# JAPAN SECURITIES FINANCE CO.,LTD.

## Consolidated Financial Results for the Third Quarter ended December 31, 2006

Name：Japan Securities Finance Co.,Ltd.
Listing：First Section, Tokyo Stock Exchange
Stock code number：8511
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**1.Informaion relating to the preparation of quarterly financial statements**

(1)Adoption of simplified methods in accounting practices(yes/no):Yes
(Details) Basis for the calculation of corporation tax,etc.:
Calculated by multiplying quarterly income before tax,etc.,by the estimated effective consolidated tax rate at the end of the fiscal years.

(2)Any differences between the accounting practices used here and those used in preparing consolidated accounts for the previous business year(yes/no):No

(3)Changes in the scope of consolidation and interests accounted for by the equity method (yes/no):Yes

Changes in scope of consolidation or equity method

| | | |
|---|---|---|
| Consolidated subsidiaries | Newly included：0 | Newly exempted：1 |
| Affiliates (based on equity method) | Newly included：1 | Newly exempted：0 |

**2.Financial Results for the Third Quarter of Fiscal 2006(April 1,2006－December 31,2006)**

(1)Results of operations

(Millions of yen, except per－share figures, rounded down to nearest million)

| | Operating revenues | (% change from previous year) | Operating income | (% change) | Recurring income | (% change) |
|---|---|---|---|---|---|---|
| **Third Quarter of Fiscal 2006** | **31,277** | **13.5** | **7,445** | **32.1** | **7,243** | **46.5** |
| Third Quarter of Fiscal 2005 | 27,555 | 2.2 | 5,635 | △28.3 | 4,943 | △32.6 |
| Fiscal 2005 | 37,226 | 3.0 | 8,926 | △12.0 | 8,293 | △13.4 |

| | Net income | (% change) | Net income per share (Yen) | Net income per share (Yen) (fully diluted) |
|---|---|---|---|---|
| **Third Quarter of Fiscal 2006** | **3,070** | **10.7** | **31.10** | **－** |
| Third Quarter of Fiscal 2005 | 2,773 | △34.5 | 28.09 | － |
| Fiscal 2005 | 4,952 | △10.3 | 48.93 | － |

Notes:1.Average number of shares outstanding (consolidated): 98,730,688
(Third Quarter of fiscal 2005: 98,740,643、fiscal 2005: 98,706,637)
2.Percentage figures shown in the operating revenues, operating income, recurring income and net income columns indicate year-on-year changes for those items.

(2)Financial position

(Millions of yen, rounded down to nearest million)

| | Total assets | Net Assets | Equity ratio (%) | Equity per share(Yen) |
|---|---|---|---|---|
| **As of Dec.31, 2006** | **6,086,429** | **121,155** | **2.6** | **1,227.16** |
| As of Dec.31, 2005 | 9,162,894 | 122,416 | 2.0 | 1,241.44 |
| Fiscal 2005 | 9,722,382 | 118,961 | 1.7 | 1,205.27 |

Note: Number of shares outstanding as of Dec.31,2006 (consolidated): 98,727,971
(As of Dec.31,2005: 98,609,044、Fiscal 2005: 98,599,095)

(3)Cash flows

(Millions of yen, rounded down to nearest million)

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of 3Q |
|---|---|---|---|---|
| **Third Quarter of Fiscal 2006** | **7,615** | **△743** | **△2,591** | **7,992** |
| Third Quarter of Fiscal 2005 | △63,787 | △987 | △2,606 | 28,574 |
| Fiscal 2005 | △87,764 | △1,746 | △2,620 | 3,823 |

**3.Forecast for fiscal 2006(April 1,2006－March 31,2007)**

(Millions of yen, rounded down to nearest million)

| | Operating Revenues | Recurring Income | Net income |
|---|---|---|---|
| Full-year | 43,000 | 9,400 | 4,700 |

