then ended, all expressed in Japanese 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Japan Securities Finance Co., Ltd. and consolidated subsidiaries as of March 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The accompanying consolidated financial statements as of and for the year ended March 31, 2004 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into United States dollars on the basis described in Note 2 to the consolidated financial statements.

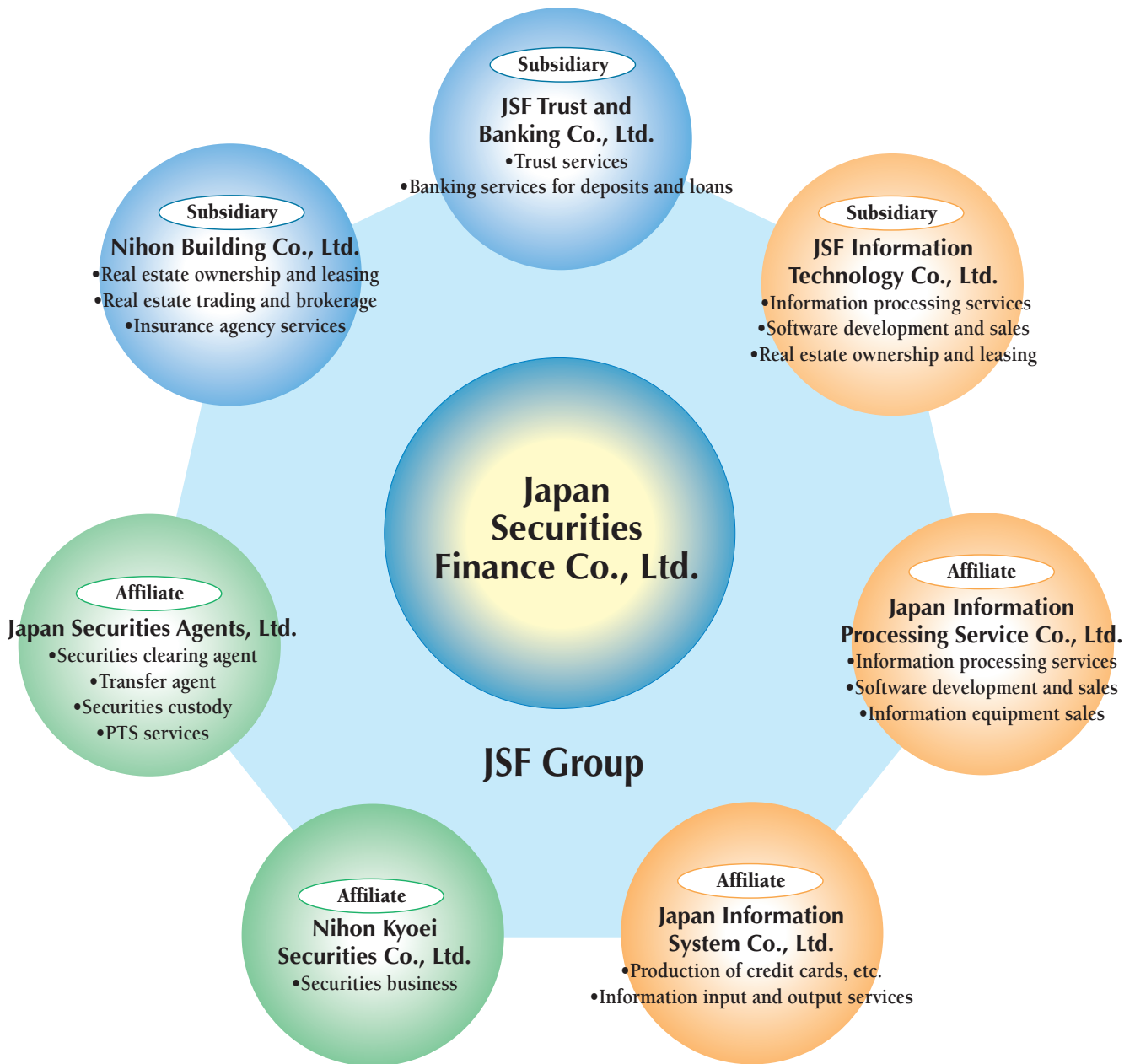
A handwritten signature in black ink, appearing to read "Toyo & Co.", with a stylized flourish above the first letter.

Toyo & Co.
Tokyo, Japan
June 25, 2004

See Note 1(a) to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of Japan Securities Finance Co., Ltd. and consolidated subsidiaries under Japanese accounting principles and practices.

OUTLINE OF THE CORPORATE GROUP

- Securities Finance Business
- Information Processing Business
- Other Business



CORPORATE DATA

Japan Securities Finance Co., Ltd.

Address

1-2-10 Nihonbashi-Kayabacho, Chuo-ku, Tokyo 103-0025
Tel: +81-3-3666-3184 Fax: +81-3-3666-1403

Established

July 1927

Capital

¥10 billion

Branch offices

Sapporo Branch

4-5 Minami Ichijo Nishi, Chuo-ku, Sapporo 060-0061
Tel: +81-11-241-1291

Fukuoka Branch

2-14-2 Tenjin, Chuo-ku, Fukuoka, 810-0001
Tel: +81-92-741-1861

Web site

<http://www.jsf.co.jp>

Stock exchange listing

Tokyo Stock Exchange, 1st Section

Shares outstanding

99,704,000 shares (as of March 31, 2004)

Number of shareholders

7,811 shareholders (as of March 31, 2004)

Transfer agent

Japan Securities Agents, Ltd.

1-2-4 Nihonbashi-Kayabacho, Chuo-ku, Tokyo 103-8202
Tel: +81-3-3668-9211

Board of Directors and Corporate Auditors

Directors

<i>Chairman</i>	Kunio Kojima
<i>President</i>	Minoru Masubuchi
<i>Executive Vice President</i>	Hiroshi Saito
<i>Senior Managing Director</i>	Tasuku Horiguchi
<i>Managing Directors</i>	Hisao Harada Yoshiyuki Kazama

Directors

Sadamu Shimomura
Akira Onoda
Junji Kato
Takashi Imai*
Akira Kanno*
Eiichiro Okumoto*
*Outside Directors

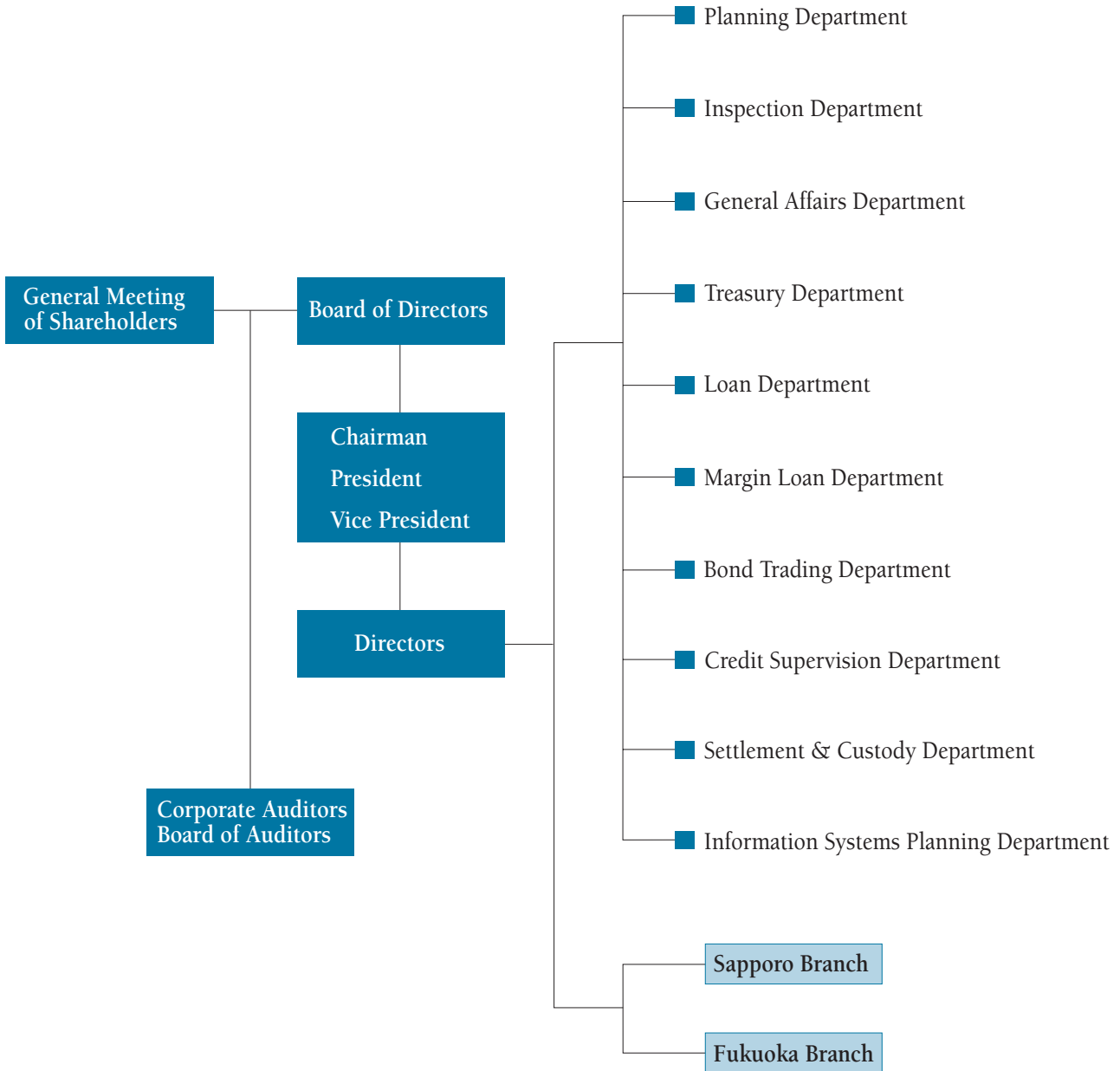
Corporate Auditors

Munetaka Tada
Yoshiyasu Arai*
Yasukuni Watanabe*
Toshio Kamiyama*
*Outside Corporate Auditors

Rating Information

	Long-term Rating	Short-term Rating
Standard and Poor's (S&P)	A-	A-2
Moody's	A3	P-2
Rating and Investment Information, Inc. (R&I)	AA-	a-1+
Japan Credit Rating Agency (JCR)	AA-	J-1+

Organization





JAPAN SECURITIES FINANCE CO., LTD.

1-2-10 Nihonbashi-Kayabacho, Chuo-ku, Tokyo, 103-0025