Note：Forecast net income per share：¥47.61

## Consolidated Balance Sheets

| 【Assets】 | Third Quarter Dec.31,2006 | | Third Quarter Dec.31,2005 | | Fiscal 2005 Mar.31,2006 | |
|---|---|---|---|---|---|---|
| | (millions of yen) | (% ratio) | (millions of yen) | (% ratio) | (millions of yen) | (% ratio) |
| **Ⅰ Current Assets** | **5,646,116** | **92.8** | **8,425,423** | **92.0** | **9,026,381** | **92.8** |
| Cash | 7,992 | | 28,574 | | 3,823 | |
| Call Loans | 18,000 | | 42,000 | | 118,000 | |
| Short-term Investments | 1,350,277 | | 952,172 | | 1,365,935 | |
| Short-term Loans Receivable | 1,805,591 | | 3,224,602 | | 3,194,928 | |
| Securities Lent | 722,791 | | 740,879 | | 705,150 | |
| Securities in Custody | 130,610 | | 556,247 | | 193,722 | |
| Securities in Deposit | 580,266 | | 1,727,290 | | 1,740,415 | |
| Deferred Tax Assets | 486 | | 801 | | 855 | |
| Collateral Money for Securities Borrowed | 1,027,573 | | 1,134,761 | | 1,662,232 | |
| Other Current Assets | 3,009 | | 19,792 | | 42,624 | |
| Allowance for Doubtful Receivables | △ 482 | | △ 1,699 | | △ 1,307 | |
| **Ⅱ Non-current Assets** | **440,312** | **7.2** | **737,471** | **8.0** | **696,001** | **7.2** |
| Tangible Non-current Assets | 7,276 | | 7,329 | | 7,530 | |
| Intangible Non-current Assets | 3,060 | | 3,853 | | 3,838 | |
| Investments, etc. | 430,011 | | 726,333 | | 684,673 | |
| Allowance for Doubtful Receivables | △ 36 | | △ 45 | | △ 41 | |
| **Total Assets** | **6,086,429** | **100.0** | **9,162,894** | **100.0** | **9,722,382** | **100.0** |

| 【Liabilities and Stockholders' Equity】 | Third Quarter Dec.31,2006 | | Third Quarter Dec.31,2005 | | Fiscal 2005 Mar.31,2006 | |
|---|---|---|---|---|---|---|
| | (millions of yen) | (% ratio) | (millions of yen) | (% ratio) | (millions of yen) | (% ratio) |
| **Ⅰ Current Liabilities** | **5,944,358** | **97.7** | **9,024,458** | **98.5** | **9,586,858** | **98.6** |
| Call Money | 1,988,300 | | 2,123,700 | | 1,964,400 | |
| Bills Sold | - | | 959,200 | | 672,400 | |
| Short-term Borrowings | 852,280 | | 366,820 | | 1,577,820 | |
| Commercial Paper | 5,000 | | 351,000 | | - | |
| Payables under Repurchase | 155,154 | | 130,627 | | 114,420 | |
| Collateral Money for Securities Lent | 1,442,048 | | 1,911,084 | | 2,462,856 | |
| Collateral Securities Deposited | 1,081,960 | | 2,347,562 | | 2,328,082 | |
| Securities Borrowed | 348,015 | | 668,118 | | 302,380 | |
| Securities Lent Opposite Account | 3,692 | | 8,737 | | 8,825 | |
| Other Current Liabilities | 67,907 | | 157,607 | | 155,673 | |
| **Ⅱ Non-current Liabilities** | **20,915** | **0.3** | **16,019** | **0.2** | **16,562** | **0.2** |
| Long-term Borrowings | 16,500 | | 2,500 | | 4,500 | |
| Liabilities for Retirement and Severance Benefits | 2,982 | | 3,894 | | 3,924 | |
| Other Non-Current Liabilities | 1,432 | | 9,624 | | 8,138 | |
| **Total Liabilities** | **5,965,273** | **98.0** | **9,040,477** | **98.7** | **9,603,421** | **98.8** |
| **Total Stockholders' Equity** | **-** | **-** | **122,416** | **1.3** | **118,961** | **1.2** |
| **Total Liabilities and Stockholders' Equity** | **-** | **-** | **9,162,894** | **100.0** | **9,722,382** | **100.0** |
| **Total Net Assets** | **121,155** | **2.0** | **-** | **-** | **-** | **-** |
| **Total Liabilities and Net Assets** | **6,086,429** | **100.0** | **-** | **-** | **-** | **-** |

## Consolidated Statement of Income

| | Third Quarter Apr.1,2006- Dec.31,2006 | | Third Quarter Apr.1,2005- Dec.31,2005 | | Fiscal 2005 Apr.1,2005- Mar.31,2006 | |
|---|---|---|---|---|---|---|
| | (millions of yen) | (% ratio) | (millions of yen) | (% ratio) | (millions of yen) | (% ratio) |
| **Operating Revenues** | **31,277** | **100.0** | **27,555** | **100.0** | **37,226** | **100.0** |
| Interest on Loans | 11,430 | | 7,942 | | 12,413 | |
| Interest on Collateral Money for Securities Borrowed | 2,510 | | 1,035 | | 1,226 | |
| Fees on Lending Securities | 9,055 | | 11,298 | | 13,777 | |
| Other Operating Revenues | 8,280 | | 7,277 | | 9,808 | |
| **Operating Expenses** | **17,204** | **55.0** | **14,769** | **53.6** | **19,142** | **51.4** |
| Interest on Borrowing | 7,174 | | 1,072 | | 1,489 | |
| Interest on Commercial Paper | 131 | | 20 | | 35 | |
| Fees on Borrowing Securities | 5,523 | | 8,219 | | 9,540 | |
| Other Operating Expenses | 4,374 | | 5,457 | | 8,076 | |
| **Operating Profit** | **14,073** | **45.0** | **12,785** | **46.4** | **18,083** | **48.6** |
| General and Administrative Expenses | 6,628 | 21.2 | 7,149 | 25.9 | 9,157 | 24.6 |
| **Operating Income** | **7,445** | **23.8** | **5,635** | **20.5** | **8,926** | **24.0** |
| Non-operating Income | 220 | 0.7 | 165 | 0.5 | 196 | 0.5 |
| Non-operating Expenses | 421 | 1.3 | 856 | 3.1 | 830 | 2.2 |
| **Recurring Income** | **7,243** | **23.2** | **4,943** | **17.9** | **8,293** | **22.3** |
| Extraordinary Profit | 836 | 2.6 | 16 | 0.1 | 33 | 0.1 |
| Extraordinary Loss | 1,379 | 4.4 | 123 | 0.4 | 140 | 0.4 |
| **Net Income before Income Taxes** | **6,700** | **21.4** | **4,836** | **17.6** | **8,186** | **22.0** |
| Current Income Taxes | 3,111 | 9.9 | 1,828 | 6.6 | 2,996 | 8.1 |
| Deffered Income Taxes | 518 | 1.7 | 234 | 0.9 | 237 | 0.6 |
| **Net Income** | **3,070** | **9.8** | **2,773** | **10.1** | **4,952** | **13.3** |

## Consolidated Average Outstanding Balance of Loans

| | Third Quarter Apr.1,2006- Dec.31,2006 | | Third Quarter Apr.1,2005- Dec.31,2005 | | Fiscal 2005 Apr.1,2005- Mar.31,2006 | |
|---|---|---|---|---|---|---|
| | (billions of yen) | (% ratio) | (billions of yen) | (% ratio) | (billions of yen) | (% ratio) |
| Loans for Margin Transactions | 1,501.4 | 63.3 | 1,358.3 | 53.1 | 1,637.6 | 59.3 |
| Bond Financing | 1.0 | 0.0 | 1.5 | 0.1 | 1.8 | 0.1 |
| General Loans | 77.5 | 3.3 | 40.4 | 1.6 | 44.6 | 1.6 |
| (Including Loans for Negotiable Margin Transaction) | (31.8) | (1.3) | (1.0) | (0.0) | (2.5) | (0.1) |
| Trust Bank Loans | 777.2 | 32.8 | 1,088.5 | 42.5 | 1,016.4 | 36.8 |
| Sales under Repurchase Agreements | 6.1 | 0.3 | 64.4 | 2.5 | 53.8 | 2.0 |
| Other Loans | 7.2 | 0.3 | 5.5 | 0.2 | 5.5 | 0.2 |
| **Total** | **2,370.7** | **100.0** | **2,558.8** | **100.0** | **2,760.0** | **100.0** |
| Securities Lent for Margin Transaction | 706.8 | — | 631.4 | — | 651.0 | — |

## Segment Information for Consolidated Operating Revenues

| | Third Quarter Apr.1,2006- Dec.31,2006 | | Third Quarter Apr.1,2005- Dec.31,2005 | | Fiscal 2005 Apr.1,2005- Mar.31,2006 | |
|---|---|---|---|---|---|---|
| | (millions of yen) | (% ratio) | (millions of yen) | (% ratio) | (millions of yen) | (% ratio) |
| Loans for Margin Transactions | 16,212 | 51.8 | 16,949 | 61.5 | 22,933 | 61.8 |
| (Interest on Loans) | 8,072 | 25.8 | 6,356 | 23.1 | 10,158 | 27.3 |
| (Fees on Lending Securities) | 6,923 | 22.1 | 9,454 | 34.3 | 11,226 | 30.2 |
| Bond Financing and General Loans | 916 | 2.9 | 622 | 2.2 | 864 | 2.3 |
| Securities Lending | 3,654 | 11.7 | 1,974 | 7.2 | 2,699 | 7.3 |
| (Stocks) | 1,213 | 3.9 | 1,071 | 3.9 | 1,465 | 4.0 |
| (Bonds) | 2,441 | 7.8 | 903 | 3.3 | 1,234 | 3.3 |
| Trust Banking | 5,069 | 16.2 | 3,330 | 12.1 | 4,286 | 11.5 |
| (Interest on Loans) | 2,402 | 7.7 | 956 | 3.5 | 1,382 | 3.7 |
| (Trust Charges) | 133 | 0.4 | 117 | 0.4 | 161 | 0.4 |
| Real Estate Leasing | 732 | 2.4 | 662 | 2.4 | 871 | 2.3 |
| Other Business | 4,691 | 15.0 | 4,014 | 14.6 | 5,510 | 14.8 |
| (Including Information Prosessing Business) | (610) | (2.0) | (2,163) | (7.9) | (2,992) | (8.0) |
| **Total** | **31,277** | **100.0** | **27,555** | **100.0** | **37,226** | **100.0** |